Consolidated Financial Statements
(Expressed in Canadian dollars)

CHANGFENG ENERGY INC.

Years ended December 31, 2015 and 2014

Deloitte.
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Changfeng Energy Inc.
(incoparated in the Ontario, Canada with limited liability)

We have audited the accompanying consolidated financial statements of Changfeng Energy Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Changfeng Energy Inc. (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard**.**

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 29, 2015.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 28, 2016

CHANGFENG ENERGY INC.

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

At December 31, 2015

	2015	2014
Assets		
Current assets:		
Bank balances and cash (note 21)	$ 14,183,444	$ 12,119,980
Pledged bank deposits (note 21)	2,132,652	-
Trade receivables (note 5)	8,581,260	5,343,496
Other receivables, prepaid expenses and deposits (note 7)	4,082,159	1,666,116
Current portion of long-term lease prepayment (note 10(b))	55,883	49,996
Inventories (note 6)	1,252,368	1,008,946
Total current assets	30,287,766	20,188,534
Non-current assets:		
Long-term deposits and advances (note 7)	2,282,491	1,023,609
Investment in an associate (note 8)	993,885	872,930
Investment in a joint venture (note 9)	4,180,931	-
Property and equipment (note 10(a))	75,104,722	63,547,773
Long-term lease prepayment (note 10(b))	2,097,134	1,928,391
Intangible assets (note 12)	413,769	1,424,933
Total non-current assets	85,072,932	68,797,636
Total assets	$ 115,360,698	$ 88,986,170
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 14(b))	$ 8,469,000	$ 3,609,150
Trade and other payables (note 13)	12,202,494	8,239,967
Tax payable	1,919,609	1,865,375
Deferred revenue	18,665,994	13,403,104
Current portion of long-term debt (note 14(a))	4,048,900	3,364,200
Due to a shareholder (note 20(c))	8,524,000	7,476,000
Due to related parties (note 20(a))	1,343,444	1,369,270
Total current liabilities	55,173,441	39,327,066
Non-current liabilities:		
Long-term debt (note 14(a))	21,210,618	22,073,658
Deferred income - government grants (note 11)	1,113,290	1,021,417
Deferred income tax liability (note 19)	1,493,778	1,250,114
Total non-current liabilities	23,817,686	24,345,189
Total liabilities	78,991,127	63,672,255
Equity:		
Share capital (note 15)	10,640,247	11,032,007
Contributed surplus (note 15)	2,614,974	2,696,380
Statutory surplus reserves (note 15)	4,462,827	3,554,010
Retained earnings	8,559,724	3,256,801
Exchange translation reserve	8,410,072	3,971,706
Total shareholders' equity	34,687,844	24,510,904
Non-controlling interests	1,681,727	803,011
Total equity	36,369,571	25,313,915
Total liabilities and equity	$ 115,360,698	$ 88,986,170

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Yongbiao (Winfield) Ding" Director

"Wencheng Zhang" Director

CHANGFENG ENERGY INC.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
(Expressed in Canadian dollars)

For the year ended December 31, 2015

	2015	2014
Revenue (note 27)	$ 62,127,485	$ 53,128,192
Cost of sales	32,921,885	29,131,906
Gross margin	29,205,600	23,996,286
Expenses:		
General and administrative	13,364,491	10,560,542
Selling and marketing expenses	3,509,038	3,631,952
Impairment losses recognized on trade receivables	204,231	58,444
Stock-based compensation	167,079	271,788
	17,244,839	14,522,726
	11,960,761	9,473,560
Finance costs (note 16)	1,507,191	1,703,872
Interest income	(110,801)	(256,776)
Share of loss of an associate (note 8)	1,335	8,409
Share of loss of a joint venture (note 9)	81,069	-
Profit before income taxes	10,481,967	8,018,055
Income taxes (note 19)	4,066,509	3,975,552
Profit for the year	6,415,458	4,042,503
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	4,868,771	1,612,917
Total comprehensive income	$ 11,284,229	$ 5,655,420
Profit for the year attributable to:		
Owners of the Company	$ 5,967,147	$ 3,783,896
Non-controlling interests	448,311	258,607
	$ 6,415,458	$ 4,042,503
Total comprehensive income attributable to:		
Owners of the Company	$ 10,405,513	$ 5,396,813
Non-controlling interests	878,716	258,607
	$ 11,284,229	$ 5,655,420
Earnings per share attributable to common shareholders (note 18):		
Basic	$ 0.10	$ 0.06
Diluted	0.09	0.06

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CHANGFENG ENERGY INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

For the year ended December 31, 2015

2015	Share capital	Contributed surplus	Statutory surplus reserves	Retained earnings	Exchange translation reserve	Total and Attributable to owners of the Company	Non-controlling interests	Total
Balance, January 1, 2015	$ 11,032,007	$ 2,696,380	$ 3,554,010	$ 3,256,801	$ 3,971,706	$ 24,510,904	$ 803,011	$ 25,313,915
Profit for the year	-	-	-	5,967,147	-	5,967,147	448,311	6,415,458
Exchange differences on translation of foreign operations	-	-	-	-	4,438,366	4,438,366	430,405	4,868,771
Total comprehensive income for the year	-	-	-	5,967,147	4,438,366	10,405,513	878,716	11,284,229
Share repurchase (note 15)	(407,152)	-	-	-	-	(407,152)	-	(407,152)
Option exercised (note 15)	15,392	(3,892)	-	-	-	11,500	-	11,500
Options expired / forfeited (note 15)	-	(244,593)	-	244,593	-	-	-	-
Stock-based compensation (note 15)	-	167,079	-	-	-	167,079	-	167,079
Transfer to statutory surplus reserve	-		908,817	(908,817)	-	-	-	-
Balance, December 31, 2015	$ 10,640,247	$ 2,614,974	$ 4,462,827	$ 8,559,724	$ 8,410,072	$ 34,687,844	$ 1,681,727	$ 36,369,571

2014	Share capital	Contributed surplus	Statutory surplus reserves	Retained earnings	Exchange translation reserve	Total and Attributable to owners of the Company	Non-controlling interests	Total
Balance, January 1, 2014	$ 11,630,789	$ 2,424,592	$ 1,526,693	$ 1,500,222	$ 2,358,789	$ 19,441,085	$ 1,098,853	$ 20,539,938
Profit for the year	-	-	-	3,783,896	-	3,783,896	258,607	4,042,503
Exchange differences on translation of foreign operations	-	-	-	-	1,612,917	1,612,917	-	1,612,917
Total comprehensive income for the year	-	-	-	3,783,896	1,612,917	5,396,813	258,607	5,655,420
Dividend to non-controlling shareholders(note 20)	-	-	-	-	-	-	(554,449)	(554,449)
Share repurchase (note 15)	(598,782)	-	-	-	-	(598,782)	-	(598,782)
Stock-based compensation (note 15)	-	271,788	-	-	-	271,788	-	271,788
Transfer to statutory surplus reserve	-		2,027,317	(2,027,317)	-	-	-	-
Balance, December 31, 2014	$ 11,032,007	$ 2,696,380	$ 3,554,010	$ 3,256,801	$ 3,971,706	$ 24,510,904	$ 803,011	$ 25,313,915

See accompanying notes to consolidated financial statements.

CHANGFENG ENERGY INC.

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

For the year ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Profit before taxation	$ 10,481,967	$ 8,018,055
Adjustments for:		
Interest income	(110,801)	(256,776)
Interest expenses	1,507,191	1,703,872
Depreciation of property and equipment	3,110,178	2,696,389
Amortization of long-term lease payment	47,880	44,738
Amortization of intangible assets	1,156,811	1,023,035
Impairment loss recognized on trade receivables	204,231	58,444
Inventory written off	34,833	-
Share of loss of an associate	1,335	8,409
Share of loss of a joint venture	81,069	-
Share-based payment compensation	167,079	271,788
Change in non-cash working capital items:		
Increase in inventories	(136,819)	(261,955)
Increase in trade receivables	(2,699,310)	(1,508,525)
Decrease in other receivables, prepaid expenses and deposits	1,507,188	106,076
Increase in trade and other payables	2,831,563	102,732
Increase(decrease) in deferred revenue	3,384,017	(1,927,306)
Repayment to related parties	(76,221)	-
Cash from operations	21,492,191	10,078,976
Interest income	110,801	256,776
Interest paid	(1,507,191)	(1,703,872)
Income tax paid	(4,281,682)	(3,072,856)
Net cash used in operating activities	15,814,119	5,559,024
FINANCING ACTIVITIES		
Repurchase of shares	(407,152)	(598,782)
Proceeds on exercised options	11,500	-
Repayment to bank indebtedness	(6,102,000)	(1,785,000)
Proceeds of bank indebtedness	10,170,000	1,785,000
Repayment of long-term debt	(3,661,200)	(2,330,900)
Dividend paid to non-controlling interest of a subsidiary	(54,631)	-
Government grants	-	17,034
Net cash used in financing activities	(43,483)	(2,912,648)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(9,279,522)	(5,720,822)
Acquisition of intangible assets	(16,272)	(8,812)
Deposit paid for acquisition of property and equipment	(868,659)	-
Long-term deposits and advances	-	(693,994)
Investment in a joint venture	(4,262,000)	-
Placement of pledged bank deposits	(2,132,652)	-
Net cash from financing activities	(16,559,105)	(6,423,628)
Decrease in cash	(788,469)	(3,777,252)
Effects of foreign exchange on cash balances	2,851,933	745,802
Cash, beginning of year	12,119,980	15,151,430
Cash, end of year	$ 14,183,444	$ 12,119,980

See accompanying notes to consolidated financial statements.

1. Corporate information:

Changfeng Energy Inc. (the "Company" or "Changfeng") was incorporated under the Canada Business Corporations Act on May 4, 2006. Its ultimate controlling party is Mr. Huajun Lin ("Mr. Lin"), who is also an officer and director of the Company. Through its subsidiaries, the Company's core business activity is the distribution of natural gas for industrial, commercial and residential users in the People's Republic of China ("China" or "PRC"). The registered office of the Company is located at 650 Highway 7 East, Suite 306, Richmond Hill, Ontario, L4B 2N7, and the principal operations of its business are in China.

The ability to build and operate gas pipeline infrastructure and distribute piped gas in China is established by concession rights obtained from the applicable municipal and provincial governments. Natural gas distribution operations in China are subject to certain government regulations regarding the purchase and sale of natural gas, including pricing.

The consolidated financial statements are presented in Canadian dollars. The functional currencies of the Company's subsidiaries include the Canadian dollar and the Chinese Renminbi ("RMB").

2. Basis of preparation of consolidated financial statements:

At December 31, 2015, the Group's current liabilities exceeded its current assets by $24,885,675. In view of these circumstances, the management of the Group (the "Management") has given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Management is satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitments and other commitments as disclosed in Note 22 as they fall due in the foreseeable future as Mr. Lin has extended the due date for repayment of the RMB40,000,000 (equivalent to $8,524,000) loan to the Company for another year, to April 27, 2017. Taking into account the Group's cash flow projection, including the term facility, unutilized bank facilities, the Group's ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the management considers that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

3. Significant accounting policies:

(a) Statement of compliance:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies set out below were consistently applied to all years presented.

The consolidated financial statements were approved and authorized by the Board of Directors on April 28,2016.

(b) Basis of preparation:

The consolidated financial statements have been prepared on a historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of International Accounting Standards (“IAS”) *17 Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

3. Significant accounting policies (continued):

(b) Basis of preparation: (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Company and its two wholly owned subsidiaries, Hainan Energy Ltd. ("HEL") and Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. ("CF China"), its 99.4% interest in Sanya Changfeng Offshore Natural Gas Engineering Construction Co., Ltd., its 100% interest in Sanya Changfeng New Energy Investment Co., Ltd., its 100% interest in Sanya Changfeng Offshore Natural Gas Design Co., Ltd., its 58% interest in Hunan Changfeng CNPC Energy Co., Ltd. ("Hunan CF CNPC"), its 60% interest in Hunan CNPC New Energy Investment Co., Ltd. ("Hunan CNPC NEI"), its 90.2% interest in Pingxiang Changfeng Natural Gas Co. Ltd. ("Pingxiang CF"), its 51% interest in Xiangtan Changfeng Natural Gas Co., Ltd. ("Xiangtan CF") and its 100% interest in Gaoyao Evergrowth Natural Gas Co., Ltd. (“Gaoyao”).

Control is achieved when the Group:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant accounting policies (continued):

(c) Basis of consolidation (continued):

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Investment in associate and joint venture:

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group has determined that Xiangtan Shin-Ko Energy Co., Ltd. ("Shin-Ko Energy") is an associate over which the Group has significant influence (note 8).

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has determined that Caofeidian Evergrowth Energy Co., Ltd (“Evergrowth”) is a joint venture.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting at cost and thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. Significant accounting policies (continued):

(d) Investment in associate and joint venture (continued):

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(e) Foreign currency translation:

The Canadian dollar is the functional currency of the Company and HEL, and the RMB is the functional currency of the Company's other subsidiaries, an associate and a joint venture. Since the RMB is not a fully convertible currency, all foreign exchange transactions involving RMB must take place either through the People's Bank of China or other institutions authorized to buy and sell RMB.

Transaction amounts denominated in foreign currencies are translated into the functional currency at exchange rates prevailing at the transaction dates. Carrying values of foreign currency monetary assets and liabilities are translated at exchange rates in effect at the end of each reporting period. Non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at fair value, in which case, they are translated at the exchange rates in effect when the fair value was determined. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

3. Significant accounting policies (continued):

(e) Foreign currency translation (continued):

On consolidation, the results of foreign operations are translated into Canadian dollars at rates approximating those in effect when the transactions took place. All assets and liabilities of operations in China are translated at the rate in effect at the end of the reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributable to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

(f) Property and equipment:

On initial recognition, property and equipment is recorded at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Group. Property and equipment (other than construction in progress) is measured at cost, net of accumulated amortization and accumulated impairment losses, if any.

Assets under construction are shown in a separate category of property and equipment as construction in progress and are also recognized at cost. For qualifying assets, which are those assets that necessarily takes a substantial period of time to get ready for its intended use or sale, cost includes interest capitalized during the construction period. On completion, the costs of construction are transferred to the appropriate category of property and equipment. Assets classified as construction in progress are not amortized until they are ready for their intended use, at which point, they are transferred to property and equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (components) of property and equipment.

3. Significant accounting policies (continued):

(f) Property and equipment (continued):

Amortization of property and equipment (other than construction in progress) is recorded on a straight-line basis over their estimated useful lives as follows:

Buildings	30 - 35 years
Pipelines	30 - 35 years
Motor vehicles	3 - 10 years
Furniture and equipment	3 - 20 years
Leasehold improvements	Over the shorter of 5 years and the lease term of 20 years

The estimated useful lives, residual values if any and amortization method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(g) Long-term leasehold prepayments

The Group holds long-term leasehold prepayments, also described as land use rights, in China, which enables it to utilize land for a fixed period of time.

Prepaid lease payments are stated in the consolidated statement of financial position at cost, and amortized on a straight-line basis over the period for which the relevant land use rights have been granted to the Group.

Amortization of prepayments for land use rights is recorded on a straight-line basis over the lease term of 50 years.

3. Significant accounting policies (continued):

(h) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The Group has intangible assets with finite useful lives, which consist of gas purchase contract and software. Purchase contracts are recorded at cost and are amortized on a straight-line basis over their contractual useful lives of 2 to 17.5 years commencing from the initial delivery of gas. Software is recorded at cost and is amortized on a straight-line basis over a period of 10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any charges in estimated being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(i) Impairment of long-lived assets:

The Group reviews and evaluates its long-lived assets or asset groups held and used for impairment, when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Asset groups referred to as cash-generating units ("CGU") are reviewed at the lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. The recoverable amount is the greater of an asset's or CGU's fair value less costs of disposal and value in use.

Fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Value in use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through the use of those assets. Management develops its cash flow projections based on past performance and its expectations of future market and business developments. Once calculated, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

3. Significant accounting policies (continued):

(j) Impairment of long-lived assets (continued):

An impairment loss is recognized in the profit or loss when the carrying amount of the asset or CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of their assets on a pro rata basis.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is recovered if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed in profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no previous impairment loss had been recognized.

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

3. Significant accounting policies (continued):

(j) Financial instruments (continued):

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, long-term advances, long-term deposit, pledged bank deposits, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. Significant accounting policies (continued):

(j) Financial instruments (continued):

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, due to related parties and a shareholder, bank indebtedness, long-term debt are subsequently measured at amortized cost, using the effective interest method.

3. Significant accounting policies (continued):

(j) Financial instruments (continued):

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(k) Inventories:

Inventories are stated at the lower of cost and net realizable value, with cost being determined using the weighted average cost basis. Reversal of previous write-downs is required when there is a subsequent increase in the value of inventories.

3. Significant accounting policies (continued):

(l) Revenue recognition and deferred revenue:

Revenue is derived from the supply of natural gas and from the installation and connection of natural gas pipelines for end users.

The Group recognizes revenue from the supply of natural gas when it has been delivered and is recorded on the basis of regular meter readings and estimates of usage since the last meter reading to the end of the reporting year. The majority of revenue is recorded using fixed prices approved by the provincial government. Prepayments received from customers are deferred and recognized as a liability until gas is actually consumed.

Revenue from gas connection contracts is recognized on the percentage-of-completion method, measured by reference to the value of work carried out during the periods. When it is probable that total contract costs will exceed contract revenue, the expected loss is recognized as an expense immediately.

(m) Income taxes:

Income tax expense comprises current and deferred taxes. Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax assets and liabilities are measured at tax rates that have been enacted or substantively enacted at the reporting dates, and are adjusted for changes in estimates of tax expense recognized in the prior year.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred taxes are recognized in profit or loss, except to the extent that these relate to items recognized in other comprehensive income or directly in equity. In this case, the taxes are also recognized in other comprehensive income or directly in equity.

The Group uses the asset and liability method of accounting for deferred income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the end of the reporting period, which expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss or other comprehensive income, as appropriate, in the period in which the enactment or substantive enactment takes place.

3. Significant accounting policies (continued):

(m) Income taxes (continued):

Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities, interests in associates and interests in joint venture where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right and intent to offset, and when the future tax balances relate to the same taxation authority.

Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

(n) Finance income and finance costs:

Finance income comprises interest income on bank balances. Interest income is recognized as it accrues on the consolidated statements of profit or loss and other comprehensive income, using the effective interest method.

Finance cost comprises interest expense, which is recognized as it accrues on the consolidated statement of profit or loss and other comprehensive income unless capitalized, using the effective interest method. Interest incurred on borrowings directly attributable to fund the acquisition, construction or production of qualifying assets is capitalized as part of the cost of the respective asset.

Borrowing costs that are not attributable to a qualifying asset are expensed in the periods in which they are incurred and reported within interest expense in the consolidated statement of profit or loss and other comprehensive income.

3. Significant accounting policies (continued):

(o) Share-based payments:

The fair value at grant date of stock options is estimated using the Black-Scholes option pricing model. Compensation cost is recognized in full on the date of grant if immediately vested, or on a straight-line basis over the expected vesting period of the stock-based compensation. The Group estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate. Details regarding the determination of the fair value of stock-based compensation are set out in note 15(c) to the Group's consolidated financial statements.

When the share options are exercised, the amount previously recognized in contributed surplus will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in contributed surplus will be transferred to retained earnings.

(p) Government grants:

Government grants are recognized where there is reasonable assurance that the grant will be received and that the Group will comply with all necessary conditions to earn the grant. Where the grant relates to an asset, it is recognized as deferred income and recognized in net income in equal amounts over the expected useful life of the related asset. Where the grant relates to expenses or losses already incurred, it is recognized in the consolidated statements of profit or loss and other comprehensive income in the period in which it becomes receivable.

(q) Retirement benefit costs

Payments to the defined contributions retirement benefit plans are recognized as expense when employees have rendered service entitling them to the contributions.

(Expressed in Canadian dollars, unless otherwise indicated)

3. Significant accounting policies (continued):

(r) Application of New and Revised International Financial Reporting Standards ("IFRS"):

Amendments to IFRSs that are mandatorily effective for current year

In the current year, the Group has applied for the first time the following amendments to IFRSs.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 - 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 - 2013 Cycle

The application of the amendments to IFRSs in the current year has had no material effect 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.

New and revised IFRS issued but not yet effective

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]

3. Significant accounting policies (continued):

(r) Application of New and Revised International Financial Reporting Standards ("IFRS"):

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after a date to be determined
[6] Effective for annual periods beginning on or after 1 January 2017

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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: Recognize revenue when (or as) the entity satisfies a performance obligation

3. Significant accounting policies (continued):

(r) Application of New and Revised International Financial Reporting Standards ("IFRS"): (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Group consider that the application of other new and revised IFRS is unlikely to have a material impact on the Group's financial positon and performance as well as disclosure.

4. Key sources of estimation uncertainty:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the periods in which the estimates are revised and in any future periods affected. Information about significant areas of estimation and critical judgments in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

4. Key sources of estimation uncertainty (continued):

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Revenue recognition:

Revenue from natural gas sales is recognized when the gas is delivered to the customer. The Group determines the quantity of natural gas delivered through its readings of customer gas consumption meters, and estimates the quantity delivered at each period end where the date of the meter reading is prior to the period-end date. The estimation on the quantity delivered may have significant effect on the revenue recognition.

Revenue from gas connection contracts is recognized using the percentage-of-completion method, measured by reference to the value of work carried out during the periods. When it is probable that total contract costs will exceed contract revenue, the expected loss is recognized as an expense in the period in which the expected loss is identified. Revenue recognition is dependent upon estimating the stages of completion and the outcome of the contract.

(b) Long-lived assets:

The Group's long-lived assets are amortized over their estimated useful economic lives on a straight-line basis. Useful lives are based upon management's estimates of the length of time that the assets will generate revenue, which is reviewed at least annually for appropriateness. Changes to these estimates can result in variations in the amounts charged for amortization and in the assets' carrying amounts.

4. Key sources of estimation uncertainty (continued):

Key sources of estimation uncertainty (continued)

(c) Income taxes:

Provisions for income taxes are based on domestic and PRC statutory income tax rates and tax planning opportunities available to the Group in the jurisdictions in which it operates. Significant estimate is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires management to make estimates future profits generated, the interpretation of income tax legislation in the jurisdictions in which the Group operates, and the timing of reversal of temporary differences. The Group establishes additional provisions for income taxes when, despite management's opinion that tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Group adjusts these additional accruals in light of changing facts and circumstances.

(d) Impairment:

The Group assesses the carrying value of long-lived assets, which include property and equipment and intangible assets subject to amortization, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated future cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

(e) Estimated impairment of trade receivables:

Trade receivables as at 31 December 2015 was $8,581,260, net of allowance for doubtful debts of $308,070 (2014 - $5,343,496, net of allowance for doubtful debts of $82,530). Trade receivables of $3,514,347 (2014 - $1,373,203) have been past due over 90 days as at 31 December 2015. A substantial negative impact on the Group's performance and cash flows would result if the amounts are not recovered. The Group considers that the credit risk on the amounts is limited based on historical experience, subsequent settlement and the financial position of its customers.

(Expressed in Canadian dollars, unless otherwise indicated)

5. Trade receivables:

	2015	2014
Trade receivables	$ 8,889,330	$ 5,426,026
Less allowance for doubtful accounts	308,070	82,530
Net trade receivables	$ 8,581,260	$ 5,343,496

Credit period granted by the Group to customers for supply of natural gas is usually 10 days from the date of demand note. No credit period granted by the Group to customers for installation and connection of natural gas pipeline as in accordance to the payment terms stated in the contract, amount is due immediately when billings were made.

The aging of trade receivables presented based on the date of revenue recognition is as follows:

	2015	2014
Outstanding 0 - 30 days	$ 4,943,750	$ 3,722,348
Outstanding 31 - 60 days	97,245	214,691
Outstanding 61 - 90 days	25,918	33,254
Outstanding 90 days – 1 year	2,924,378	240,071
Outstanding > 1 year	589,969	1,133,132
	$ 8,581,260	$ 5,343,496

Before accepting any new customer, the Group assesses the potential customer's credit quality. In addition, the Group will review the repayment history of receivables by each customers for installation and connection with reference to the payment terms stated in the contracts. Management considers the customers neither past due nor impaired are of good credit quality based on repayment history of respective customers.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately $3,514,347 (2014 - $1,373,203) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 167 days (2014 – 175 days).

(Expressed in Canadian dollars, unless otherwise indicated)

5. Trade receivables: (continued)

Aging of trade receivables which are past due but not impaired

	2015	2014
Outstanding 90 days – 1 year	2,924,378	240,071
Outstanding > 1 year	589,969	1,133,132
	$ 3,514,347	$ 1,373,203

Movement in the allowance for bad and doubtful debts

	2015	2014
Balance at beginning of the year	$ 82,530	$ 20,360
Impairment losses recognized on trade receivables	204,231	58,444
Exchange realignment	21,309	3,726
Balance at end of the year	$ 308,070	$ 82,530

Included in allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of $308,070 (2014 - $82,530) which are either under late payment or subject to finalize the completion report of the pipeline construction under dispute.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Group's exposure to credit and foreign exchange risks is disclosed in note 24.

(Expressed in Canadian dollars, unless otherwise indicated)

6. Inventories:

	2015	2014
Construction materials	$ 693,318	$ 350,797
Gas appliances, meters and spare parts	161,121	560,689
Natural gas	397,929	97,460
	$1,252,368	$ 1,008,946

The amount of inventories recognized as an expense through cost of sales during the year was $17,188,650 (2014 - $20,106,612). During the year, $34,833 inventory was written down to lower of cost and net realizable value (2014 - nil) and no reversals of any write down were recorded (2014 - nil).

7. Other receivables, prepaid expenses and deposits:

	2015	2014
Demolition compensation payment on behalf of a local government (Note 1)	$ 1,689,649	$ -
Pipeline relocation receivables (Note 2)	2,489,250	-
Deposits paid for acquisition of property and equipment	868,659	746,997
Prepayment for gas purchase	203,922	442,240
Rental prepayment	114,539	100,457
Prepayment and deposits (Note 3)	998,631	1,400,031
	$ 6,364,650	$ 2,689,725
Analysed for reporting purpose as:		
Current	$ 4,082,159	$ 1,666,116
Non-current	2,282,491	1,023,609
	$ 6,364,650	$ 2,689,725

7. Deposits and advances (continued):

Note 1: In 2012, for the purpose of construction of certain gas distribution facilities, the Group paid demolition compensations to local inhabitants of approximately $1,689,649 (RMB7,928,901) (2014 – $1,481,912). The payment amounts were capitalized as part of the cost of the gas pipeline facilities in plant and equipment as there was no agreed time-table and mechanism for reimbursements of such payments. During the year, the Group has submitted further detailed applications to the local government authority and subsequently, in March 2016 the local government has approved the application reimbursement and confirmed to the Group about its acceptance of the amount paid. Accordingly, the Group has adjusted the carrying amount of the gas pipeline assets and has recognized the amount confirmed by the government as other receivables.

Note 2: Due to the change in city planning, local government notified the Group to relocate its gas pipelines for complying with the revised city plan and agreed that it would compensate part of the costs incurred by the Group as a result of the notified relocation. At December 31, 2015, the Group has incurred approximately $2,489,250 (RMB11,681,134) (2014 – nil) on construction of new pipelines as a result of the relocation notice. The Group expected $1,211,423 (RMB5,684,763) (2014 – nil) would be refunded by the local government in 2016 and the remaining balance of $1,277,827 (RMB5,996,371) (2014 – nil) to be refunded beyond 2016. Subsequent to the year end, $348,000 (RMB1,630,000) was refunded by the local government.

Note 3: In 2006, the Group entered into a 10-year long-term natural gas supply agreement with CNOOC (Hainan) Limited ("CNOOC") related to its distribution operations in Sanya City, Hainan Province. Pursuant to the agreement, CNOOC is committed to supply up to 24,000,000 cubic metres of natural gas annually until March 2016 with a fixed contractual price. Upon signing the agreement, the Group paid a deposit of $59,668 (RMB 280,000) that is expected to be refunded when the agreement expires.

Subsequent to the year end, on March 31, 2016, the Group had finalized and signed a new gas supply contract with CNOOC. CNOOC is committed to supply up to approximately 25 million cubic metres of natural gas annually until December 31, 2016 with a fixed contractual price. The deposit was transferred to the new gas supply contract.

(Expressed in Canadian dollars, unless otherwise indicated)

8. Investment in an associate:

Details of the Group's investment in an associate is as follows:

	2015	2014
Cost of investments in an associate	$ 808,000	$ 808,000
Share of post-acquisition losses and other comprehensive expense	(1,335)	(8,409)
Exchange realignment	187,220	73,339
	$ 993,885	$ 872,930

In October 2011, the Group, together with two individual companies, incorporated in China, established Shin-Ko Energy with a total registered capital of $2,131,000 (RMB 10,000,000), of which the Group owns 50%. The objective of Shin-Ko Energy is to develop and invest in urban natural gas utilization, including building and operating a LNG storage facility in Xiangtan City, Hunan Province, China.

The Group has determined that it has significant influence and has accounted for its investment in Shin-Ko Energy using the equity method.

(Expressed in Canadian dollars, unless otherwise indicated)

8. Investment in an associate (continued):

Summarized financial information of Shin-Ko Energy

Summarized financial information in respect of Shin-Ko Energy is set out below. The summarized financial information below represents amounts shown in Shin-Ko Energy's financial information prepared in accordance with IFRS.

	2015	2014
Current assets	$ 268,475	$ 235,615
Non-current assets	$ 1,720,361	$ 1,511,277
Current liabilities	(1,066)	(1,032)
Non-current liabilities	-	-
	$ 1,987,770	$ 1,745,860

	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	$ -	$ -
Loss for the year	$ 2,670	$ 16,818
Other comprehensive expense for the year	-	-
Total comprehensive expense for the year	$ 2,670	$ 16,818
Dividend received from Shin-Ko Energy during the year	$ -	$ -

Reconciliation of the above financial information to the carrying amount of the interest in the associate recognized in the financial statements.

	2015	2014
Net assets of Shin-Ko Energy	$ 1,987,770	$ 1,745,860
Proportion of the Group's ownership interest In Shin-Ko Energy	50%	50%
Carrying amount of the Group's interest in Shin-Ko Energy	$ 993,885	$ 872,930

(Expressed in Canadian dollars, unless otherwise indicated)

9. Investment in a joint venture:

Details of the Group's investment in a joint venture is as follows:

	2015	2014
Cost of investments in a joint venture	$ 4,262,000	$ -
Share of post-acquisition losses	(81,069)	-
	$ 4,180,931	$ -

On July 21, 2015, the Group entered into a joint venture agreement with Tangshan Caofeidian Development Investment Group Co., Ltd. ("CFD Group") to establish Evergrowth to jointly operate liquefied natural gas ("LNG") trading, natural gas distribution, transportation, and related infrastructure construction. Evergrowth is based in Tangshan City, Hebei province. The registered capital of the Evergrowth is RMB 200 million (approximately CAD $41 million) which the Group and CFD Group respectively own 50% each in Evergrowth. RMB 40 million of funding for the registered capital is required within 30 days of incorporation; the remaining RMB 160 million is required within 10 years of establishment. Under the joint venture agreement, Evergrowth would operate and manage an energy resource exchange in Northern China.

The Group has accounted for its investment in Evergrowth using the equity method.

(Expressed in Canadian dollars, unless otherwise indicated)

9. Investment in a joint venture (continued):

Summarized financial information of Evergrowth

Summarized financial information in respect of Evergrowth is set out below. The summarized financial information below represents amounts shown in Evergrowth's financial information prepared in accordance with IFRS.

	2015	2014
Current assets	$ 7,751,146	$ -
Non-current assets	629,735	-
Current liabilities	(19,019)	-
Non-current liabilities	-	-

The amounts of assets and liabilities included the following:

Cash	$ 7,615,554	$ -
Current financial liabilities (exclude trade and other payables)	-	-
Non-current financial liabilities (exclude trade and other payables)	-	-

	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	$ -	$ -
Loss for the year	$ 162,138	$ -
Other comprehensive expense for the year	$ -	$ -
Total comprehensive expense for the year	$ 162,138	$ -
Dividend received from Evergrowth during the year	$ -	$ -

The above loss for the year included the followings:

Amortization	$ 39	$ -
Interest income	(19,036)	-
Interest expense	-	-
Income tax expense	-	-

9. Investment in a joint venture (continued):

Summarized financial information of Evergrowth (continued)

Reconciliation of the above financial information to the carrying amount of the interest in a joint venture recognized in the financial statements.

	2015	2014
Net assets of Evergrowth	$ 8,361,862	$ -
Proportion of the Group's ownership interest in Evergrowth	50%	-
Carrying amount of the Group's interest in Evergrowth	$ 4,180,931	$ -

(Expressed in Canadian dollars, unless otherwise indicated)

10. Property and equipment and long-term leasehold prepayments:

(a) Property and equipment:

Cost	Buildings	Pipelines	Motor vehicles	Furniture and equipment	Leasehold improvements	Construction in progress	Total
Balance, December 31, 2013	$ 3,084,332	$ 51,037,546	$ 2,229,406	$ 6,622,672	$ 697,985	$ 7,093,024	$ 70,764,965
Additions	1,481,912	-	424,782	408,340	-	4,575,086	6,890,120
Disposals	-	(82,234)	(27,561)	(17,636)	-	-	(127,431)
Transfer	1,548,029	2,525,336	-	677,530	-	(4,750,895)	-
Foreign currency translation	196,611	3,274,148	142,113	414,141	44,493	452,783	4,524,289
Balance, December 31, 2014	6,310,884	56,754,796	2,768,740	8,105,047	742,478	7,369,998	82,051,943
Additions	44,480	106,385	301,017	141,516	-	8,686,124	9,279,522
Disposals (Note 1)	(1,612,738)	-	(26,471)	(39,015)	-	-	(1,678,224)
Impairment (Note 2)	-	(2,489,250)	-	-	-	-	(2,489,250)
Transfer	-	1,325,798	-	-	-	(1,325,798)	-
Foreign currency translation	714,349	8,563,938	401,221	956,502	104,081	1,646,963	13,343,275
Balance, December 31, 2015	$ 5,456,975	$ 64,261,667	$ 3,444,507	$ 9,164,050	$ 846,559	$ 16,377,287	$ 99,551,045

Accumulated depreciation	Buildings	Pipelines	Motor vehicles	Furniture and equipment	Leasehold improvements	Construction in progress	Total
Balance, December 31, 2013	$ 219,361	$ 11,235,412	$ 1,032,579	$ 2,120,591	$ 117,386	$ -	$ 14,725,329
Depreciation	107,568	1,735,367	337,921	665,337	54,139	-	2,900,332
Disposals	-	(30)	(27,184)	(13,426)	-	-	(40,640)
Foreign currency translation	13,861	706,183	65,822	126,413	6,870	-	919,149
Balance, December 31, 2014	340,790	13,676,932	1,409,138	2,898,915	178,395	-	18,504,170
Depreciation	161,150	1,898,857	345,202	646,050	58,919	-	3,110,178
Disposals	-	-	(25,616)	(37,783)	-	-	(63,399)
Foreign currency translation	55,190	2,013,262	212,777	587,675	26,470	-	2,895,374
Balance, December 31, 2015	$ 557,130	$ 17,589,051	$ 1,941,501	$ 4,094,857	$ 263,784	$ -	$ 24,446,323

Net book value	Buildings	Pipelines	Motor vehicles	Furniture and equipment	Leasehold improvements	Construction in progress	Total
December 31, 2014	$ 5,970,094	$ 43,077,864	$ 1,359,602	$ 5,206,132	$ 564,083	$ 7,369,998	$ 63,547,773
December 31, 2015	4,899,845	46,672,616	1,503,006	5,069,193	582,775	16,377,287	75,104,722

(Expressed in Canadian dollars, unless otherwise indicated)

10. Property and equipment and long-term leasehold prepayments (continued):

(a) Property and equipment (continued):

Included in additions to property and equipment is capitalized interest of $452,646 (RMB2,225,397) (2014 - $445,673 (RMB2,384,554)) at a capitalized rate of approximately 5.8% (2014 - 7%).

Note 1: During the year ended December 31, 2015, $1,612,738 (RMB7,928,901) was reversed out from buildings to other receivables, prepaid expenses and deposits as the Group expected the amount incurred previously would be refunded by the local government in 2016 (Note 7).

Note 2: Due to the change in city planning, pipelines amounted to $2,489,250 (RMB11,681,134) have been demolished and fully impaired. Additional cost spent on the relocation and construction new pipelines classified as construction in progress amounted to $2,327,691 (RMB11,681,134) has been recognized for the year ended December 31, 2015. Part of these relocation costs would be refunded by the local government (note 7).

(b) Long-term leasehold prepayments:

	2015	2014
Analysed for reporting as:		
Current	$ 55,883	$ 49,996
Non-current	2,097,134	1,928,391
	$ 2,153,017	$ 1,978,387

Note: The comparative figures have been reclassified by $1,612,738 out from long-term leasehold prepayments to building for presentation.

11. Deferred income – government grants:

In 2012, the Group received RMB5 million government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City. These government grants were recognized as a long-term liability and will be recognized in profit or loss over the expected useful lives of these property and equipment when these property and equipment are ready for use. As of December 31, 2015 these property and equipment are not ready for use yet and government grants of $1,113,290 (2014 - $1,021,417) was recognized as non-current liability.

(Expressed in Canadian dollars, unless otherwise indicated)

12. Intangible assets:

	Gas purchase contract and supply rights	Software	Total
Cost			
Balance, December 31, 2013	$ 2,305,127	$ 115,084	$ 2,420,211
Additions	-	37,220	37,220
Disposals	(28,035)	-	(28,035)
Foreign currency translation	146,942	7,336	154,278
Balance, December 31, 2014	2,424,034	159,640	2,583,674
Additions	-	16,272	16,272
Foreign currency translation	371,771	23,154	394,925
Balance, December 31, 2015	$ 2,795,805	$ 199,066	$ 2,994,871
Accumulated amortization			
Balance, December 31, 2013	$ 75,300	$ 11,508	$ 86,808
Amortization	1,046,809	19,590	1,066,399
Foreign currency translation	4,800	734	5,534
Balance, December 31, 2014	1,126,909	31,832	1,158,741
Amortization	1,123,246	33,565	1,156,811
Foreign currency translation	259,487	6,063	265,550
Balance, December 31, 2015	$ 2,509,642	$ 71,460	$ 2,581,102
Net book value			
December 31, 2014	$ 1,297,125	$ 127,808	$ 1,424,933
December 31, 2015	286,163	127,606	413,769

Gas and Electricity Exchange Program (the "Program"):

On February 22, 2012, the Company entered into the Program with the Local Power Bureau and China National Offshore Oil Yacheng Operation Co., Ltd., which will secure an additional annual supply of natural gas totalling approximately 5 million cubic meters until 2015. In exchange for this gas supply, the Group funded the building of infrastructure to link certain of the supplier's operations to the provincial power grid, although the Group does not own the constructed assets.

(Expressed in Canadian dollars, unless otherwise indicated)

12. Intangible assets (continued):

In connection with the Program, in 2014, construction work of approximately $2,337,639 (RMB10,969,682) was completed by a local contractor. This amount had been recorded as an intangible asset on the consolidated statement of financial positon, on which amortization had begun in 2014 when the construction on the Program was completed and the exchanged gas was available to the Group. As of December 31, 2015, this intangible asset has been fully amortized.

Included in the balance as at December 31, 2015 represented the amount of another gas purchase contract and supply rights which are amortized for 17.5 years with net book value of $286,163 (RMB1,342,858).

13. Trade and other payables

	2015	2014
Trade payables	$ 8,541,550	$ 5,399,454
Receipt in advance	937,214	753,581
Accrued wages	1,604,536	902,475
Other tax payable	628,827	165,951
Others	490,367	1,018,506
	$ 12,202,494	$ 8,239,967

The average credit period on purchase of natural gas and construction payable to construct pipeline ranges from 5 to 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. Long-term debt and bank indebtedness:

(a) Long-term debt:

	2015	2014
Term loan facility - Bank of China (i)	14,917,000	14,952,000
Term loan facility - Bank of China (ii)	7,458,500	7,476,000
Term loan facility - Bank of China (iii)	2,983,400	3,177,300
	25,358,900	25,605,300
Less unamortized transaction costs	99,382	167,442
	25,259,518	25,437,858
Less current portion	4,048,900	3,364,200
	$ 21,210,618	$ 22,073,658

14. Long-term debt and bank indebtedness (continued):

(a) Long-term debt (continued):

(i) On January 5, 2010, the Group entered into a RMB100,000,000 term loan with the Bank of China, Sanya Branch ("BOC, Sanya"), maturing in January 2019 and bearing interest at the variable rate of the People's Bank of China, which is reset every six months the ("Term Loan 2010"). It is secured by 60% of the equity interest in CF China held by HEL, certain gas connection and gas supply rights, and a maximum of $6,393,000 (RMB30,000,000) guarantee from and trade receivables during 2012 to 2022 owned by CF Engineering. During the year, the Company made payments in the amount of $2,034,000 (RMB 10,000,000) (2014 - $1,869,000 (RMB 10,000,000)) in accordance with the semi-annual repayment provisions of the term loan agreement. At December 31, 2015, $14,917,000 (RMB 70,000,000) (2014 - $14,952,000 (RMB 80,000,000)) of the term loan is outstanding.

At December 31, 2015, the Group had unamortized transaction costs of $ 99,382 (RMB 466,363) (2014 - $ 167,442 (RMB 895,891)), which has been offset against term loan. The effective interest rate on the loan was 5.8% (2014 - 7.0%).

(ii) On January 15, 2013, the Group entered into an agreement with the BOC, Sanya to secure a bank loan facility in the amount of RMB 50 million (the "Term Loan 2013"). The bank loan facility provides that the proceeds of the Term Loan 2013 would be used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City. It has a 10-year term from the date of the first initial withdrawal, and bears interest of 110% of the prime rate set by the People's Bank of China. The Term Loan 2013 is secured and guaranteed by the same securities of the Term Loan 2010. During the year, the Group made payments in the amount of $1,017,000 (RMB 5,000,000) (2014 - Nil) in accordance to the repayment terms stated in the agreement. As at December 31, 2015, the Group has withdrawn $7,458,000 (RMB35,000,000) (December 31, 2014 - $7,476,000 (RMB40,000,000)), which remains outstanding. The effective interest rate of the loan was 5.9% (2014 - 7.2%).

(iii) On December 21, 2012, the Group entered into a term loan with the Bank of China, Pingxiang Branch ("BOC, Pingxiang") for RMB 20 million, maturing six years from the date of the first withdrawal, and bearing both fixed and variable interest at 120% of the prime rate of the People's Bank of China. The variable component of interest will be calculated initially on the date of withdrawal and will be reset every three months. This term loan is guaranteed by CF China. The proceeds from this term loan will be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang City, Jiangxi province. During the year, the Group made payments in the amount of $639,300 (RMB 3,000,000) (2014 - $560,700 (RMB 3,000,000)). At December 31, 2015, $2,983,400 (RMB 14,000,000) (December 31, 2014 - $3,177,300 (RMB17,000,000)) of the term loan is outstanding. The effective interest rate of the loan was 5.9% (2014 - 7.9%).

(Expressed in Canadian dollars, unless otherwise indicated)

14. Long-term debt and bank indebtedness (continued):

(a) Long-term debt (continued):

(iii) (continued)

Long-term loan principal payments are as follows:

	RMB	Cdn. $
At December 31, 2015		
2016	19,000,000	4,048,900
2017	27,000,000	5,753,700
2018	27,000,000	5,753,700
2019	22,000,000	4,688,200
2020	8,000,000	1,704,800
Thereafter	16,000,000	3,409,600
	119,000,000	25,358,900

	RMB	Cdn. $
At December 31, 2014		
2015	18,000,000	3,364,200
2016	19,000,000	3,551,100
2017	27,000,000	5,046,300
2018	27,000,000	5,046,300
2019	22,000,000	4,111,800
Thereafter	24,000,000	4,485,600
	137,000,000	25,605,300

(b) Bank indebtedness:

Included in current liabilities is $2,131,000 (RMB10,000,000) (December 31, 2014 - $1,869,000 (RMB10,000,000)) relating to the Group's line of credit with BOC, Sanya set out in note 14(a)(i) expect the loan has fixed interest rate at 4.4% (2014 - 6.9%) per annum. This line of credit contains a financial covenant, which requires the Group's and CF China's debt-to-total-assets ratio to be maintained below 75% respectively.

Also included in current liabilities is $4,262,000 (RMB20,000,000) (December 31, 2014 - Nil) relating to the Group's credit line with Minsheng Bank, Sanya granted during the year. This credit line bears fixed interest rate of 5.4% per annum and is guaranteed by personal guarantee by Mr. Lin.

14. Long-term debt and bank indebtedness (continued):

(b) Bank indebtedness (continued):

Also included in current liabilities is $2,076,000 (December 31, 2014 - $1,740,150) relating to a US$1,500,000 term loan from the Bank of China (Canada) granted to the Company pursuant to a credit facility letter agreement effective on October 6, 2015 (the “US Term Loan”) was secured by the pledged bank deposit of $2,132,652 (RMB10,000,000) of a subsidiary of the Company. The US Term Loan is secured by a Standby Letter of Credit provided by the Group and issued by the Bank of China Hainan Branch for the amount of RMB10,000,000. The US Term Loan has a one-year term from the date of the withdrawal and bears annual interest of six-month LIBOR rate plus 250 basis points. The effective interest rate of the loan was 2.3%.

As at December 31, 2015, the Group was in compliance with all of its debt covenants.

(Expressed in Canadian dollars, unless otherwise indicated)

15. Share capital:

(a) Authorized:

Unlimited common shares

(b) Issued common shares:

	Number of shares	Amount
Balance, December 31, 2013	64,639,000	$ 11,630,789
Repurchased	(1,540,000)	(598,782)
Balance, December 31, 2014	63,099,200	11,032,007
Repurchased	(1,197,500)	(407,152)
Exercised options	50,000	15,392
Balance, December 31, 2015	61,951,700	$ 10,640,247

Normal-course issuer bid:

On November 21, 2013 and June 22, 2015, the Group received approval from the TSX-V to make normal-course issuer bid (the "Bid") to periodically purchase, for cancellation, up to 3,000,000 common shares for the period from November 26, 2013 to November 26, 2014 and from June 24, 2015 to June 23, 2016, respectively. During the year, the Group purchased 1,197,500 of the Company's common shares under the Bid for cash considerations of $407,152 (2014 – 1,540,000 common shares for cash proceeds of $598,782), inclusive of transaction costs. Subsequent to December 31, 2015, the Company purchased 614,000 shares pursuant for cash considerations of $216,761.

(Expressed in Canadian dollars, unless otherwise indicated)

15. Share capital (continued):

(c) Contributed surplus and stock-based compensation:

(i) Contributed surplus:

Balance, January 1, 2014	$ 2,424,592
Stock-based compensation	271,788
Balance December 31, 2014	2,696,380
Options expired/forfeited	(244,593)
Options exercised	(3,892)
Stock-based compensation	167,079
Balance, December 31, 2015	$ 2,614,974

Contributed surplus comprises a) capital contribution from shareholders amounting to $321,726 (2014 – $321,726) and b) share-based compensation reserve amounting to $2,293,248 (2014 – $2,374,654).

(ii) Stock-based compensation:

Under the Company's stock option plan (the "Plan"), the Company may grant stock options to directors, senior officers, employees and advisors, and is authorized to issue options equal to 10% of the issued and outstanding shares of the Company. The Board of Directors, or such other persons designated by the board, administers the Plan and determines the vesting and terms of each award.

(Expressed in Canadian dollars, unless otherwise indicated)

15. Share capital (continued):

(c) Contributed surplus and stock-based compensation (continued):

A summary of the Company's options held by the directors and employees of the Group, which represented the key management personnel of the Group, and movements is presented below:

	Options outstanding	Weighted average exercise price
Balance, January 1, 2014	6,300,000	$ 0.34
Granted	-	-
Expired	-	-
Forfeited	-	-
Exercised	-	-
Balance, December 31, 2014	6,300,000	0.34
Granted	490,000	0.36
Expired	(800,000)	0.60
Forfeited	(450,000)	0.30
Exercised	(50,000)	0.23
Balance, December 31, 2015	5,490,000	0.31

In respect of the share options exercised during the year, the share price at the date of exercise is $0.36.

The following table summarizes information about the options outstanding and exercisable at December 31, 2015:

Number outstanding and exercisable	Date of grant	Vesting period	Exercise period	Remaining contractual life (in years)	Exercise price	Expiry date
850,000	September 8, 2011	Immediately	09.08.2011 – 09.08.2016	0.69	0.23	2016
1,000,000	July 12, 2012	Immediately	07.12.2012 – 07.12.2017	1.53	0.24	2017
3,150,000	August 26, 2013	24 months from date of grant	08.26.2013 – 08.26.2018	2.65	0.35	2018
490,000	July 31, 2015	Immediately	07.31.2015 – 07.31.2020	4.59	0.36	2020
5,490,000						

(Expressed in Canadian dollars, unless otherwise indicated)

15. Share capital (continued):

(c) Contributed surplus and stock-based compensation (continued):

(ii) Stock-based compensation (continued):

On May 27, 2015, 800,000 options expired. On July 23, 2015, 50,000 options were exercised. On July 31, 2015, the Company granted 490,000 options (the "Options") at an exercise price of $0.36 per share which was the closing price of the Company's shares on the TSX Venture exchange on July 30, 2015. The fair value of these options at the grant date was $0.19. Assumptions used to determine the value of the options using the Black-Scholes model were: dividend yield 0%; risk-free interest rate 1.45%; expected volatility 64%; exercise price $0.36; and expected life of five years. The Options granted vested immediately on the grant date of July 31, 2015. The term of the Options is five years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

For the year ended December 31, 2015, $167,079 (2014 - $271,788) of stock-based compensation expense was recorded.

(d) Statutory surplus reserves:

Statutory surplus reserves represent the statutory reserve fund set up by the subsidiaries in the PRC. According to the relevant PRC regulations, the subsidiaries in the PRC are required to appropriate 10% of net profit as reported in the statutory financial statements to the statutory reserve fund, and the statutory reserve fund may be used for making up losses, if any, and increasing capital.

16. Finance costs:

	2015	2014
Interest on bank indebtedness/long-term debt	$ 1,959,837	$ 2,149,545
Less: amounts included in the cost of qualifying assets	(452,646)	(445,673)
	$ 1,507,191	$ 1,703,872

(Expressed in Canadian dollars, unless otherwise indicated)

17. Employee Benefits:

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

For the years ended December 31, 2015 and 2014, the Group incurred the following employee compensation expenses:

	2015	2014
Salaries, bonus and other short-term employee benefits	$ 5,994,525	$ 4,694,925
Contributions to retirement benefit scheme	352,442	370,478
Share-based compensation	167,079	271,788
Total	$ 6,514,046	$ 5,337,191

18. Earnings per share ("EPS"):

Basic EPS amounts are calculated by dividing the profit for the year attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit for the year attributable to common shareholders of the Company by the weighted average number of shares issued during the year, adjusted for the effect of potentially dilutive stock options.

The following tables set forth the calculation of basic and diluted EPS:

	2015	2014
Earnings		
Profit for the year attributable to owners of the Company for the purpose of earnings per share	$ 5,967,147	$ 3,783,896
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	62,692,717	63,454,989
Effect of dilutive potential shares:		
Share options issued by the Company	646,416	908,354
Weighted average number of shares for the purpose of diluted earnings per share	63,339,133	64,363,343

The following potential ordinary shares are anti-dilutive and has not included in the calculation of diluted EPS:

	2015	2014
Share options issued by the Company	490,000	-

(Expressed in Canadian dollars, unless otherwise indicated)

19. Income taxes:

The provision for income taxes differs from the amount that would have resulted by applying the combined Canadian federal and Ontario statutory income tax rate of approximately 26.5% (2014 - 26.5%) as follows:

	2015	2014
Income before income taxes	$ 10,481,967	$ 8,018,055
Expected income tax provision based on statutory rate	$ 2,777,721	$ 2,124,785
Non-deductible expenditures and other permanent differences	314,257	742,135
Foreign tax rate differential	(389,521)	(154,807)
Effect of unused tax losses not recognized as deferred tax assets	986,086	979,645
Effect of previously unrecognized and deductible deductible temporary difference now recognised as deferred tax assets	(266,375)	-
Withholding tax on undistributed earnings	236,754	229,300
Under-provision in prior year	266,375	-
Other	141,212	54,494
	$ 4,066,509	$ 3,975,552

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The details of the Group's income taxes are as follows:

	2015	2014
Current income taxes	$ 4,013,989	$ 3,362,256
Deferred income taxes:		
Origination and reversal of timing differences	52,520	613,296
	$ 4,066,509	$ 3,975,552

(Expressed in Canadian dollars, unless otherwise indicated)

19. Income taxes (continued):

Recognized deferred tax assets and liabilities:

The following table summarizes the components of deferred tax assets and liabilities:

	Property and equipment	Trade and other receivables	Trade and other payables	Accrued withholding tax on undistributed earnings	Total
At January 2014	$ (679,861)	$ (160,626)	$ 203,669	$ -	$ (636,818)
(Credit) charge to profit or loss	(498,868)	(45,016)	(19,412)	(50,000)	(613,296)
	(1,178,729)	(205,642)	184,257	(50,000)	(1,250,114)
(Credit) charge to profit or loss	(329,063)	31,243	190,886	54,414	(52,520)
Exchange realignment	(194,326)	(27,337)	34,933	(4,414)	(191,144)
	$ (1,702,118)	$ (201,736)	$ 410,076	$ -	$ (1,493,778)

Unrecognized deferred tax assets and liabilities:

The aggregate amount of taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized as at December 31, 2015, is $37.6 million (2014 - $22.9 million).

Deferred tax assets have not been recognized in respect of the following items:

	2015	2014
Loss carry forwards	$ 4,403,698	$ 3,489,047
Deductible temporary differences	104,719	77,907

The tax losses not recognized expire as per the amount and years noted below.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Expressed in Canadian dollars, unless otherwise indicated)

19. Income taxes (continued):

Income tax attributes not recognized:

As at December 31, 2015 and 2014, the Group had the following approximate income tax attributes to carry forward:

	Amount	Expiry date
At December 31, 2015		
Non-capital losses, Canada	$ 8,775,000	2016 - 2035
Non-capital losses, China	8,188,000	2016 - 2020
Capital losses, Canada	119,000	Indefinite
At December 31, 2014		
Non-capital losses, Canada	$ 8,173,000	2015 - 2034
Non-capital losses, China	5,167,000	2015 - 2019
Capital losses, Canada	119,000	Indefinite

20. Related party disclosures:

(a) Related party transactions:

Included in current due to related parties as at December 31, 2015 amounted to $639,300 (RMB3,000,000) (2014 - $567,000 (RMB3,000,000)) was relating to an advance made by Shin-Ko Energy. Also included in current due to related parties, as at December 31, 2015, was $266,173 (RMB1,249,050) (2014 - $233,447 (RMB 1,249,050)) relating to a loan made to the Group by Shin-Ko Energy. The loans are interest-free unsecured and payable on demand.

The balance $437,971 (2014 – $514,192) was relating to the unpaid salaries and fees owed to an officer and directors of the Company. The Group owed the non-controlling shareholder $54,631 for unpaid dividend as at December 31, 2014, which was settled during the year ended December 31, 2015.

20. Related party disclosures (continued):

(b) Significant non-controlling shareholders/joint venturer:

Name	Country of incorporation and relationship
Xiangtan Changjiang New Energy Investment Co., Ltd.	China, non-controlling shareholder of Xiangtan CF
Xiangtan Economic Construction and Development Investment Co., Ltd.	China, non-controlling shareholder of Xiangtan CF and Shin-Ko Energy
Zhuhai Hailian Investment Co., Ltd.	China, non-controlling shareholder of Shin-Ko Energy
Cui JianXin	China, non-controlling shareholder of Hunan CNPC NEI
Zhou Du	China, non-controlling shareholder of Hunan CF CNPC

(c) Transactions with key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its subsidiaries, directly or indirectly, including all directors, Chief Executive Officer, the Chief Financial Officer and the Vice President.

Remuneration of key management of the Group comprised the following expenses:

	2015	2014
Short-term employee benefits	$ 463,630	$ 476,084
Share-based benefits	167,079	271,788
Total remuneration	$ 630,709	$ 747,872

20. Related party disclosures (continued):

(c) Transactions with key management personnel (continued):

(i) In 2007, Mr. Lin, advanced loans in the aggregate amount of $8,524,000 (RMB40,000,000) (December 31, 2014 - $7,476,000 (RMB40,000,000)) to the Company, through wholly owned corporations, in accordance with a Subordination and Forbearance Agreement dated April 27, 2007, Consignment Loan Agreements dated May 23, 2007 and June 26, 2007, and other ancillary documentation. These loans are unsecured, non-interest bearing, are subordinated to the claims of all other creditors, including unsecured creditors of the Group and were due on demand only after April 27, 2010. Pursuant to the Subordination and Forbearance Agreement, the lenders agreed to take no steps to demand or recover payment under the loans for a period of three years, and to enter into an agreement with the Group with the same terms and conditions as the Subordination and Forbearance Agreement every three years in perpetuity.

On April 27, 2010, these loans were renewed for another three years with the same terms and conditions. On April 27, 2013, these loans were renewed for another two years with the same terms and conditions. The comparative figures have been reclassified from non-current liabilities to current liabilities for presentation. On April 27, 2015, these loans were renewed for another year with the same terms and conditions. On April 27, 2016, these loans have been renewed for one year with the same terms and conditions.

(ii) As at December 31, 2015, the Group owed an officer and director of the Company $366,962 (2014 - $449,483) for unpaid salary.

(iii) As at December 31, 2014 and 2015, the Group owed certain directors $71,009 for unpaid director's fees.

(iv) During the year ended December 31, 2014, the amount due from the non-controlling shareholder of Hunan CF CNPC amounted to $351,400 (RMB 2,000,000) which used as funds to contribute the capital owed to Hunan CF CNPC and amount due from non-controlling shareholder of $148,418 has been net off with the dividend declared to the non-controlling shareholder. As at December 31, 2014, the Group owed the non-controlling shareholder $54,631 for unpaid dividend which was settled during the year ended December 31, 2015.

(v) As at December 31, 2015, Mr. Lin provided personal guarantee to the Group for a $4,262,000 (RMB20,000,000) credit line. Details are set out in note 14(b).

(Expressed in Canadian dollars, unless otherwise indicated)

21. Bank balances and cash/ Pledged bank deposits:

Bank balances and pledged bank deposits carry interest at market rates which range from 0.30% to 5.4% (2014 – 0.35% to 5.6%) per annum.

22. Commitments and contingencies:

(a) Operating lease commitments represent rentals payable for certain of its staff quarters and lands. Leases of staff quarters are negotiated for an average term of 1 to 5 years with fixed rental. Leases of lands are negotiated for a term of 20 years with the rental fee fixed for the first 4 or 5 years from signing the lease contracts, respectively and progressively increased by 5% or 10% thereafter.

The Group has operating lease commitments as follows:

	RMB	Cdn. $
At December 31, 2015		
2016	1,154,846	246,098
2017	1,063,175	226,563
2018	950,175	202,482
2019	882,175	187,991
2020	858,493	182,945
Thereafter	11,140,141	2,373,964
	16,049,005	3,420,043

	RMB	Cdn. $
At December 31, 2014		
2015	829,500	155,034
2016	833,613	155,802
2017	854,175	159,645
2018	854,175	159,645
2019	854,175	159,645
Thereafter	12,517,123	2,339,450
	16,742,761	3,129,221

Minimum lease payments under the operating lease charged to profit or loss during the year is $230,666 (RMB 1,134,049) (2014 – $230,375 (RMB 1,284,856)).

(b) The Group has capital commitments for the purchase of property and equipment and the construction of pipelines under development contracted for but not provided in the consolidated financial statements amounting to $4,502,278 (RMB 21,127,538) (2014 - $3,083,850 (RMB 16,500,000)).

22. Commitments and contingencies (continued):

(c) At December 31, 2015, the Group is bounded by agreement to inject RMB 80million funding to Evergrowth within 10 years of establishment of Evergrowth.

23. Capital management:

The Group considers its capital structure to consist of share capital, contributed surplus, retained earnings, bank indebtedness and long-term debt. The Group's objectives are to maintain an effective structure that supports its ability to explore strategic business development opportunities on mainland China along the Petro China's Second West-East Pipeline and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level. The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group. The Board of Directors does not establish quantitative return-on-capital criteria for management, but rather is responsible for overseeing the process undertaken by management to sustain future development of its business.

The Group's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and through the credit line. Gas supply revenue, gas connection revenue, available cash balances, draws on the credit line and long-term bank loans are the Group's principal sources of capital used to pay for operating expenses and capital expenditures in its business.

The Group reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of its operations, is reasonable. The Group monitors its compliance with all of its capital requirements, including certain non-financial covenants relating to the credit line. As at December 31, 2015, the Company was in compliance with all of its covenants.

There were no changes in the Group's approach to capital management during the years ended December 31, 2015 and 2014.

During the years ended December 31, 2015 and 2014, no dividends were declared or paid to the shareholders.

24. Financial instruments and risk management:

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, due to a shareholder, due to related parties, bank indebtedness and long-term debt. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk, commodity risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2015	2014
Financial assets		
Loans and receivables (including cash and cash equivalents)	$ 29,076,254	$ 17,463,476
Financial liabilities		
Amortised cost	$ 52,137,512	$ 43,291,732

(a) Financial risk factors:

The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

(i) Foreign exchange risk:

The Group is mainly exposed to the foreign currency of PRC (RMB) for intercompany RMB balances and US$ loans, both against functional currency of Canadian dollars.

5% (2014: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2014: 1%) change in foreign currency rates.

24. Financial instruments and risk management (continued):

(a) Financial risk factors (continued):

(i) Foreign exchange risk (continued):

As at December 31, 2015, with other variables unchanged, and a +/-5% (2014 – +/-1%) change in the exchange rate of RMB would increase/decrease the cumulative translation adjustment by approximately $119,000 (2014: $240,000), and a +/-1% change in the U.S. dollar to Canadian dollar exchange rate would have an insignificant impact to profit for the year.

The Group and its subsidiaries do not use derivative instruments to reduce their exposure to foreign currency risk.

(ii) Commodity price risk:

The Group is exposed to price risk related to natural gas, which is a commodity. The Group uses fixed-price contracts with suppliers to manage its exposure to price fluctuations, where possible; however, to meet its obligations to customers, the Group may be required to purchase natural gas at spot prices, which may result in unfavourable variances recorded through the consolidated statements of profit or loss and other comprehensive income.

(Expressed in Canadian dollars, unless otherwise indicated)

24. Financial instruments and risk management (continued):

(a) Financial risk factors (continued):

(iii) Interest rate risk:

Interest rate risk is the risk that changes in interest rates will affect the Group's income or value of or cash flows related to its financial instruments. The Group is exposed to interest rate risk arising from its bank balances, pledged bank deposits, long-term debt and bank indebtedness.

The Group's interest rate on its long-term debt and bank indebtedness is based upon the prescribed rate of the People's Bank of China (6.55% at December 31, 2015 and 2014) and annual interest of six-month LIBOR (1.39% at December 31, 2015 and 2014) rate plus 250 basis points, which is subject to fluctuation, and may result in an increase or decrease in interest expense. The Group does not use derivative instruments to reduce its exposure to interest rate risk.

A 1% increase or decrease in the average interest rate for the year ended December 31, 2015 would have had the following impact on the Group's profit for the year:

	Impact on profit for the year
Interest rate +1%	$ (140,954)
Interest rate -1%	140,954

(iv) Credit risk:

As at December 31, 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

(Expressed in Canadian dollars, unless otherwise indicated)

24. Financial instruments and risk management (continued):

(a) Financial risk factors (continued):

(iv) Credit risk (continued):

In order to minimize the credit risk, management of the Group enter into purchase and connection agreements with creditworthy parties and regular review credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management believes concentrations of credit risk with respect to trade and other receivables is limited given the large number of customers; no one customer comprised greater than 10% of total trade receivables balances at December 31, 2015. Payments are usually required in advance for gas purchases and connection services.

(v) Liquidity risk:

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1-3 years	> 3 years	Total undiscounted cash flows	Carrying amount
At 31 December 2015							
Trade payables	-	$ 8,541,550	$ -	$ -	$ -	$ 8,541,550	$ 8,541,550
Due to a shareholder	-	-	8,524,000	-	-	8,524,000	8,524,000
Due to related parties	-	1,343,444	-	-	-	1,343,444	1,343,444
Secured bank borrowings							
- fixed rate	5.0%	2,168,559	4,415,856	-	-	6,584,415	6,393,000
- variable rate	5.6%	2,667,373	4,748,701	17,697,293	5,990,785	31,104,152	27,335,518
		$ 14,720,926	$ 17,688,557	$ 17,697,293	$ 5,990,785	$ 56,097,561	$ 52,137,512
At 31 December 2014							
Trade payables	-	$ 5,399,454	$ -	$ -	$ -	$ 5,399,454	$ 5,399,454
Due to a shareholder	-	-	7,476,000	-	-	7,476,000	7,476,000
Due to related parties	-	1,369,270	-	-	-	1,369,270	1,369,270
Secured bank borrowings							
- variable rate	6.6%	4,150,297	4,248,295	15,217,839	9,743,380	33,359,811	29,047,008
		$ 10,919,021	$ 11,724,295	$ 15,217,839	$ 9,743,380	$ 47,604,535	$ 43,291,732

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages liquidity risk by managing its capital requirements though forecasting cash flows and monitoring covenant levels. The Group has also maintained continuous efforts to access intermediate or long-term bank financing on competitive terms.

24. Financial instruments and risk management (continued):

(a) Financial risk factors (continued):

(v) Liquidity risk (continued):

As at December 31, 2015, the Group had a working capital deficiency of $ 24,885,675 (2014 - $19,138,532). The Group had a cash balance of $14,183,444 (2014 - $12,119,980) to settle current liabilities of $55,173,441 (2014 - $39,327,066). The Group believes that this deficiency can be funded through projected operating cash flows from operations and through securing additional financing from third-party financial institutions. There are certain assumptions made by management in determining projected operating cash flow, such as temporary natural gas contracts from the Government of China and continued growth in its operations.

As at December 31, 2015, the Group held foreign currency cash of RMB 73,853,953 (2014 - RMB 64,442,266).

The contractual maturities of the Group's long-term financial liabilities are described in note 14 and the remaining financial liabilities, consisting of trade and other payables, interest payable and deferred revenue, are expected to be realized within one year.

(vi) Fair value:

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

25. Economic dependence:

One gas field supplies the majority of the Group's natural gas in Sanya City. Interruption of this supply could materially affect the Group's ability to operate. The Group has a contract to purchase up to approximately 25 million cubic metres of gas per year until December 31, 2016. This represents less than 1% of the field's total capacity from this supplier.

(Expressed in Canadian dollars, unless otherwise indicated)

26. Seasonality of operations:

Seasonality can impact the Group's natural gas distribution sales. The Group's current operations are primarily located in Sanya City, an international tourist destination in the PRC's only tropical province. Sanya City attracts more tourists in the winter than the rest of the year. The Group's natural gas sales are higher during this high tourism season, as a large portion of the Group's natural gas sales are made to hotels and restaurants. Seasonality can also impact the Group's CNG retail station sales due to vehicles being in need of more gas during the warmer seasons for air-conditioning.

27. Segmented reporting and revenue:

Information reported to the Company's Chief Executive Officer, being the chief operating decision maker, for the purposes of allocating resources to segments and assessing their performance are organized on the basis of the revenue streams. The Group's operating and reportable segments are (a) gas distribution utility (the “utility”) which includes gas sales and pipeline installation and connection and (b) CNG vehicle refueling. The utility provides gas pipeline connection services and delivers natural gas to commercial, industrial and residential customers through its pipeline networks and associated facilities. The Group's another segment is a CNG refuelling retail station, which is primarily to supply gas for taxicabs and public transportation vehicles. For segment reporting, no individual operating segments have been aggregated to derive a single reportable segment.

There were no significant intragroup transactions between segments. No single customer accounted for more than 10% of the Group's sales or trade and other receivables in 2015 and 2014. Summarized financial information concerning the reportable segments is shown in the following tables:

Revenue	2015	2014
Gas distribution utility		
- Gas Sales	$ 28,111,221	$ 23,210,416
- Pipeline Installation and Connection	25,223,225	21,088,847
CNG vehicle refueling	8,793,039	8,828,929
Total Revenue	$62,127,485	$53,128,192

(Expressed in Canadian dollars, unless otherwise indicated)

27. Segmented reporting and revenue: (continued)

2015	Gas distribution utility	CNG refuelling station	Consolidated
Segment revenue	$ 53,334,446	$ 8,793,039	$ 62,127,485
Cost of sales	26,472,209	6,449,676	32,921,885
	26,862,237	2,343,363	29,205,600
Expenses:			
General and administrative	11,812,091	1,552,400	13,364,491
Travel and business development	3,416,162	92,876	3,509,038
Impairment losses recognised on trade receivables	204,231	-	204,231
Stock-based compensation	142,624	24,455	167,079
	15,575,108	1,669,731	17,244,839
Finance costs	1,507,191	-	1,507,191
Interest income	(75,843)	(34,958)	(110,801)
Share of loss of an associate	1,335	-	1,335
Share of loss of a joint venture	81,069	-	81,069
Segment results and profit before income taxes	$ 9,773,377	$ 708,590	$ 10,481,967
Depreciation of property and equipment	$ 2,737,178	$ 373,000	$ 3,110,178
Amortization of long-term lease prepayment	40,046	7,834	47,880
Amortization of intangible asset	1,133,565	23,246	1,156,811
Acquisition of property and equipment	$ 9,229,349	$ 50,173	$ 9,279,522
Acquisition of intangible assets	16,272	-	16,272
Investment in a joint venture	4,262,000	-	4,177,065
As December 31, 2015			
Segment and total assets	$ 110,859,960	$ 4,500,738	$ 115,360,698
Segment and total liabilities	$ 78,352,175	$ 638,952	$ 78,991,127

(Expressed in Canadian dollars, unless otherwise indicated)

27. Segmented reporting and revenue (continued):

2014	Gas distribution utility	CNG refuelling station	Consolidated
Segment revenue	$ 44,299,263	$ 8,828,929	$ 53,128,192
Cost of sales	22,116,234	7,015,672	29,131,906
	22,183,029	1,813,257	23,996,286
Expenses:			
General and administrative	9,614,786	945,756	10,560,542
Travel and business development	3,559,089	72,863	3,631,952
Impairment losses recognised on trade receivables	58,444	-	58,444
Stock-based compensation	226,622	45,166	271,788
	13,458,941	1,063,785	14,522,726
Finance costs	1,703,872	-	1,703,872
Interest income	(256,776)	-	(256,776)
Share of loss of an associate	8,409	-	8,409
Segment results and profit before income taxes	$ 7,268,583	$ 749,472	$ 8,018,055
Depreciation of property and equipment	$ 2,603,916	$ 296,416	$ 2,900,332
Amortization of long-term lease prepayment	35,301	9,437	44,738
Amortization of intangible asset	1,045,908	20,491	1,066,399
Acquisition of property and equipment	$ 5,684,447	$ 36,375	$ 5,720,822
Acquisition of intangible assets	8,812	-	8,812
Investment in associate	872,930	-	872,930
As December 31, 2014			
Segment and total assets	$ 84,284,662	$ 4,701,508	$ 88,986,170
Segment and total liabilities	$ 62,977,052	$ 695,203	$ 63,672,255

Geographic information:

The Group's revenue is presented based on the location of the operations. Information about the Group’s assets is presented based on the geographic location of the assets.For the years ended December 31, 2015 and 2014, there is no significant individual customer from which sales amounted to more than 10% of the Group's revenue.

(Expressed in Canadian dollars, unless otherwise indicated)

28. Particulars of principal subsidiaries of the Company:

(a) General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of	Place of incorporation/ registration/ operation	Class of share	Paid-up issued/ registered capital	Proportion ownership interest held by the Company		Proportion voting power held by the Company		Principal activities
				2015	2014	2015	2014	
Directly owned by the Company:								
Hainan Energy Ltd. ("HEL")	BVI		$910,001	100%	100%	100%	100%	Investment holding
Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. ("CF China")	The PRC		RMB40,000,002	100%	100%	100%	100%	Gas distribution
Indirectly owned by the Company:								
Sanya Changfeng Offshore Natural Gas Engineering Construction Co., Ltd.	The PRC		RMB20,000,000	99.4%	99.4%	99.4%	99.4%	Pipeline connection
Sanya Changfeng New Energy Investment Co., Ltd.	The PRC		RMB100,000,000	100%	100%	100%	100%	New project development
Sanya Changfeng Offshore Natural Gas Design Co., Ltd.	The PRC		RMB1,000,000	100%	100%	100%	100%	Pipeline connection design
Hunan Changfeng CNPC Energy Co., Ltd. ("Hunan CF CNPC")	The PRC		RMB5,000,000	58%	58%	58%	58%	CNG retailing
Hunan CNPC New Energy Investment Co., Ltd. ("Hunan CNPC NEI")	The PRC		RMB5,000,000	60%	60%	60%	60%	New project development
Pingxiang Changfeng Natural Gas Co., Ltd. ("Pingxiang CF")	The PRC		RMB20,000,000	90.2%	90.2%	90.2%	90.2%	Gas distribution and pipeline connection
Xiangtan Changfeng Natural Gas Co., Ltd. ("Xiangtan CF")	The PRC		RMB2,000,000	51%	51%	51%	51%	New project development
Gaoyao Evergrowth Natural Gas Co., Ltd. ("Gaoyao")	The PRC		RMB9,000,000	100%	100%	100%	100%	Gas distribution and pipeline connection

None of the subsidiaries has issued any debt securities at the end of the year.

(Expressed in Canadian dollars, unless otherwise indicated)

28. Particulars of principal subsidiaries of the Company (continued):

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary interests	Place of incorporation/ registration/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profits allocated to non-controlling interests		Accumulated non-controlling	
		2015	2014	2015	2014	2015	2014
Hunan CF CNPC	The PRC	42%	42%	492,484	383,246	1,551,668	904,791
Individual immaterial subsidiaries with non-controlling interests				(44,173)	(124,639)	130,059	(101,780)
				448,311	258,607	1,681,727	803,011

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup elimination.

Hunan CF CNPC

	2015	2014
Current assets	$ 2,957,797	$ 2,483,509
Non-current assets	1,121,588	1,337,790
Current liabilities	384,937	1,667,036
Non-current liabilities	-	-
Equity attributed to the owners of the Company	2,142,780	1,249,472
Non-controlling interests	1,551,668	904,791

(Expressed in Canadian dollars, unless otherwise indicated)

28. Particulars of principal subsidiaries of the Company (continued):

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	$ 8,793,039	$ 8,828,929
Expenses	7,620,459	7,916,437
Profit for the year	$ 1,172,580	$ 912,492
Profit for the year attributable to		
the owners of the Company	$ 680,096	$ 600,382
the non-controlling interests	492,484	434,760
Profit for the year	$ 1,172,580	$ 1,035,142
Other comprehensive income attributable to		
the owners of the Company	$ 213,212	$ 199,916
the non-controlling interests	154,393	144,766
Other comprehensive income for the year	$ 367,605	$ 344,682
Total comprehensive income attributable to		
the owners of the Company	$ 893,308	$ 800,298
the non-controlling interests	646,877	579,526
Total comprehensive income for the year	$ 1,540,185	$ 1,379,824
Net cash inflow from operating activities	$ 1,774,561	$ 1,399,416
Net cash outflow from investing activities	(94,518)	(45,993)
Net cash (outflow) inflow from financing activities	(1,388,842)	18,612
Net cash inflow	$ 291,201	$ 1,372,035

29. Event after the reporting period:

(a) On February 8, 2016, the Company received a letter from two former directors requesting the Company to commence an action against its board of directors to recover damages they allege the Company incurred as a result of the board's actions with respect to proposed issuance of Class A Preferred Shares to Mr. Lin to settle his loan advance to the Company. The Company considers this claim to be preliminary and expects the financial impact of any such claim to be immaterial to the consolidated financial statements as at December 31, 2015.

(b) On March 31, 2016, the Group signed a new gas supply contract with CNOOC. CNOOC is committed to supply up to approximately 25 million cubic metres of natural gas annually until December 31, 2016 with a fixed contractual price and same terms stated in original contract.

29. Event after the reporting period (continued):

(c) On April 27, 2016, loans in the aggregate amount of $8,524,000 (RMB40,000,000) (December 31, 2014 - $7,476,000 (RMB40,000,000)) to the Group, through wholly owned subsidiaries, were renewed for one year with the same terms and conditions are set out in note 20(c)(i) by Mr. Lin.