CHANGFENG ENERGY INC.

Report and Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

CHANGFENG ENERGY INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHANGFENG ENERGY INC.
(incorporated in 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 statements of financial position as at December 31, 2017 and 2016, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017 and 2016, 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 audits. We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHANGFENG ENERGY INC. - continued
(incorporated in Canada with limited liability)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu (Signed)
Certified Public Accountants
Hong Kong
April 5, 2018

CHANGFENG ENERGY INC.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	NOTES	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations			
Revenue	6	381,965	329,052
Cost of sales		(218,526)	(177,498)
Gross profit		163,439	151,554
Other income	7	1,026	674
Other expenses and other gain and loss	8	437	(2,740)
Selling, marketing and distribution expenses		(48,973)	(38,012)
Administrative expenses		(54,319)	(39,639)
Finance costs	9	(5,977)	(7,804)
Listing expenses		(381)	(7,065)
Share of loss of an associate	18	(6)	(7)
Share of loss of a joint venture	19	(4)	(3,516)
Loss on disposal of a joint venture	19	-	(3,114)
Profit before tax		55,242	50,331
Income tax expense	10	(20,240)	(24,088)
Profit for the year from continuing operations	11	35,002	26,243
Discontinued operation			
Loss for the year from discontinued operation	12	(9,158)	(4,917)
Profit for the year		25,844	21,326
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on			
- Available-for-sale financial assets		72	(74)
Total comprehensive income for the year		25,916	21,252
Profit (loss) for the year attributable to owners of the Company			
- From continuing operations		33,292	24,321
- From discontinued operation		(8,261)	(4,435)
		25,031	19,886
Profit (loss) for the year attributable to non-controlling interests			
- From continuing operations		1,710	1,922
- From discontinued operation		(897)	(482)
		813	1,440
		25,844	21,326

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	NOTE	2017 RMB'000	2016 RMB'000 (restated)
Total comprehensive income attributable to			
- Owners of the Company		25,103	19,812
- Non-controlling interests		813	1,440
		25,916	21,252
Earnings per share			
From continuing and discontinued operation			
- Basic	14	0.39	0.32
- Diluted	14	0.39	0.32
From continuing operations			
- Basic	14	0.52	0.39
- Diluted	14	0.52	0.39

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2017 AND 2016

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property and equipment	15	349,006	385,654
Long-term lease prepayments	16	12,946	16,225
Intangible assets	17	4,557	3,504
Interest in an associate	18	4,651	4,657
Interest in a joint venture	19	17,996	-
Available-for-sale financial assets	24	-	726
Long-term deposits and advances	23	8,665	7,785
Deferred tax assets	33	7,712	-
		405,533	418,551
CURRENT ASSETS			
Current portion of long-term lease prepayments	16	1,256	1,271
Inventories	20	3,507	4,765
Amounts due from customers for contract work	21	18,575	17,827
Amount due from a related party	28	2,765	-
Trade receivables	22	16,456	16,254
Other receivables, prepaid expenses and deposits	23	21,009	25,010
Pledged bank deposits	25	1,008	1,005
Bank balances and cash	25	150,711	142,377
		215,287	208,509
Assets classified as held-for-sale	12	105,886	-
		321,173	208,509
CURRENT LIABILITIES			
Trade and other payables	26	104,382	62,084
Amount due to the ultimate controlling shareholder	27 & 28	109	40,000
Amount due to a related party	28	4,249	4,249
Dividend payable to non-controlling interests of subsidiaries		2,520	-
Receipts in advance from customers	29	82,631	64,656
Amounts due to customers for contract work	21	33,377	37,138
Income tax payable		22,212	12,671
Short-term bank borrowings	30	49,760	40,435
Current portion of long-term debt	31	22,000	28,000
		321,240	289,233
Liabilities associated with assets classified as held-for-sale	12	42,445	-
		363,685	289,233
NET CURRENT LIABILITIES		(42,512)	(80,724)
TOTAL ASSETS LESS CURRENT LIABILITIES		363,021	337,827
NON-CURRENT LIABILITIES			
Long-term debt	31	125,758	132,518
Deferred income - government grants	32	4,917	5,154
Deferred tax liabilities	33	8,365	8,145
		139,040	145,817
NET ASSETS		223,981	192,010

CHANGFENG ENERGY INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2017 AND 2016

	NOTE	2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	34	66,689	60,277
Reserves		150,792	123,130
Equity attributable to owners of the Company		217,481	183,407
Non-controlling interests		6,500	8,603
TOTAL EQUITY		223,981	192,010

The consolidated financial statements on pages 3 to 68 were approved and authorized for issue by the Board of Directors on April 5, 2018 and are signed on its behalf by:

YONGBIAO DING
YONGBIAO DING
DIRECTOR

WENCHENG ZHANG
WENCHENG ZHANG
DIRECTOR

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Attributable to owners of the Company							
	Share capital RMB'000 (Note a)	Contributed surplus RMB'000 (Note b)	Statutory surplus reserves RMB'000	Investment revaluation reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at January 1, 2016	59,340	15,002	25,171	-	63,993	163,506	7,163	170,669
Profit for the year	-	-	-	-	19,886	19,886	1,440	21,326
Fair value loss on available-for-sale financial assets	-	-	-	(74)	-	(74)	-	(74)
Total comprehensive (expense) income for the year	-	-	-	(74)	19,886	19,812	1,440	21,252
Share repurchase (note 35)	(1,086)	-	-	-	-	(1,086)	-	(1,086)
Options exercised (note 35)	2,023	(793)	-	-	-	1,230	-	1,230
Options expired/forfeited (note 35)	-	(444)	-	-	444	-	-	-
Transfer	-	-	7,786	-	(7,786)	-	-	-
Reclassification upon disposal of available-for-sale financial assets	-	-	-	(55)	-	(55)	-	(55)
As at December 31, 2016	60,277	13,765	32,957	(129)	76,537	183,407	8,603	192,010
Profit for the year	-	-	-	-	25,031	25,031	813	25,844
Fair value gain on available-for-sale financial assets	-	-	-	72	-	72	-	72
Total comprehensive income for the year	-	-	-	72	25,031	25,103	813	25,916
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	(2,916)	(2,916)
Dividend recognized as distribution (note 13)	-	-	-	-	(3,321)	(3,321)	-	(3,321)
Share cancellation (note 34)	(172)	-	-	-	-	(172)	-	(172)
Share-based compensation expense	-	4,485	-	-	-	4,485	-	4,485
Option exercised (note 35)	6,584	(2,662)	-	-	-	3,922	-	3,922
Options expired/forfeited (note 35)	-	(290)	-	-	290	-	-	-
Transfer	-	-	7,103	-	(7,103)	-	-	-
Deemed contributions from ultimate controlling shareholder (note 27)	-	4,000	-	-	-	4,000	-	4,000
Reclassification upon disposal of available-for-sale financial assets	-	-	-	57	-	57	-	57
As at December 31, 2017	66,689	19,298	40,060	-	91,434	217,481	6,500	223,981

Notes:

(a) Contributed surplus comprises capital contribution from shareholders and share-based compensation reserve.

(b) Statutory surplus reserves represent the statutory surplus reserve fund attributable to the Group set up by the subsidiaries in the People's Republic of China (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 surplus reserve fund, and the statutory surplus reserve fund may be used for making up losses, if any, and increasing registered capital. The maximum amount appropriate to the statutory surplus reserve fund is 50% of the registered capital of the respective PRC subsidiaries.

CHANGFENG ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit for the year	25,844	21,326
Adjustments for:		
Income tax expense	20,240	24,088
Interest income	(750)	(445)
Interest expense	6,127	7,874
Depreciation of property and equipment	17,978	16,932
(Reversal of) allowance for doubtful debt for trade receivables	(180)	427
Allowance for impairment of amounts due from customers for contract work	-	1,589
Amortization of government grants	(237)	(70)
Amortization of long-term lease prepayments	1,368	440
Amortization of intangible assets	456	139
Share of loss of an associate	6	7
Share of loss of a joint venture	4	3,516
Share-based compensation expense	4,485	-
(Gain) loss on disposals of property and equipment	(84)	45
Loss (gain) on disposal of available-for-sale financial assets	57	(55)
Loss of disposal of the joint venture	-	3,114
Unrealized exchange (gain) loss on monetary items	(440)	1,151
Operating cash flows before movements in working capital	74,874	80,078
(Increase) decrease in inventories	(2,348)	1,112
Increase in trade receivables	(4,080)	(2,341)
Increase in other receivables, prepaid expenses and deposits	(11,417)	(5,772)
Increase in long-term deposits and advances	(2,536)	(509)
Increase in amounts due from (to) customers for contract work	(46,156)	(29,024)
Increase in trade and other payables	27,188	4,389
Increase in receipts in advance from customers	67,085	49,737
Increase (decrease) in amounts due to related parties	109	(333)
Cash generated from operations	102,719	97,337
Interest paid	(9,823)	(8,991)
Interest income received	750	445
Income tax paid	(18,191)	(19,289)
NET CASH FROM OPERATING ACTIVITIES	75,455	69,502

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Deposit paid for acquisition of property and equipment	(2,358)	(1,272)
Receipt in advance from disposal of a subsidiary	30,847	-
Acquisition of property and equipment	(61,642)	(44,088)
Acquisition of intangible assets	(1,509)	(1,701)
Investment in a joint venture	(18,000)	-
Proceeds from disposal of property and equipment	895	-
Receipt of demolition compensation	7,517	-
Receipt of compensation on pipeline relocation	1,710	-
Repayment of other receivable from a former joint venture	2,000	-
Proceed on disposal of a joint venture	-	12,971
Placement of pledged bank deposits	(3)	-
Withdrawal of pledged bank deposits	-	9,003
Investment in available-for-sale financial assets	-	(1,888)
Proceed from disposal of available-for-sale financial assets	798	1,088
Payment for long-term lease prepayments	-	(7,833)
NET CASH USED IN INVESTING ACTIVITIES	(39,745)	(33,720)
FINANCING ACTIVITIES		
Dividend paid	(3,321)	-
Dividend paid to non-controlling interests of subsidiaries	(396)	-
Repurchase of shares	-	(1,086)
Proceeds on exercised share options	3,922	1,230
Payment for cancellation of shares	(172)	-
Repayment of short-term bank borrowings	(30,000)	(30,000)
New short-term bank borrowings raised	40,000	30,000
Repayment of long-term debt	(28,000)	(18,000)
New long-term debt raised	21,250	60,000
Repayment to the ultimate controlling shareholder	(36,000)	-
Increase in amount due from a related party	(2,765)	-
Advance from Xinao Gas (note 12)	13,000	-
Decrease in amounts due to related parties	-	(1,826)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(22,482)	40,318
INCREASE IN CASH AND CASH EQUIVALENTS	13,228	76,100
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	142,377	66,558
Effect of foreign exchange rate changes	(240)	(281)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	155,365	142,377
Represented by:		
Bank balances and cash	150,711	142,377
Cash and cash equivalents included in assets classified as held-for-sale	4,654	-
	155,365	142,377

1. GENERAL

Changfeng Energy Inc. (the "Company") is a public limited company incorporated under the Canada Business Corporations Act on May 4, 2006 and its shares are listed on the TSX Venture Exchange. The registered office of the Company is located at 32 South Unionville Avenue, Unit 2036, Markham, Ontario, L3R 9S6, Canada, and the principal operations of its business are in China. Its ultimate controlling party is Mr. Huajun Lin ("Mr. Lin"), who is also an officer and director of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are engaged in the distribution of natural gas for industrial, commercial and residential users in the Peoples Republic of China ("PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

On November 22, 2017, the Group entered into an equity restructuring agreement to dispose of its 50.2% effective interest in a subsidiary, Pingxiang Changfeng Natural Gas Co., Ltd. ("Pingxiang CF"). Details of the disposal are set out in note 12.

The assets and liabilities attributable to Pingxiang CF have been classified as a discontinued operation held-for-sale and are presented separately in the consolidated statement of financial position as management of the Group considered that the sale is highly probable and the business is available for immediate sale as at December 31, 2017. As such, loss for the year from Pingxiang CF has been presented as loss for the year from discontinued operation and is presented separately in the consolidated statement of profit or loss and comprehensive income. The comparative figures of the consolidated statement of profit or loss and comprehensive income for the year ended December 31, 2016 have been restated to reflect the discontinuance of Pingxiang CF.

Certain comparative figures in the consolidated statements of profit or loss and other comprehensive income have been reclassified to conform with the current year’s presentations of the Group to reflect the reclassification of (i) certain tax surcharges of RMB185,000 from 'administrative expenses' to 'cost of sales' and (ii) selling and distribution expenses and listing expenses of RMB20,538,000 and RMB7,065,000 respectively from 'administrative expenses' to 'selling, marketing and distribution expenses' and 'listing expenses'.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2017, the Group's current liabilities exceeded its current assets by RMB42,512,000. In view of these circumstances, management of the Group 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. Management is satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitments as disclosed in Note 40. 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, 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 consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle

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

Amendments to IAS 7 Disclosure Initiative

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

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

A reconciliation between the opening and closing balances of these items is provided in note 41. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 41, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and revised IFRSs in issue but not yet effective

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

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

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

Except for the new and amendments to IFRSs and interpretations mentioned below, management of the Company anticipates that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and revised IFRSs in issue but not yet effective - continued

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

In general, management of the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by management of the Group, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by Group as at January 1, 2018 would be slightly increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit losses provision on trade receivables and amount due from customers for contract work. Such further impairment recognized under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at January 1, 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and revised IFRSs in issue but not yet effective - continued

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 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.

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.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Company anticipates that the application of IFRS 15 in the future may result in more disclosures, however, the management of the Company does not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and revised IFRSs in issue but not yet effective - continued

IFRS 16 *Leases* - continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows by the Group respectively.

Under IAS 17, the Group has already recognized an asset and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of RMB18,215,000 as disclosed in Note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB1,137,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 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*.

In addition, for financial reporting purposes, fair value measurements are categorised 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 asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

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 statements 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.

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.

Investments in associates and joint ventures

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.

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 results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Investments in associates and joint ventures - continued

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the statements of profit or loss in the period in which the investment is acquired.

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 (including goodwill) in accordance with IAS 36 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 the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in the statements of profit or loss.

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.

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from the supply of natural gas, CNG vehicles refuelling and from installation and connection of natural gas pipelines for end users in the normal course of business.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

The Group recognizes revenue from the supply of natural gas and CNG vehicles refuelling when the natural gas or CNG 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.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for gas connection contracts below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Gas connection contracts

Where the outcome of a gas connection contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the progress as estimated by the independent surveyor.

Where the outcome of a gas connection contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work.

Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as receipts in advance from customers. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statements of financial position under trade receivables.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the payments made for land held under operating leases, are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the year which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in the statements of profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (contributed surplus). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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 recognized in contributed surplus will be transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in an associate and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in the statements of profit or loss, except when they relate 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. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than properties under construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes 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 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.

Long-term lease prepayments

Long-term lease prepayments represent payments for obtaining land use right and is amortized to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC. Long-term lease prepayments which is to be amortized to profit or loss in the next twelve months is classified as current assets.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see accounting policy in respect of impairment losses on tangible and intangible assets below).

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flow 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimates of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average cost method. Net realizable value represents the estimated selling price for inventories less costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

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 (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

Financial assets are classified as financial assets at available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 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 for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

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, deposits and other receivables, amount due from a related party, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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 where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for that financial asset because of financial difficulties.

The Group first assesses whether objective evidence of impairment exists individually for trade receivables, and collectively for the remainder of financial assets. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses it for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in collective assessment of impairment.

For financial assets carried at amortized cost, the amount of 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.

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. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of 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.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserves.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as 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 Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade and other payables, amount due to the ultimate controlling shareholder and a related party, short-term bank borrowings and long-term debt are subsequently measured at amortized cost, using the effective interest method.

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the statements of profit or loss.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

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 relevant period. 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 from gas connection contracts is dependent upon estimating the stages of completion and the outcome of the contracts. For the year ended December 31, 2017, gas connection contract revenue from continuing operations is RMB149,177,000 (2016: (restated) RMB130,836,000).

Estimated impairment of trade receivables and amounts due from customers for contract work

In assessing the impairment of trade receivables and amounts due from customers for contract work, the Group assesses for impairment indicator at the end of each reporting period.

When there is objective evidence of impairment loss of trade receivables and amounts due from customers for contract work, the Group takes into consideration the estimation of future cash flows of trade receivables and amounts due from customers for contract work. The amount of the impairment loss of trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. For the impairment loss of amounts due from customers on contract work, the management of the Group reviews the net realizable value of the productions work in progress on the gas connection project by project basis at the end of the reporting period and makes allowances for amounts due from customers for contract work whenever estimated selling price less the estimated cost of completion and the estimated cost necessary to make the sale is lower than the cost. In case there are changes in the estimation of the selling price and estimated cost, additional allowances might be required.

As at December 31, 2017, the carrying amount of trade receivables is RMB16,456,000 (net of allowance for doubtful debts of RMB559,000 (2016: RMB16,254,000, net of allowance for doubtful debts of RMB739,000), and the carrying amount of amounts due from customers for contract work is RMB18,575,000 (net of allowance for impairment loss recognized of RMB2,722,000) (2016: RMB17,827,000, net of allowance for impairment loss recognized of RMB2,722,000).

Estimated purchase cost of natural gas

Purchase cost of the natural gas used is recognized using the agreed purchase price per cubic metre of natural gas with reference to the total cubic metres usage of natural gas during each reporting period. At December 31, 2017 and up to the date of this report, the Group is still under negotiation of the purchase price of the natural gas with the supplier.

The Group estimated the purchase cost of natural gas based on the quotation price from the suppliers and the actual usage of natural gas during the year ended December 31, 2017. The accrued cost may be reversed afterwards the Group agreed the final gas purchase price with the suppliers for fiscal year 2017.

For the year ended December 31, 2017, the cost of sales of gas sales from continuing operations is RMB123,016,000 (2016: (restated) RMB93,547,000).

6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue from continuing operations for the year is as follows:

	Year ended December 31, 2017 RMB'000	Year ended December 31, 2016 RMB'000 (restated)
Gas distribution utility		
- Gas sales	173,453	149,020
- Pipeline installation and connection	149,177	130,836
CNG vehicles refueling stations	59,335	49,196
	381,965	329,052

There were no significant intragroup transactions between segments. No single customer accounted for more than 10% of the Group's sales in both years or trade receivables at December 31, 2017 and 2016.

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of each segment performance. The CODM reviews operating results and financial information for each sub-group of operating companies separately. Accordingly, each sub-group of operating companies in the PRC is identified as an operating segment. Those operating segments are aggregated into gas distribution utility segment and CNG vehicles refuelling segment respectively for segment reporting purpose after taking into account that those operating segments are operating in similar business model with similar target group of customers, similar products and services and similar methods used to distribute their products and under the similar regulatory environment.

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

(a) Gas distribution utility which includes gas sales and pipeline installation and connection; and

(b) CNG vehicles refueling.

The gas distribution utility segment provides gas pipeline connection services and delivers natural gas to commercial, industrial and residential customers through its pipeline networks and associated facilities in Sanya City, Hainan Province in the PRC. The Group's other segment is a CNG vehicle refueling in the PRC, which primarily supply gas for taxicabs and public transportation vehicles.

The gas distribution utility segment in Pingxiang City, Jiangxi Province in the PRC was discontinued in the current year. The segment information reported on the next pages does not include any amount for the discontinued operation in such separate geographical location, which are described in more detail in note 12.

6. REVENUE AND SEGMENT INFORMATION - continued

Segments revenues and results

Summarized financial information from continuing operations concerning the reportable segments is shown in the following tables:

For the year ended December 31, 2017

Continuing operations

	Gas distribution utility RMB'000	CNG vehicles refuelling RMB'000	Consolidated RMB'000
Segment revenue	322,630	59,335	381,965
Segment profit	65,783	12,039	77,822
Share of loss of an associate			(6)
Share of loss of a joint venture			(4)
Unallocated income			450
Unallocated expenses			(23,020)
Profit before tax (continuing operations)			55,242

For the year ended December 31, 2016

Continuing operations

	Gas distribution utility RMB'000 (restated)	CNG vehicles refuelling RMB'000 (restated)	Consolidated RMB'000 (restated)
Segment revenue	279,856	49,196	329,052
Segment profit	70,438	9,256	79,694
Share of loss of an associate			(7)
Share of loss of a joint venture			(3,516)
Loss on disposal of a joint venture			(3,114)
Unallocated income			85
Unallocated expenses			(22,811)
Profit before tax (continuing operations)			50,331

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of share of loss of an associate and a joint venture, unallocated income and unallocated expenses and share-based compensation expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION - continued

Other segment information

For the year ended December 31, 2017

Continuing operations

Amounts included in the measure of segment profit:

	Gas distribution utility RMB'000	CNG vehicles refuelling RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation of property and equipment	13,424	1,812	221	15,457
Amortization of intangible assets	456	-	-	456
(Gain) loss on disposals of property and equipment	7	-	(115)	(108)
Impairment losses reversed on trade receivables	(23)	(157)	-	(180)
Interest income from bank deposits	(366)	(297)	(73)	(736)
Finance costs	5,608	-	369	5,977

For the year ended December 31, 2016

Continuing operations

Amounts included in the measure of segment profit or loss:

	Gas distribution utility RMB'000 (restated)	CNG vehicles refuelling RMB'000 (restated)	Unallocated RMB'000 (restated)	Consolidated RMB'000 (restated)
Depreciation of property and equipment	12,869	1,785	377	15,031
Amortization of intangible assets	139	-	-	139
Loss on disposals of property and equipment	45	-	-	45
Impairment losses (reversed) recognized on trade receivables	957	468	(998)	427
Impairment losses recognized on amounts due from customers for contract work	1,589	-	-	1,589
Interest income from bank deposits	(152)	(221)	(65)	(438)
Finance costs	7,249	-	555	7,804

Geographic information

The Group's operations are substantially based in the PRC and significantly all non-current assets of the Group are located in the PRC. Therefore, no further analysis of geographical information is presented.

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations		
Interest income from bank deposits	736	438
Others	290	236
	1,026	674

8. OTHER EXPENSES AND OTHER GAIN AND LOSS

	2017 RMB'000	2016 RMB'000
Continuing operations		
Impairment losses reversed (recognized) on trade receivables	180	(427)
Impairment losses recognized on amounts due from customers for contract work	-	(1,589)
Unrealized exchange gain (loss)	943	(1,151)
(Loss) gain reclassified from equity to profit or loss on disposal of available-for-sale financial assets	(57)	55
Gain (loss) on disposals of property and equipment	108	(45)
Donations	(1,121)	-
Others	384	417
	437	(2,740)

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations		
Interest expense on short-term bank borrowings and long-term debt	9,913	9,202
Less: amounts capitalized in the cost of property and equipment	(3,936)	(1,398)
	5,977	7,804

10. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	28,476	19,725
PRC withholding EIT	555	3,227
Deferred tax (credit) expense (note 33)	(7,492)	1,136
Overprovision in prior year	(1,299)	-
	20,240	24,088

The Company was incorporated in Canada and subject to Canadian federal and Ontario statutory income tax at a rate of 26.5% (2016: 26.5%) on assessable profits in Canada during the reporting period.

A subsidiary, Hainan Energy Ltd., was incorporated in the British Virgin Islands and tax exempted under the laws of the British Virgin Islands.

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% during the reporting period (2016: 25%).

The income tax expense for the year can be reconciled to the profit before tax from continuing operations as follows:

	2017 RMB'000	2016 RMB'000 (restated)
Profit before tax (from continuing operations)	55,242	50,331
Tax at Canadian federal and Ontario statutory income tax rate of 26.5%	14,639	13,338
Tax effect of expenses not deductible for tax purposes	2,639	2,031
Effect of difference tax rates of entities operating in other jurisdiction	(1,562)	(1,032)
Tax effect of tax losses and deductible temporary differences not recognized	5,238	5,687
Utilization of tax losses previously not recognized	(286)	-
Overprovision in prior year	(1,299)	-
PRC withholding EIT	555	3,227
Deferred tax on undistributed earnings in PRC	(21)	555
Other	337	282
Income tax expense for the year (relating to continuing operations)	20,240	24,088

11. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000 (restated)
Profit for the year from continuing operations has been arrived at after charging the following:		
Directors' remuneration	561	419
Other staff costs	35,242	28,950
Staff retirement benefit scheme contribution	3,869	3,217
Total staff cost	39,672	32,586
Release of long-term lease prepayments	1,352	398
Operating lease payments	2,595	1,199
Cost of inventories recognized as expense in cost of sales	123,016	93,536
Contract cost recognized as expense in cost of sales	35,577	30,445
Depreciation of property and equipment	15,457	15,031
Amortization of intangible assets (included in cost of sales)	456	139
Auditors' remuneration	2,841	2,480

12. ASSETS CLASSIFIED AS HELD-FOR-SALE

On November 22, 2017, the Group entered into an equity restructuring agreement (the "Agreement") to dispose of in aggregate 50.2% effective interest in Pingxiang CF, to Xinao Gas Development Co. Ltd. and Xinao Gas (China) Investment Co., Ltd. (collectively referred to "Xinao Gas") (the 'Disposal"). Pingxiang CF is engaged in distribution of natural gas for industrial, commercial and residential users in Pingxiang City, Jiangxi Province in the PRC.

The terms of the Agreement included the following:

(i) the Group will dispose of 24.5% interest in Pingxiang CF (effectively 14.7% owed by the Group) to Xinao Gas at a consideration of RMB34,090,000;

(ii) upon the completion of step (i), the Group and Xinao Gas will make capital contribution of RMB16,900,000 and RMB49,400,000 and respectively, resulting in a dilution of the Group's effective interest in Pingxiang CF from 75.5% to 40%; and

(iii) upon the completion of step (ii), Pingxiang CF will repay an outstanding loan of RMB46,768,000 to the Group.

12. ASSETS CLASSIFIED AS HELD-FOR-SALE - continued

The Group has also written a put option that the Group will commit to repay Xinao Gas the full amount of the injected capital and repurchase its 60% interest in Pingxiang CF within two years from the completion date of step (ii) if: a) Pingxiang CF fails to sign a concession agreement issued by the Ministry of Housing and Urban-Rural Development of the PRC; or b) the operation of Pingxiang CF is suspended as a result of failing to sign the above noted Concession Agreement.

All the above mentioned steps in the Agreement are entered into at the same time. Based on the terms and conditions of the Agreement, the occurrence of one step is dependent on the occurrence of the former step. The Group accounted for the abovementioned steps in the Agreement as a single transaction which will cause the Group to lose control over Pingxiang CF. Management of the Group considers that the Group has significant influence over Pingxiang CF upon the completion of the Disposal and therefore it will be classified as an associate of the Group.

As at December 31, 2017, the management of the Group considered Pingxiang CF is a discontinued operation of the Group as it is represented a separate geographical location of business operated in Pingxiang City. The management of the Company considers it is highly probable that the Disposal will be completed within twelve months after December 31, 2017 and therefore the related assets were classified as "assets classified held-for-sale" at December 31, 2017. The Disposal was completed on January 5, 2018.

Prior to the completion of the disposal, the Group has recognized the consideration received as receipts in advance from the Disposal (note 26).

As at December 31, 2017, step (i) was completed and the Group received part of the consideration amount of RMB30,847,000 (note 26).

The net proceeds of the Disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognized.

12. ASSETS CLASSIFIED AS HELD-FOR-SALE - continued

The loss for the year from Pingxiang CF is set out below. The comparative figures in the consolidated statements of profit or loss and other comprehensive income have been restated to represent Pingxiang CF as a discontinued operation.

	2017 RMB'000	2016 RMB'000
Revenue	74,632	25,397
Cost of sales	(78,928)	(27,103)
Other income	14	7
Selling, marketing and distribution expenses	(911)	(889)
Administrative expenses	(3,815)	(2,259)
Finance costs	(150)	(70)
Loss before tax	(9,158)	(4,917)
Income tax expense	-	-
Loss for the year	(9,158)	(4,917)

Under the EIT Law, the tax rate of Pingxiang CF is 25% for both years. No provision for taxation in PRC has been made as Pingxiang CF incurred tax losses in PRC for both years.

Loss for the year from discontinued operation includes the following:

	2017 RMB'000	2016 RMB'000
Other staff costs	2,281	1,754
Staff retirement benefit scheme contribution	437	95
Total remuneration	2,718	1,849
Release of long-term lease prepayments	16	42
Cost of inventories recognized as expense in cost of sales	73,968	18,584
Contract cost recognized as expense in cost of sales	1,061	5,845
Depreciation	2,521	1,901
Loss on disposal of property and equipment	24	-
Interest income	(14)	(7)

12. ASSETS CLASSIFIED AS HELD-FOR-SALE - continued

Cash flows for the year from discontinued operation includes the following:

	2017 RMB'000	2016 RMB'000
Net cash outflow from operating activities	(6,825)	(2,448)
Net cash outflow from investing activities	(23,841)	(22,288)
Net cash inflow from financing activities	29,529	29,459
Net cash (outflow) inflow	(1,137)	4,723

The major classes of assets and liabilities of Pingxiang CF as at December 31, 2017, which have been presented separately in the consolidated statements of financial position, are as follows:

	2017 RMB'000
Property and equipment	85,121
Long-term lease prepayments	1,926
Long-term deposits and prepayments	384
Inventories	3,606
Trade and bills receivables	4,058
Other receivables, prepaid expenses and deposits	6,137
Bank balances and cash	4,654
Total assets classified as held-for-sale	105,886

	2017 RMB'000
Trade and other payables	15,732
Receipts in advance from customers	7,463
Amount due to Xinao Gas	13,000
Amount due to the Group	63,668
Long-term debt	6,250
	106,113
Less: inter-company elimination	(63,668)
Total liabilities associated with assets classified as held-for-sale	42,445

13. DIVIDENDS

Dividends for ordinary shareholders of the Company recognized as distribution during the year:

	2017 RMB'000
2017 Interim - first instalment CAD0.01 cent, or equivalent to RMB0.05 cent (2016: nil) per share	3,321*

* The first instalment of the interim dividend in respect of the year ended December 31, 2017 is CAD640,000, or equivalent to RMB3,321,000.

Subsequent to the end of the reporting period, the second instalment of the interim dividend in respect of the year ended December 31, 2017 of CAD0.01 cent, or equivalent to RMB0.07 cent per ordinary share, in an aggregate amount of CAD600,000, or equivalent to RMB3,044,000, has been approved by the Directors of the Company and by the shareholders in the general meeting. Such dividend has been paid out in March 2018.

No final dividend was proposed by the Directors of the Company.

14. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operation

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company are based on the following data:

	2017 RMB'000	2016 RMB'000 (restated)
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	25,031	19,886

	2017	2016
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	64,137,282	61,976,208
Effect of dilutive potential shares: Share options issued by the Company	867,442	224,556
Weighted average number of ordinary shares for the purpose of diluted earnings per share	65,004,724	62,200,764
Basic earnings per share (Note)	RMB0.39	RMB0.32
	CAD0.07	CAD0.06
Diluted earnings per share (Note)	RMB0.39	RMB0.32
	CAD0.07	CAD0.06

14. EARNINGS (LOSS) PER SHARE - continued

For continuing and discontinued operation - continued

Note: The CAD figures presented above are shown for reference only and have been arrived at based on the exchange rate for RMB1.0000 to CAD0.1921 for 2017 and RMB1.0000 to CAD0.1996 for 2016, being the average exchange rate that prevailed during the respective years.

The computation of diluted earnings per share for the year ended December 31, 2017 did not assume the exercise of 2,550,000 share options (2016: 3,358,740) issued by the Company because the exercise price of those options was higher than the average market price for both 2017 and 2016.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2017 RMB'000	2016 RMB'000 (restated)
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	25,031	19,886
Add: Loss for the year from discontinued operations attributable to owners of the Company	(8,261)	(4,435)
Earnings for the purpose of basic earnings per share from continuing operations	33,292	24,321

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is RMB0.13 cent, or equivalent to CAD0.02 cent, per share (2016: RMB0.07 cent, or equivalent to CAD0.01 cent, per share), based on the loss for the year from the discontinued operation of RMB8,261,000 (2016: RMB4,435,000) and the denominators detailed above for both basic and diluted loss per share.

15. PROPERTY AND EQUIPMENT

	Buildings	Pipelines	Motor vehicles	Furniture and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2016	26,056	299,261	16,164	43,868	3,973	77,834	467,156
Additions	981	2,156	700	1,308	-	45,047	50,192
Disposals	-	-	(335)	(440)	-	-	(775)
Transfer	7,617	38,942	-	3,796	-	(50,355)	-
At December 31, 2016	34,654	340,359	16,529	48,532	3,973	72,526	516,573
Additions	23	26,263	2,372	1,687	-	36,917	67,262
Disposals	-	-	(1,948)	(371)	-	-	(2,319)
Transfer	-	4,197	-	-	-	(4,197)	-
Reclassified as held-for-sale	(8,650)	(56,618)	(775)	(8,815)	-	(18,424)	(93,282)
At December 31, 2017	26,027	314,201	16,178	41,033	3,973	86,822	488,234
DEPRECIATION							
At January 1, 2016	2,615	82,539	9,111	19,215	1,237	-	114,717
Depreciation	896	9,977	1,580	4,189	290	-	16,932
Disposals	-	-	(317)	(413)	-	-	(730)
At December 31, 2016	3,511	92,516	10,374	22,991	1,527	-	130,919
Depreciation	969	11,859	1,500	3,360	290	-	17,978
Disposals	-	-	(1,209)	(299)	-	-	(1,508)
Reclassified as held-for-sale	(645)	(4,342)	(361)	(2,813)	-	-	(8,161)
At December 31, 2017	3,835	100,033	10,304	23,239	1,817	-	139,228
NET BOOK VALUE							
At December 31, 2017	22,192	214,168	5,874	17,794	2,156	86,822	349,006
At December 31, 2016	31,143	247,843	6,155	25,541	2,446	72,526	385,654

The above items of property and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Buildings	30 - 35 years
Pipelines	30 - 35 years
Motor vehicles	3 - 10 years
Furniture and equipment	3 - 20 years
Leasehold improvements	9 - 18 years

The Group has pledged pipelines, furniture and equipment and motor vehicles with a net book value of approximately RMB54,309,000 (2016: RMB56,829,000) to secure the RMB80,000,000 (2016: RMB60,000,000) bank borrowings and long-term debt of the Group.

16. LONG-TERM LEASE PREPAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC and are analyzed for reporting purposes as follows:

	2017 RMB'000	2016 RMB'000
Current assets	1,256	1,271
Non-current assets	12,946	16,225
	14,202	17,496

The long-term lease prepayments represent the land use rights and are amortized on a straight-line basis over lease terms of 5 to 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

17. INTANGIBLE ASSETS

	Gas purchase contract and supply rights RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
COST				
At January 1, 2016	13,120	1,009	-	14,129
Additions	-	1,701	-	1,701
Write-off (Note)	(10,970)	-	-	(10,970)
At December 31, 2016	2,150	2,710	-	4,860
Additions	-	989	520	1,509
At December 31, 2017	2,150	3,699	520	6,369
AMORTIZATION				
At January 1, 2016	11,777	410	-	12,187
Amortization	114	25	-	139
Write-off (Note)	(10,970)	-	-	(10,970)
At December 31, 2016	921	435	-	1,356
Amortization	115	311	30	456
At December 31, 2017	1,036	746	30	1,812
NET BOOK VALUE				
At December 31, 2017	1,114	2,953	490	4,557
At December 31, 2016	1,229	2,275	-	3,504

17. INTANGIBLE ASSETS - continued

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Gas purchase contract and supply rights	Over the contractual useful life of 2 to 17.5 years commencing from the initial delivery of gas
Software	10 years
Others	10 years

Note: On February 22, 2012, the Company entered into a Gas and Electricity Exchange Program (the "Program") with the Local Power Bureau and China National Offshore Oil Yacheng Operation Co., Ltd., which the Group secured an additional annual supply of natural gas totaling approximately 5 million cubic meters until 2015. As of December 2015, this intangible asset has been fully amortized and the cost and accumulated amortization of the Program of RMB10,970,000 are written off during the year ended December 31, 2016.

Included in the balance as at December 31, 2017 represented the amount of another gas purchase contract and supply rights which are amortized for 17.5 years with a net book value of RMB1,114,000 (2016: RMB1,229,000).

18. INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Cost of investment in an associate - unlisted	5,000	5,000
Share of post-acquisition losses and other comprehensive expense	(349)	(343)
	4,651	4,657

Details of the Group's associate as at December 31, 2017 and 2016 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
Xiangtan Shin-Ko Energy Co., Ltd.* 湘潭市長豐深冷能源有限公司 ("Shin-Ko Energy")	The PRC	The PRC	50% (note)	50% (note)	Operating liquefied natural gas ("LNG") storage facility

* The English name of the associate is for identification purpose only.

Note: The Group holds 50% of the issued share capital of Shin-Ko Energy. However, under the shareholders' agreement, the other shareholders control the composition of the board of directors of Shin-Ko Energy and has the control over Shin-Ko Energy. Management of the Company considers that the Group has significant influence over Shin-Ko Energy through its representation in the board of Director and it is therefore classified as an associate of the Group.

19. INTEREST IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Cost of investment in a joint venture - unlisted	18,000	-
Share of post-acquisition losses and other comprehensive expenses	(4)	-
	17,996	-

Details of the Group's investment in a joint venture as at December 31, 2017 and 2016 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2017	2016	2017	2016	
EDF Changfeng (Sanya) Energy Co., Ltd.* 法電長豐(三亞)能源有限公司 ("EDF CF")	The PRC	The PRC	50%	-	50%	-	Design, construction and operation of a network of cooling and hot water supply

* The English name of the joint venture is for identification purpose only.

On November 6, 2017, the Group entered into an agreement with EDF (China) Holding Ltd ("EDF China"), an independent third party, to incorporate a joint venture to jointly pursue the integrated energy system program in Sanya City, Hainan Province. EDF CF was incorporated on November 9, 2017. The Group holds 50% of the issued share capital of EDF CF and maintains 50% voting right in EDF CF. Based on the Articles of Association of EDF CF, more than 50% vote is required to pass the decision on relevant activities of EDF CF by the board of directors of EDF CF. Management of the Company considers that the Group jointly control EDF CF with EDF China and it is therefore classified as a joint venture of the Group.

Summarized financial information of EDF CF

Summarized financial information in respect of EDF CF is set out below. The summarized financial information below represents amounts shown in the joint venture financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

19. INTEREST IN A JOINT VENTURE - continued

Summarized financial information of EDF CF - continued

EDF CF

	2017 RMB'000
Current assets	20,766
Non-current assets	-
Current liabilities	2,774
Non-current liabilities	-

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	18,001
Current financial liabilities (exclude trade and other payables)	-
Non-current financial liabilities (exclude trade and other payables)	-

	November 9, 2017 to December 31, 2017 RMB'000
Revenue	-
Loss and total comprehensive expense for the period	8
Other comprehensive expense for the period	-
Total comprehensive expense for the period	8
Dividend received from EDF CF during the period	-

19. INTEREST IN A JOINT VENTURE - continued

Summarized financial information of EDF CF - continued

EDF CF - continued

Reconciliation of the above summarized financial information to the carrying amount of the interest in EDF CF recognized in the consolidated financial statements:

	2017 RMB'000
Net assets of EDF CF	17,992
Add: Capital contribution outstanding from joint venture partner	18,000
	35,992
Proportion of the Group's ownership interest in EDF CF	50%
Carrying amount of the Group's interest in EDF CF	17,996

Disposal of Caofeidian Evergrowth Energy Co., Ltd. ("Evergrowth")

On September 29, 2016, the Group entered into an agreement with the joint venture partner of Evergrowth to dispose of all equity interest in Evergrowth for an aggregate cash consideration of RMB12,971,000. The transaction was completed on September 29, 2016 and resulted in a loss on disposal of approximately RMB3,114,000 during 2016.

	2016 RMB'000
Proceeds of disposal	12,971
Less: Carrying amount of the investment in Evergrowth on the date of loss of disposal	(16,085)
Loss of disposal of Evergrowth	(3,114)

19. INTEREST IN A JOINT VENTURE - continued

Summarized financial information of Evergrowth for the year ended December 31, 2016

	January 1, 2016 to September 29, 2016 RMB'000
Revenue	-
Loss and total comprehensive expense for the period	7,032
Other comprehensive expense for the period	-
Total comprehensive expense for the period	7,032
Dividend received from Evergrowth during the period	-

The above loss for the period includes the following:

Amortization	52
Interest income	(416)
Interest expense	-
Income tax expense	-

20. INVENTORIES

	2017 RMB'000	2016 RMB'000
Construction materials	2,769	4,059
Gas appliances, meters and spare parts	355	390
Natural gas for sale	383	316
	3,507	4,765

At December 31, 2017, no inventories (2016: nil) were written down to lower of cost and net realizable value. No reversal of any write down were recorded during the year ended December 31, 2017 (2016: nil).

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2017 RMB'000	2016 RMB'000
Contract costs incurred plus recognized profits less recognized losses and progress billings	(14,802)	(19,311)

Analyzed for reporting purposes as:

	2017 RMB'000	2016 RMB'000
Amounts due from contract customers	18,575	17,827
Amounts due to contract customers	(33,377)	(37,138)
	(14,802)	(19,311)

Amounts due from customers for contract work represents unbilled revenue from pipeline installation and connection recognized based on the percentage of completion of work performed. The payment terms in relation to pipeline installation and connections are generally by installments, with the initial installment payable upon commencement of the services, installments payable during the installation and connection process depending on the payment milestone and the final installation payable upon completion of gas connection.

	2017 RMB'000	2016 RMB'000
Amounts due from customers for contract work	21,297	20,549
Less: allowance of impairment loss recognized	(2,722)	(2,722)
Balance at end of the year	18,575	17,827

No credit period granted by the Group to customers for installation and connection of natural gas pipeline as payment is due in accordance to the payment terms stated in the contract, amount is due immediately when billings were made.

Recoverability of amounts due from customers for contract work is reviewed on a case-by-case basis when there is objective evidence that a customer will default. Management takes into consideration the customer's payment history, the credit worthiness and the current economic environment in which the customer operates to assess the amount of impairment.

Movement in the allowance of impairment:

	2017 RMB'000	2016 RMB'000
Balance at beginning of the year	2,722	1,133
Allowance of impairment loss recognized	-	1,589
Balance at end of the year	2,722	2,722

For the year ended December 31, 2017, the Group has not provided impairment loss for amounts due from customers that were impaired due to difficulties and delay in collecting the outstanding balances (2016: RMB1,589,000).

22. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	17,015	16,993
Less: allowance for doubtful debts	(559)	(739)
	16,456	16,254

Before accepting any new customer, the Group assesses the potential customer's credit quality. Management considers the customers neither past due nor impaired are of good credit quality based on repayment history of respective customers.

No debtors in the Group's trade receivables balance are past due as at December 31, 2017 and 2016. The average age of these receivables is 26 days for the year ended December 31, 2017 (2016: 26 days).

Credit period granted by the Group to customers for supply of natural gas is usually 30 days from the date of demand note.

Movement in the allowance for doubtful debts:

	2017 RMB'000	2016 RMB'000
Balance at beginning of the year	739	312
Impairment losses (reversed) recognized on trade receivables	(180)	427
Balance at end of the year	559	739

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB559,000 for the year ended December 31, 2017 (2016: RMB739,000).

23. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	2017 RMB'000	2016 RMB'000
Demolition compensation payment on behalf of local government (Note a)	-	7,929
Pipeline relocation receivables (Note b)	8,328	10,038
Deposits paid for acquisition of property and equipment	2,358	1,272
Prepayments for gas purchase	2,619	1,558
Rental prepayment	1,137	906
Deposit for land rental payment	189	289
VAT recoverable	11,353	3,393
Other receivables from a former joint venture	-	2,000
Other tax recoverable	-	1,630
Other prepayments and deposits	3,690	3,780
	29,674	32,795
Analyzed for reporting purposes as follows:		
- Current assets	21,009	25,010
- Non-current assets	8,665	7,785
	29,674	32,795

Notes:

(a) In 2012, for the purpose of construction of certain gas distribution facilities, the Group paid demolition compensation to local inhabitants of approximately RMB7,929,000. The payment amounts were capitalized as part of the cost of the gas pipeline facilities in equipment as there was no agreed time-table and mechanism for reimbursements of such payments. In 2015, the Group submitted further detailed applications to the local government authority, and in March 2016, the local government has approved the application reimbursement of RMB7,517,000 and confirmed to the Group its acceptance of the amount paid as final settlement. 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. In 2017, the Group started the construction of a new gas distribution facility at the same site and RMB412,000 were capitalized as part of the construction-in-progress. During the year ended December 31, 2017, RMB7,517,000 was refunded by the local government authority.

(b) During 2016, 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, 2017, the balances are approximately RMB8,328,000 (2016: RMB10,038,000) on construction of new pipelines as a result of the relocation notice. The Group expected RMB2,331,000 (2016: RMB4,041,000) would be refunded by the local government in 2018 with the remaining balance of RMB5,997,000 (2016: RMB5,997,000) to be refunded beyond 2018.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Listed investments		
- Equity securities listed in Toronto and New York Stock Exchange	-	726

Financial assets	Fair value as at 12.31.2017	Fair value as at 12.31.2016	Fair value hierarchy	Value technique(s) and key input(s)
Available-for-sale Financial assets	-	Listed equity securities in Toronto and New York: RMB726,000	Level 1	Quote bid prices in an active market

As at December 31, 2017 the Group disposed of all listed equity securities with a carrying amount of RMB798,000 (2016: RMB 1,088,000). A realised loss on disposal of RMB57,000 (2016: RMB55,000) has been recognized in profit or loss for the current year.

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and pledged bank deposits carried a market interest rates which ranged from 0.30% to 1.55% per annum as at December 31, 2017 (2016: 0.30% to 1.55%).

26. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	55,763	44,892
Deposit received from customers for natural gas supplies	5,352	4,598
Accrued wages and staff benefits	8,761	7,439
Receipts in advance from the disposal of a subsidiary (Note a)	30,847	-
Other tax payables	1,691	2,649
Other payables	1,968	2,506
	104,382	62,084

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 time frame.

Note:

(a) On November 22, 2017, the Group entered into a sale agreement to dispose of 50.2% effective interest in Pingxiang CF to Xinao Gas. At December 31, 2017, the Group received a deposit of RMB30,847,000 from Xinao Gas in respect of an initial disposal of 24.5% interest in Pingxiang CF. Details of the disposal of Pingxiang CF are set out in note 12.

27. AMOUNT DUE TO THE ULTIMATE CONTROLLING SHAREHOLDER

The amount is unsecured, non-interest bearing, subordinated to the claims of all other creditors, including unsecured creditors of the Group and were due on demand only after April 27, 2016. In 2007, Mr. Lin, advanced loans in the aggregate amount of RMB40,000,000 to the Group, 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. 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. On April 27, 2015 and April 27, 2016, these loans were renewed for another year with the same terms and conditions, respectively.

On May 25, 2017, the Group entered into a loan discharge agreement with Mr. Lin ("Loan Discharge Agreement") to repay an aggregate amount of RMB36,000,000 and the Group's obligation stated in the Subordination and Forbearance Agreement has been fully discharged. Accordingly, the remaining RMB4,000,000 was recognized as shareholder's contribution.

In addition, the Loan Discharge Agreement provided that if the listing of the Company's common shares on The Stock Exchange of Hong Kong Limited has not been completed on or prior to June 28, 2019, the Group shall have the right for a period of 90 day following June 28, 2019 to require Mr. Lin, directly or indirectly, to subscribe for common shares of the Company on the TSX Venture Exchange, in the amount of RMB36,000,000 or its CAD equivalent. The subscription price for such common shares shall be the volume-weighted average price of the common shares of the Company in period of 30 calendar days preceding June 28, 2019 on the TSX Venture Exchange.

The management of the Group considered that the right is a derivative instrument and is exercisable only when the abovementioned condition becomes valid. The number of shares to be subscribed is dependent on the future subscription price. The management of the Group determined that the fair value of the right is nil at the date of the Loan Discharge Agreement was entered into and at December 31, 2017.

28. AMOUNTS DUE FROM (TO) RELATED PARTIES

Name of related	Relationship parties	Terms	2017 RMB'000	2016 RMB'000
Shin-Ko Energy	Associate	Non-trade, unsecured, non-interest bearing and repayable on demand	(4,249)	(4,249)
EDF CF	Joint venture	Non-trade, unsecured, non-interest bearing and repayable on demand	2,765	-
Mr. Lin	Ultimate controlling shareholder	Non-trade, unsecured, non-interest bearing and repayable on demand	(109)	-

29. RECEIPTS IN ADVANCE FROM CUSTOMERS

	2017 RMB'000	2016 RMB'000
Receipts in advance from customers		
- Natural gas sales	16,060	11,872
- Pipeline installation and connection projects	66,571	52,784
	82,631	64,656

30. SHORT-TERM BANK BORROWINGS

The Group's short-term bank borrowings comprise:

Lenders	Secured/ unsecured	Contractual interest rate	Effective interest rate 2017	Effective interest rate 2016	Carrying amounts 2017 RMB'000	Carrying amounts 2016 RMB'000	Notes
Bank of China, Sanya	Secured	Fixed interest rate at 4.4%	4.4%	4.4%	40,000	-	(a)
Bank of China (Canada)	Secured	Three-month London Interbank Offered Rate ("LIBOR") plus 250 basis points (2016: Six-month LIBOR plus 250 basis points)	3.9%	2.3%	9,760	10,435	(b)
China Everbright Bank, Haikou	Unsecured	Fixed interest rate at 4.4%	4.4%	4.4%	-	30,000	(c)
Total short-term bank borrowings					49,760	40,435	

Notes:

(a) The short-term loan from Bank of China, Sanya is secured by 60% of the equity interest in Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. ("CF China"), the gas connection and gas supply rights of CF China and the trade receivables from 2012 to 2022 of CF China and Sanya Changfeng Offshore Natural Gas Engineering Construction Co., Ltd. ("CF Engineering").

(b) The 1-year term loan from Bank of China (Canada) is denominated in United States dollars ("USD") with a principal amount of USD1,500,000 and is secured by a pledged bank deposit of RMB1,008,000 (2016: RMB1,005,000).

In August 2017, the bank loan has been renewed for another one year. The contractual interest rate of the bank loan is three-month LIBOR plus 250 basis point (2016: six-month LIBOR plus 250 basis point). Other terms and conditions are same as the original contract.

(c) In 2016, the Group entered into 1-year facility line of credit with China Everbright Bank Haikou with an aggregate amount of RMB50,000,000. (RMB30,000,000 is withdrawn by the Group during the year ended December 31, 2016.) The credit line was guaranteed by Mr. Lin, with a maximum guarantee amount of RMB50,000,000. As at December 31, 2017, the Group repaid the bank borrowing in full.

As at December 31, 2017 and 2016, the Group was in compliance with all of its debt covenants.

31. LONG-TERM DEBT

	2017 RMB'000	2016 RMB'000
Bank borrowings		
- Secured, with variable rate	147,758	148,663
- Unsecured, with variable rate	-	11,000
	147,758	159,663
The carrying amounts of the above borrowings are repayable:*		
Within one year	22,000	28,000
Within a period of more than one year, but not exceeding two years	24,000	27,000
Within a period of more than two years, but not exceeding five years	56,000	52,000
Within a period of more than five years	46,000	54,000
	148,000	161,000
Less: Unamortized transaction costs	(242)	(482)
	147,758	160,518
Less: Amounts due within one year shown under current liabilities	(22,000)	(28,000)
Amounts shown under non-current liabilities	125,758	132,518

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's long-term debt comprise:

Lenders	Secured/ unsecured	Contractual interest rate	Effective interest rate 2017	Effective interest rate 2016	Carrying amount 2017 RMB'000	Carrying amount 2016 RMB'000	Notes
Bank of China, Sanya	Secured	5-year People's Bank of China ("PBOC") benchmark borrowing rate, repricing every 6 months	4.9%	4.9%	39,758	59,518	(a)
Bank of China, Sanya	Secured	110% of 5-year PBOC benchmark borrowing rate, repricing every 6 months	5.4%	5.4%	28,000	30,000	(b)
Bank of China, Sanya	Secured	10-year PBOC benchmark borrowing rate, repricing every 12 months	4.9%	4.9%	80,000	60,000	(c)
Bank of China, Pingxiang	Unsecured	120% of 5-year PBOC benchmark borrowing rate, repricing every 3 months	5.9%	5.9%	-	11,000	(d)
Total long-term debts					147,758	160,518	

31. LONG-TERM DEBT - continued

Notes:

(a) The term loan from Bank of China, Sanya with an original principal amount of RMB100,000,000 was drawn upon in 2010. The loan is secured by 60% of the equity interest in CF China together with the gas connection and gas supply rights of CF China. The loan is repayable semi-annually by instalments and will be fully repaid in 2019.

(b) In 2013, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan facility in the amount of RMB40,000,000. The bank loan facility was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, the PRC. The loan is secured by 60% of the equity interest in CF China together with the gas connection and gas supply rights of CF China and the trade receivables from 2012 to 2022 of CF China and CF Engineering. The loan is repayable semi-annually by instalments and will be fully repaid in 2023.

(c) In 2016, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan facility in the amount of RMB80,000,000. The bank loan facility was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, the PRC. The Group has drawn down RMB20,000,000 from the facility during the year ended December 31, 2017. The loan has a 10-year term from the date of the first initial withdrawal. The loan is secured by the gas connection and gas supply rights of CF China, the trade receivables of CF China and CF Engineering and certain property and equipment with an aggregate amount of RMB56,829,000. The loan will begin repayment from 2019 and will be fully repaid in 2025.

(d) In 2012, the Group entered into a term loan with the Bank of China, Pingxiang for RMB20,000,000, maturing six years from the date of the first withdrawal. The proceeds from the loan would be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang city, Jiangxi province, the PRC. The loan is repayable by four instalments annually and will be fully repaid in 2018. As at December 31, 2017, the balance has been classified as liabilities associated with assets classified as held-for-sale. Details are set out in note 12.

32. DEFERRED INCOME - GOVERNMENT GRANTS

The Group received RMB5,269,000 in government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City in 2012. These government grants were recognized as a long-term liability and will be recognized in the statement of 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, 2017, part of the property and equipment are ready for use and RMB237,000 (2016: RMB70,000) is recognized as other income. As at December 31, 2017, the government grants of RMB4,917,000 was recognized as a non-current liability (2016: RMB5,154,000).

33. DEFERRED TAX ASSETS (LIABILITIES)

	2017 RMB'000	2016 RMB'000
Deferred tax assets	7,712	-
Deferred tax liabilities	(8,365)	(8,145)
	(653)	(8,145)

33. DEFERRED TAX ASSETS (LIABILITIES) - continued

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and prior year:

	Property and equipment RMB'000	Accrued receivables on gas sales RMB'000	Receipts in advance deferred income RMB'000	Receipt in advance from disposal of a subsidiary RMB'000	Withholding tax on undistributed earnings RMB'000	Total RMB'000
At January 1, 2016	(7,987)	(946)	1,924	-	-	(7,009)
Credit (charge) to profit or loss	(1,184)	(112)	716	-	(555)	(1,136)
At December 31, 2016	(9,171)	(1,058)	2,640	-	(555)	(8,145)
Credit (charge) to profit or loss	(1,482)	45	1,196	7,712	21	7,492
At December 31, 2017	(10,653)	(1,013)	3,836	7,712	(534)	(653)

Under EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to RMB160,715,000 at December 31, 2017 (2016: RMB86,518,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has the following unused tax losses and deductible temporary differences available for offset against future profits:

	2017 RMB'000	2016 RMB'000
Loss carried forward	105,371	85,607
Deductible temporary differences	2,050	2,047
	107,421	87,654

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. Included in unrecognized tax losses are losses of RMB33,035,000 (December 31, 2016: RMB29,779,000) that will fully expire in 2022 and RMB72,336,000 (December 31, 2016: RMB55,828,000) that will fully expire in 2037. Other losses may be carried forward indefinitely.

34. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount
		RMB'000
Common shares		
Issued and fully paid:		
At January 1, 2016	61,951,700	59,340
Repurchased (Note a)	(614,000)	(1,086)
Exercised options	700,000	2,023
At December 31, 2016	62,037,700	60,277
Exercised options	2,417,335	6,584
Share cancellation (Note b)	(110,000)	(172)
At December 31, 2017	64,345,035	66,689

Notes:

(a) On June 22, 2015, the Group received approval from the TSX Venture Exchange to make a normal-course issuer bid (the "Bid") to periodically purchase, for cancellation, up to 3,000,000 common shares for the period from June 24, 2015 to June 23, 2016. In 2016, the Group purchased 614,000 of the Company's common shares under the Bid for cash consideration of RMB1,086,000, inclusive of transaction costs. No share was repurchased during the current year.

(b) On April 6, 2017, one of the shareholders exercised 110,000 share options. On April 13, 2017, he was passed away and his family authorized the Company to cancel such shares. The board of Director of the Company approved the cancellation of the shares.

35. SHARE-BASED COMPENSATION

The share option scheme of the Company (the "Option Scheme") were adopted for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. Under the Option Scheme, the board of management of the Company may grant options to eligible participants including employees, senior officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries, and any suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company.

Under the Company's Option Scheme, the Company may grant share 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 of Directors, administers the option scheme and determines the vesting and terms of each award.

35. SHARE-BASED COMPENSATION - continued

The following table discloses movement of the Company's share options held by directors and employees during the respective financial year.

For the year ended December 31, 2017

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Exercise price per share	Number of share options: Outstanding at 1.1.2017	Granted during the year	Exercised during the year	Expired/ cancelled during the year	Outstanding at 12.31.2017
Directors and Chinese Management	July 12, 2012	Immediately	12.7.2012 to 11.7.2017	CAD0.24	1,000,000	-	(848,000)	(152,000)	-
Directors, officers and Chinese management	August 26, 2013	Immediately vest for 1/3 grant,	26.8.2013 to 25.8.2018	CAD0.35	2,490,000	-	(1,504,335)	(20,515)	965,150
		first anniversary vest for 1/3 grant and second	26.8.2014 to 25.8.2018	CAD0.35					
		anniversary vest for 1/3 grant	26.8.2015 to 25.8.2018	CAD0.35					
Directors, officers and Chinese management	July 31, 2015	Immediately	31.7.2015 to 30.7.2020	CAD0.36	440,000	-	(65,000)	-	375,000
Chinese employees and management	April 10, 2017	Immediately	10.4.2017 to 9.4.2022	CAD0.40	-	1,300,000	-	-	1,300,000
Chinese employees and management	August 10, 2017	Immediately	10.8.2017 to 9.8.2025	CAD0.63	-	1,850,000	-	-	1,850,000
Chinese employees and management	August 18, 2017	Immediately	18.8.2017 to 17.8.2025	CAD0.65	-	700,000	-	-	700,000
					3,930,000	3,850,000	(2,417,335)	(172,515)	5,190,150
Weighted average exercise price (CAD)					0.32	0.56	0.31	0.25	0.50

For the year ended December 31, 2016

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Exercise price per share	Number of share options: Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Expired/ cancelled during the year	Outstanding at 12.31.2016
Directors and Management	September 8, 2011	Immediately	8.9.2011 to 7.9.2016	CAD0.23	850,000	-	-	(850,000)	-
Directors and Chinese Management	July 12, 2012	Immediately	12.7.2012 to 11.7.2017	CAD0.24	1,000,000	-	-	-	1,000,000
Directors, officers and Chinese management	August 26, 2013	Immediately vest for 1/3 grant,	26.8.2013 to 25.8.2018	CAD0.35	3,150,000	-	(650,000)	(10,000)	2,490,000
		first anniversary vest for 1/3 grant and second	26.8.2014 to 25.8.2018	CAD0.35					
		anniversary vest for 1/3 grant	26.8.2015 to 25.8.2018	CAD0.35					
Directors, officers and Chinese management	July 31, 2015	Immediately	31.7.2015 to 30.7.2020	CAD0.36	490,000	-	(50,000)	-	440,000
					5,490,000	-	(700,000)	(860,000)	3,930,000
Weighted average exercise price (CAD)					0.31	-	0.35	0.23	0.32

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was CAD 0.31 (2016: CAD 0.35).

Fair value of share options granted to directors and employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's contributed surplus. The Group recognized share-based compensation expense of RMB4,485,000 for the year ended December 31, 2017 (2016: nil) in relation to share options granted by the Company.

The number of share options exercisable as at December 31, 2017 was 5,190,150 (2016: 3,930,000).

35. SHARE-BASED COMPENSATION - continued

2017 Option

On April 10, 2017, a total of 1,300,000 share options were granted to certain employees, officers and management of the Group under the Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of CAD0.40 per share.

On August 10, 2017, a total of 1,850,000 share options were granted to certain employees, officers and management of the Group under the Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of CAD0.63 per share.

On August 18, 2017, a total of 700,000 share options were granted to certain employees, officers and management of the Group under the Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of CAD0.65 per share.

The options granted vested immediately on the grant date of April 10, 2017, August 10, 2017 and August 18, 2017, respectively.

The fair value was calculated using the Black-Scholes model. The inputs into the model were as follows:

	April 10, 2017	August 10, 2017	August 18, 2017
Share price at the date of grant	CAD0.40	CAD0.61	CAD0.63
Exercise price	CAD0.40	CAD0.63	CAD0.65
Expected volatility	43%	46%	46%
Expected life	5 years	8 years	8 years
Risk-free rate	1.12%	1.72%	1.92%
Expected dividend yield	0%	1.64%	1.59%
Fair value per option	CAD0.15	CAD0.26	CAD0.27

The risk-free rate is based on Canadian bond yields according to the expected life of the share option grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 and 8 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.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions.

36. CAPITAL RISK MANAGEMENT

The Group considers its capital structure to consist of share capital, contributed surplus, shareholder's contributions, retained earnings, amount due to the ultimate controlling shareholder short-term bank borrowings 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 financial covenants and non-financial covenants relating to the credit line. As at December 31, 2017, the Company was in compliance with all of its covenants.

There were no changes in the Group's approach to capital management during the year ended December 31, 2017.

During the year ended December 31, 2017, dividend in the amount of RMB3,321,000 (2016: Nil) was declared and paid to the shareholders.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Available-for-sale financial assets	-	726
Loans and receivables (including cash and cash equivalents)	179,268	178,875
	179,268	179,601
Financial liabilities		
Liabilities measured at amortized cost	260,159	288,659

37. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale financial assets, amount due from a related party, pledged bank deposits, bank balances and cash, trade and other payables, amount due to the ultimate controlling shareholder and a related party, dividend payable to non-controlling interests of subsidiaries, short-term bank borrowings and long-term debts. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk, other price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currencies are determined as the functional currencies of the Company and some subsidiaries respectively.

The Company and its subsidiaries have foreign currency: bank balances and cash and short-term bank borrowings, which expose them to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars ("US$")	(9,760)	(10,435)	37	380
CAD	(641)	-	923	2,562

Sensitivity analysis

The Group's foreign exchange risk is mainly exposed to US$ and CAD. The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) 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 rate. 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% (2016: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% (2016: 5%) against the relevant foreign currencies. For a 5% (2016: 5%) weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year.

37. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Market risk - continued

Foreign exchange risk - continued

Sensitivity analysis - continued

	2017	2016
	RMB'000	RMB'000
US$	357	503
CAD	(10)	(128)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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 debts and short-term bank borrowings. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 30 for details of these borrowings). The Group's interest rate on its long-term debt and short-term bank borrowings is based upon the prescribed rate of the People's Bank of China and annual interest of three-month or six-month LIBOR 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.

By excluding the impact of interest capitalization, 1% increase or decrease in the average interest rate for the year ended December 31, 2017 would have had the following impact on the Group's profit for the year:

	Impact on profit for the year
Interest rate + 1%	RMB12,000
Interest rate - 1%	RMB12,000

No sensitivity analysis is presented for part of the variable-rate borrowings as they were raised for pipeline construction and any change in interest rate would substantially be capitalized to property and equipment and have no material impact to profit or loss of the Group.

37. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Market risk - continued

Other price risk

As at December 31, 2016, the Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in public utilities quoted in the New York Stock Exchange and in electricity transmission and distribution utility quoted in the Toronto Stock Exchange. In addition, the management regularly monitors the price risk and will consider hedging the risk exposure should the need arise.

The management of the Company considers that the sensitivity of the Group's exposures towards other price risk is minimal as the available-for-sale financial assets have been disposed during the reporting period.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at December 31, 2017 and 2016 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

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 trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on pledged bank deposits and bank balances which are deposited with several banks in PRC and Canada with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at December 31, 2017, the Group had a working capital deficiency of RMB42,512,000 (2016: RMB80,724,000). The Group had a cash balance of RMB150,711,000 (2016: RMB142,377,000) to settle current liabilities of RMB363,685,000 (2016: RMB289,233,000). 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.

37. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Liquidity risk - continued

The contractual maturities of the Group's long-term financial liabilities are described in note 31 and the remaining financial liabilities, consisting of trade payables, amount due to the ultimate controlling shareholder, amounts due to related parties, dividend payable to non-controlling interests of subsidiaries and bank borrowings, are expected to be realized within one year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 - 3 years	>3 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017							
Non derivative financial liabilities							
Trade payables	-	55,763	-	-	-	55,763	55,763
Amount due to the ultimate controlling shareholder	-	109	-	-	-	109	109
Amounts due to related parties	-	4,249	-	-	-	4,249	4,249
Dividend payable to non-controlling interests of subsidiaries	-	2,520	-	-	-	2,520	2,520
Bank borrowings							
- fixed rate	4.3%	435	40,435	-	-	40,870	40,000
- variable rate	5.0%	1,931	36,642	70,369	64,602	173,544	157,518
At December 31, 2017		65,007	77,077	70,369	64,602	277,055	260,159

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 - 3 years	>3 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2016							
Non derivative financial liabilities							
Trade payables	-	44,892	-	-	-	44,892	44,892
Amount due to the ultimate controlling shareholder	-	-	40,000	-	-	40,000	40,000
Amounts due to related parties	-	4,249	-	-	-	4,249	4,249
Bank borrowings							
- fixed rate	4.4%	20,326	10,109	-	-	30,435	30,000
- variable rate	4.9%	4,310	41,395	65,730	83,166	194,601	169,518
At December 31, 2016		73,777	91,504	65,730	83,166	314,177	288,659

(c) Fair value measurements of financial instruments

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

38. 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 from December to February in the subsequent year 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 peak seasons for air-conditioning.

39. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the reporting period:

	2017 RMB'000	2016 RMB'000
Staff quarters and lands	2,595	1,199

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	3,015	1,281
In the second to fifth year inclusive	6,262	4,059
Over five years	8,938	9,365
	18,215	14,705

Operating lease commitments represent rentals payable by the Group 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, and progressively increases 5% or 10% for every other 4 or 5 years thereafter.

40. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure in respect of the acquisition of property and equipment and the construction of pipelines under development contracted for but not provided in the consolidated financial statements	16,828	21,277

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable to non-controlling interests of subsidiaries	Short-term bank borrowings	Long-term debt	Amount due to the ultimate controlling shareholder	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	-	40,435	160,518	40,000	240,953
Financing cash flows	(396)	10,000	(6,750)	(36,000)	(33,146)
Non-cash transactions:					
Amortized transaction costs	-	-	240	-	240
Deemed shareholder's contribution	-	-	-	(4,000)	(4,000)
Dividend declared to non-controlling interests of subsidiaries	2,916	-	-	-	2,916
Effect of foreign exchange rate change	-	(675)	-	-	(675)
At December 31, 2017	2,520	49,760	154,008	-	206,288

42. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group has not entered into any significant transactions with related parties during both years.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the reporting period are as follows:

	2017	2016
	RMB'000	RMB'000
Short-term benefits	2,532	2,354
Share-based payments	-	-
	2,532	2,354

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals of the Group and market trends.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

43a. General information of subsidiaries

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

Name of Subsidiary	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company 2017	Proportion ownership interest held by the Company 2016	Proportion of voting power held by the Company 2017	Proportion of voting power held by the Company 2016	Principal activities
Hainan Energy Ltd. ("HEL")	BVI	US$910,001	100%	100%	100%	100%	Investment holding
Indirectly owned by the Company:							
CF China	The PRC	RMB40,000,002	100%	100%	100%	100%	Gas sales and distribution
CF Engineering	The PRC	RMB20,000,000	99.4%	99.4%	99.4%	99.4%	Gas pipeline installation and connection
Sanya Changfeng New Energy Investment Co., Ltd. ("Sanya CF NEI")	The PRC	RMB100,000,000	100%	100%	100%	100%	Inactive
Sanya Changfeng Offshore Natural Gas Design Co., Ltd. ("CF Design")	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 refuelling station
Hunan CNPC New Energy Investment Co., Ltd. ("Hunan CNPC NEI")	The PRC	RMB5,000,000	60%	60%	60%	60%	Inactive
Pingxiang CF (Note)	The PRC	RMB20,000,000	90.2%	90.2%	90.2%	90.2%	Gas sales and distribution and pipeline installation and connection
Xiangtan Changfeng Natural Gas Co., Ltd. ("Xiangtan CF")	The PRC	RMB2,000,000	51%	51%	51%	51%	Inactive
Gaoyao Evergrowth Natural Gas Co., Ltd. ("Gaoyao")	The PRC	RMB10,000,000	100%	100%	100%	100%	Gas sales and distribution and pipeline installation and connection
Sanya Changfeng Clean Energy Co., Ltd.	The PRC	RMB10,000,000	100%	100%	100%	100%	CNG refueling station
Zhuhai Changfeng Energy Import & Export Co., Ltd.	The PRC	RMB10,000,000	100%	100%	100%	100%	Investment holding
Sanya Changfeng World Entergy Forum Co., Ltd.	The PRC	RMB3,000,000	100%	100%	100%	100%	Management service
Sanya Changfeng International Natural Gas Trading Co., Ltd.	The PRC	RMB1,000,000	100%	100%	100%	100%	Gas-related technology development
Gaoyao Changfeng New Pearl Energy Co., Ltd.	The PRC	RMB50,000,000	98%	98%	98%	98%	Gas and CNG distribution
Hebei Riheng Clean Energy Co., Ltd. ("Riheng")	The PRC	RMB10,000,000	60%[1]	N/A	60%[1]	N/A	Gas distribution

[1] The subsidiary is newly set up during the current year.

Note: On November 22, 2017, the Group entered into an equity restructuring agreement to dispose of its 50.2% interest in Pingxiang CF. Details are set out in note 12.

43b. 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	Place of incorporation registration/ operation	Proportion of ownership interests and voting rights held by non-controlling interests 2017	2016	Profit for the year allocated to non-controlling interests 2017 RMB'000	2016 RMB'000	Accumulated non-controlling interests 2017 RMB'000	2016 RMB'000
Hunan CF CNPC	The PRC	42%	42%	1,756	1,858	8,396	9,160
Individual immaterial subsidiaries with non-controlling interests				(943)	(418)	(1,896)	(557)
				813	1,440	6,500	8,603

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

43b. Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Summarized financial information in respect of the Hunan CF CNPC that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup elimination.

	2017 RMB'000	2016 RMB'000
Current assets	23,289	18,976
Non-current assets	3,370	4,025
Current liabilities	6,669	1,191
Equity attributed to the owners of the Hunan CF CNPC	19,990	21,810
Revenue	26,499	29,749
Expenses	22,317	25,325
Profit and total comprehensive income for the year attributable to the owners of Hunan CF CNPC	4,182	4,424
Dividend declared to non-controlling interests	2,520	-

	2017 RMB'000	2016 RMB'000
Net cash inflow from operating activities	4,100	5,932
Net cash outflow from investing activities	(815)	(544)
Net cash inflow from financing activities	276	214
Net cash inflow	3,561	5,602