CHANGFENG ENERGY INC.

Condensed Interim Consolidated Financial Statements
Three-month and six-month periods ended June 30, 2018
and 2017 (Unaudited)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

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CHANGFENG ENERGY INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	NOTES	Three-month period ended June 30 2018 RMB'000 (unaudited)	Three-month period ended June 30 2017 RMB'000 (unaudited) (restated)	Six-month period ended June 30 2018 RMB'000 (unaudited)	Six-month period ended June 30 2017 RMB'000 (unaudited) (restated)
Continuing operations					
Revenue	4	100,808	82,289	204,938	170,246
Cost of sales		(59,571)	(49,263)	(115,754)	(91,995)
Gross profit		41,237	33,026	89,184	78,251
Other income		383	359	647	550
Other gains and losses		(621)	(104)	(1,632)	(1,753)
Fair value change on put option liability	6	14,485	-	14,485	-
Selling, marketing and distribution expenses		(10,888)	(8,841)	(24,787)	(20,932)
General and administrative expenses		(11,940)	(8,758)	(20,673)	(19,280)
Listing expenses		(2,149)	(96)	(2,149)	(96)
Share-based compensation	20	(862)	(1,092)	(862)	(1,092)
Finance costs		(1,432)	(1,597)	(2,807)	(3,318)
Share of loss of associates	11	(633)	(2)	(1,923)	(3)
Share of profit (loss) of a joint venture		69	-	(115)	-
Profit before tax		27,649	12,895	49,368	32,327
Income tax expense	5	(7,259)	(5,162)	(15,015)	(12,506)
Profit for the period from continuing operations		20,390	7,733	34,353	19,821
Discontinued operation					
Profit (loss) for the period from discontinued operation	6	-	(99)	30,293	(1,059)
Profit for the period		20,390	7,634	64,646	18,762
Other comprehensive expense:					
Item that may be reclassified subsequently to profit or loss:					
Fair value change on					
- Available-for-sale financial assets		-	(2)	-	(2)
Total comprehensive income for the period		20,390	7,632	64,646	18,760
Profit (loss) for the period attributable to owners of the Company					
- From continuing operations		20,506	7,340	34,423	19,120
- From discontinued operation		-	(90)	21,097	(955)
		20,506	7,250	55,520	18,165
Profit (loss) for the period attributable to non-controlling interests					
- From continuing operations		(116)	393	(70)	701
- From discontinued operation		-	(9)	9,196	(104)
		(116)	384	9,126	597
		20,390	7,634	64,646	18,762

CHANGFENG ENERGY INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - CONTINUED
FOR THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	NOTE	Three-month period ended June 30		Six-month period ended June 30	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited) (restated)	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited) (restated)
Total comprehensive income (loss) attributable to					
- Owners of the Company		20,506	7,248	55,520	18,163
- Non-controlling interests		(116)	384	9,126	597
		20,390	7,632	64,646	18,760
Earnings per share	9				
From continuing and discontinued operations					
- Basic		0.32	0.11	0.86	0.28
- Diluted		0.31	0.11	0.83	0.28
From continuing operations					
- Basic		0.32	0.12	0.53	0.30
- Diluted		0.31	0.11	0.52	0.30

CHANGFENG ENERGY INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2018 AND DECEMBER 31, 2017

	NOTES	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment	10	371,053	349,006
Long-term lease prepayments		12,589	12,946
Intangible assets		4,307	4,557
Interests in associates	11	35,188	4,651
Interest in a joint venture		17,881	17,996
Amount due from a related party	16	12,612	-
Long-term deposits and advances	13	12,598	8,665
Deferred tax asset		-	7,712
		466,228	405,533
CURRENT ASSETS			
Current portion of long-term lease prepayments		1,262	1,256
Inventories		6,429	3,507
Amounts due from customers for contract work		-	18,575
Contract assets	12B & 14	22,517	-
Amounts due from a related party	16	407	2,765
Trade receivables	12A & 14	12,175	16,456
Other receivables, prepaid expenses and deposits	13	30,372	21,009
Pledged bank deposits		1,009	1,008
Bank balances and cash		106,080	150,711
		180,251	215,287
Assets classified as held-for-sale	6	-	105,886
		180,251	321,173
CURRENT LIABILITIES			
Trade and other payables	15	41,755	104,382
Amount due to the ultimate controlling shareholder	16	172	109
Amount due to a related party	16	4,249	4,249
Dividend payable to non-controlling interests of subsidiaries		1,827	2,520
Receipts in advance from customers		-	82,631
Amounts due to customers for contract work		-	33,377
Contract liabilities		111,830	-
Income tax payable		9,516	22,212
Short-term bank borrowings	17	29,931	49,760
Current portion of long-term debts	17	22,000	22,000
		221,280	321,240
Liabilities associated with assets classified as held-for-sale	6	-	42,445
		221,280	363,685
NET CURRENT LIABILITIES		(41,029)	(42,512)
TOTAL ASSETS LESS CURRENT LIABILITIES		425,199	363,021

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued
AT JUNE 30, 2018 AND DECEMBER 31, 2017

	NOTES	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Put option liability from disposal of a discontinued operation	6	8,142	-
Long-term debts	17	114,839	125,758
Deferred income - government grants	18	4,803	4,917
Deferred tax liabilities		12,409	8,365
		140,193	139,040
NET ASSETS		285,006	223,981
CAPITAL AND RESERVES			
Share capital	19	69,553	66,689
Reserves		199,540	150,792
Equity attributable to owners of the Company		269,093	217,481
Non-controlling interests		15,913	6,500
TOTAL EQUITY		285,006	223,981

The condensed interim consolidated financial statements on pages 1 to 40 were approved and authorized for issue by the Board of Directors on August 29, 2018 and are signed on its behalf by:

YONGBIAO DING
DIRECTOR

WENCHENG ZHANG
DIRECTOR

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Attributable to owners of the Company								
	Share capital RMB'000	Contributed surplus RMB'000 (Note a)	Statutory surplus reserves RMB'000 (Note b)	Investment revaluation reserves RMB'000	Other reserve RMB'000 (Note c)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2017 (audited)	60,277	13,765	32,957	(129)	-	76,537	183,407	8,603	192,010
Fair value change on available-for-sale financial assets	-	-	-	(2)	-	-	(2)	-	(2)
Profit for the period	-	-	-	-	-	18,165	18,165	597	18,762
Total comprehensive income for the period	-	-	-	(2)	-	18,165	18,163	597	18,760
Option exercised (note 19)	5,105	(1,908)	-	-	-	-	3,197	-	3,197
Share-based compensation expense (note 20)	-	1,108	-	-	-	-	1,108	-	1,108
Deemed contributions from ultimate controlling shareholder	-	4,000	-	-	-	-	4,000	-	4,000
Dividend recognized as distribution (note 8)	-	-	-	-	-	(3,300)	(3,300)	-	(3,300)
At June 30, 2017 (unaudited)	65,382	16,965	32,957	(131)	-	91,402	206,575	9,200	215,775
As at January 1, 2018 (audited)	66,689	19,298	40,060	-	-	91,434	217,481	6,500	223,981
Profit for the period	-	-	-	-	-	55,520	55,520	9,126	64,646
Total comprehensive income for the period	-	-	-	-	-	55,520	55,520	9,126	64,646
Share cancellation (note 19)	(20)	-	-	-	-	-	(20)	-	(20)
Option exercised (note 19)	2,884	(1,002)	-	-	-	-	1,882	-	1,882
Options forfeited (note 19)	-	(202)	-	-	-	202	-	-	-
Share-based compensation expense (note 20)	-	862		-	-	-	862	-	862
Disposal of a subsidiary (note 6)	-	-	-	-	-	-	-	3,203	3,203
Deemed disposal of partial equity interest in a subsidiary (note 7)	-	-	-	-	(3,591)	-	(3,591)	3,591	-
Dividend declared to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(6,507)	(6,507)
Dividend recognized as distribution (note 8)	-	-	-	-	-	(3,041)	(3,041)	-	(3,041)
As at June 30, 2018 (unaudited)	69,553	18,956	40,060	-	(3,591)	144,115	269,093	15,913	285,006

Notes:

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

(b) Statutory surplus reserves represent the statutory 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 may be used for making up losses, if any, and increasing capital. The maximum amount appropriate to the statutory reserve fund is 50% of the registered capital of the respective PRC subsidiaries.

(c) Other reserve represents the carrying amount of the net assets attributable to the non-controlling interests in 39% interests transferred in relation to the deemed disposal of 39% equity interests in Gaoyao Evergrowth Natural Gas Co., Ltd ("Gaoyao") from a wholly-owned subsidiary of the Group to a non-wholly owned subsidiary of the Group without losing control during the six-month period ended June 30, 2018. Details are set out in note 7.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	30/6/2018 RMB'000 (unaudited)	30/6/2017 RMB'000 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(18,452)	49,515
INVESTING ACTIVITIES		
Deposit paid for acquisition of property and equipment	(5,404)	(832)
Acquisition of property and equipment	(25,748)	(21,894)
Lease prepayments paid	(290)	-
Placement of pledged bank deposits	(1)	-
Cash inflow from disposal of a subsidiary (note 6)	42,114	-
Decrease in amount due from a related party	2,358	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	13,029	(22,726)
FINANCING ACTIVITIES		
Dividend paid	(3,041)	-
Dividend paid to non-controlling interests	(7,200)	-
Repayment to short-term bank borrowings	(20,000)	(30,000)
New short-term bank borrowing raised	-	20,000
Repayment of long-term debt	(11,000)	(14,500)
New long-term debt raised	-	20,000
Payment for cancellation of shares	(20)	-
Proceeds on exercised share options	1,882	3,197
NET CASH USED IN FINANCING ACTIVITIES	(39,379)	(1,303)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,802)	25,486
CASH AND CASH EQUIVALENTS AT JANUARY 1	150,711	142,377
Effect of foreign exchange rate changes	171	(353)
CASH AND CASH EQUIVALENTS AT JUNE 30	106,080	167,510

1. GENERAL

Changfeng Energy Inc. 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 Suite 2036 & 2038-32 South Unionville Ave, Markham, Ontario, L3R 9S6, 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 PRC.

The condensed interim 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 6.

Certain comparative figures in the condensed interim consolidated statements of profit or loss and other comprehensive income have been reclassified to conform with the current period's presentations of the Group to reflect the reclassification of (i) certain tax surcharges of RMB1,884,000 (unaudited) from 'administrative expenses' to 'cost of sales' and (ii) selling and distribution expenses and listing expenses of RMB10,778,000 (unaudited) and RMB96,000 (unaudited) respectively from 'administrative expenses' to 'selling, marketing and distribution expenses' and 'listing expenses'.

2. BASIS OF PREPARATION

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirement of TSX Venture Exchange. Accordingly, they do not include all of the information required for full annual financial statements required by IAS 1 Presentation of Financial Statements as issued by the IASB. Therefore, the condensed interim consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2017, which include information necessary to understand the Group's business and financial statement presentation.

At June 30, 2018, the Group's current liabilities exceeded its current assets by RMB41,029,000. 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. Taking into account the Group's cash flow projection, including the term facility, unutilized bank facilities of RMB83,000,000, 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 condensed interim consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed interim consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017.

3. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed interim consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

3.1 ***Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers***

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, January 1, 2018. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations. At the date of initial application, there is no difference recognized in the opening retained profits and no comparative information has been restated.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.1 ***Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers*** - continued

3.1.1 *Key changes in accounting policies resulting from application of IFRS 15*

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

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

Under IFRS 15, the Group 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.

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

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.1 ***Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers*** - continued

3.1.1 *Key changes in accounting policies resulting from application of IFRS 15* - continued

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

The Group recognizes revenue from the following major sources:

- natural gas pipeline installation and connection services
- natural gas supply
- compressed natural gas ("CNG") vehicle refueling stations

(a) Revenue from natural gas pipeline installation and connection services

Recognition

The Group provides natural gas pipeline installation and connection services under contracts with customers. Such contracts are entered into before the contracting services begin.

Under the terms of the contracts, the Group's performance creates or enhances an asset that the customers controls as the asset is created or enhanced. Revenue from natural gas pipeline connection is therefore recognized over time using input method.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

The management of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of the performance obligation under IFRS 15.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.1 ***Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers*** - continued

3.1.1 *Key changes in accounting policies resulting from application of IFRS 15* - continued

(b) Revenue from natural gas supply

Recognition

The Group supplies gas to residential, commercial and industrial consumers in the PRC. Revenue from natural gas supply is recognized at a point in the time when the customers consume the natural gas.

(c) Revenue from CNG vehicle refuelling stations

Recognition

The Group operates two natural gas refuelling stations in Sanya City, Hainan Province and Changsha City, Hunan Province, respectively. Revenue from CNG vehicle refuelling stations is recognized at a point of time when the gas refuels to customer's vehicle.

3.1.2 *Summary of effects arising from initial application of IFRS 15*

The initial application of IFRS 15 on January 1, 2018 has no material impact on the condensed interim consolidated statements of profit or loss and other comprehensive income of the Group with regards to the revenue recognition.

The following adjustments were made to the amounts recognized in the condensed interim consolidated statement of financial position at January 1, 2018. Line items that were not affected by the changes have not been included.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.1 ***Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers*** - continued

3.1.2 *Summary of effects arising from initial application of IFRS 15* - continued

	Note	Carrying amounts previously reported at December 31, 2017	Reclassifications	Carrying amounts under IFRS 15 at January 1, 2018
		RMB'000	RMB'000	RMB'000
Current Assets				
Amounts due from customers for contract works	a	18,575	(18,575)	-
Contract assets	a	-	18,575	18,575
Current liabilities				
Amounts due to customers for contract works	a	33,377	(33,377)	-
Contract liabilities	a	-	116,008	116,008
Receipts in advance from customers	b	82,631	(82,631)	-

(a) In relation to natural gas pipeline installation and connection construction contracts previously accounted under IAS 11, the Group applies input method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. RMB18,575,000 and RMB33,377,000 of amounts due from/to customers for contract works were reclassified to contract assets and contract liabilities respectively.

(b) As at January 1, 2018, receipts in advance from customers of RMB82,631,000 in respect of natural gas pipeline installation and connection construction contracts were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed interim consolidated statement of financial position as at June 30, 2018 and its condensed interim consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.1 ***Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers*** - continued

3.1.2 *Summary of effects arising from initial application of IFRS 15* - continued

Impact on the condensed interim consolidated statement of financial position

	June 30, 2018 As reported RMB'000	Adjustment RMB'000	June 30, 2018 Amounts without application of IFRS 15 RMB'000
Current Assets			
Amounts due from customers for contract works	-	22,517	22,517
Contract assets	22,517	(22,517)	-
Current liabilities			
Amounts due to customers for contract works	-	44,540	44,540
Contract liabilities	111,830	(111,830)	-
Receipts in advance from customers	-	67,290	67,290

3.2 ***Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments***

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.2 ***Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments*** - continued

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. There is no difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 recognized, which are recognized in the opening retained profits and other components of equity.

3.2.1 *Key changes in accounting policies resulting from application of IFRS 9*

Classification and measurement of financial assets

Trade receivables and contract assets are arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The management of the Company reviewed and assessed the Group's financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material effect on classification and measurement of financial assets in these condensed interim consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.2 ***Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments*** - continued

3.2.1 *Key changes in accounting policies resulting from application of IFRS 9* - continued

Impairment under ECL model

The Group recognizes a loss allowance for ECL on contract assets and financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.2 ***Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments*** - continued

3.2.1 *Key changes in accounting policies resulting from application of IFRS 9* - continued

Significant increase in credit risk - continued

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at January 1, 2018, the management of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES - continued

3.2 ***Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments*** - continued

3.2.2 *Summary of effects arising from initial application of IFRS 9*

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

The management of the Company considers the impairment under ECL model of the Group's financial assets has no material impact on credit loss allowance of recognized against the retained profits as at January 1, 2018.

4. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue from continuing operations for the six-month periods ended June 30, 2018 and 2017 are as follows:

	Six-month ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Gas distribution utility		
- Gas sales	122,714	87,155
- Pipeline installation and connection	53,619	54,883
CNG refuelling stations	28,605	28,208
	204,938	170,246
Timing of revenue recognition		
A point of time	151,319	115,363
Overtime	53,619	54,883
Total	204,938	170,246

4. REVENUE AND SEGMENT INFORMATION - continued

There were no significant intragroup transactions between segments. No single customer accounted for more than 10% of the Group's sales in both periods or trade and other receivables and contract assets at June 30, 2018 and December 31, 2017.

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 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 vehicle refuelling.

The gas distribution utility segment provides gas pipeline installation and 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 CNG vehicle refuelling 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 during the year ended December 31, 2017. 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 6.

4. REVENUE AND SEGMENT INFORMATION - continued

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

For the six-month ended June 30, 2018 (unaudited)

Continuing operations

	Gas distribution utility RMB'000	CNG vehicles refuelling RMB'000	Consolidated RMB'000
Segment revenue	176,333	28,605	204,938
Segment profit	42,370	5,875	48,245
Share of loss of associates			(1,923)
Share of loss of a joint venture			(115)
Fair value change of put option liability			14,485
Listing expenses			(2,149)
Unallocated income			309
Unallocated expenses			(9,484)
Profit before tax (continuing operations)			49,368

For the six months ended June 30, 2017 (unaudited and restated)

Continuing operations

	Gas distribution utility RMB'000	CNG vehicles refuelling RMB'000	Consolidated RMB'000
Segment revenue	142,038	28,208	170,246
Segment profit	31,911	4,797	36,708
Share of loss of an associate			(3)
Listing expense			(96)
Unallocated income			56
Unallocated expenses			(4,338)
Profit before tax (continuing operations)			32,327

4. REVENUE AND SEGMENT INFORMATION - continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's consolidated financial statements for the year ended December 31, 2017. 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. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical 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.

5. INCOME TAX EXPENSE

	Six-month ended June 30, 2018 RMB'000 (unaudited)	Six-month ended June 30, 2017 RMB'000 (unaudited) (restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	10,814	12,006
PRC withholding EIT	1,090	500
	11,904	12,506
Overprovision in prior year	(933)	-
	10,971	12,506
Deferred tax expense	4,044	-
	15,015	12,506
Discontinued operation (note 6)		
Deferred tax expense	6,201	-

5. INCOME TAX EXPENSE - continued

The Company was incorporated in British Columbia of Canada and subject to Canadian federal and Ontario statutory income tax at a rate of 26.5% (June 30, 2017: 26.5%) on assessable profits in Canada during the reporting period.

A subsidiary, Hainan Energy Ltd., was incorporated in the British Virgin Islands and income tax is 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 (June 30, 2017: 25%).

6. DISCONTINUED OPERATION

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 carried out the 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) A 60%-owned subsidiary of the Group will dispose its 24.5% interest in Pingxiang CF (effectively 14.7% owned by the Group) to Xinao Gas at a consideration of RMB34,090,000;

(ii) upon the completion of step (i), a wholly-owned subsidiary of the Group and Xinao Gas will make capital contribution of RMB16,900,000 and RMB49,400,000, 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.

The Agreement also contains a put option which is exercisable by Xinao's discretion if: a) Pingxiang CF fails to sign a concession agreement issued by the Ministry of Housing and Urban-Rural Development of the PRC ("Concession Agreement"); or b) the operation of Pingxiang CF is suspended as a result of failing to sign the Concession Agreement, the Group committed to repay Xinao Gas the full amount of the infused capital of RMB83,490,000 and repurchase its 60% interest in Pingxiang CF within two years from the completion date of step (ii) (the "Put Option").

6. DISCONTINUED OPERATION - continued

All the above mentioned steps in the Agreement were entered into at the same time. Based on the terms and conditions of the Agreement, the occurrence of one step was dependent on the occurrence of the former step. The Group accounted for the abovementioned steps in the Agreement as a single transaction which would cause the Group to lose control over Pingxiang CF. The management of the Group considered Pingxiang CF was a discontinued operation of the Group as it was represented a separate geographical location of business operated in Pingxiang City.

As at December 31, 2017, step (i) was completed and the Group received part of the consideration amount of RMB30,847,000, and recognized as receipts in advance from the Disposal (note 15).

The Disposal was completed in January 2018. At the date of disposal, the fair value of the Put Option was RMB22,627,000. During the six-month period ended June 30, 2018, Pingxiang CF repaid the loan of RMB46,768,000 to the Group and a gain on disposal was RMB30,293,000, net of related income tax expense of RMB6,201,000 (unaudited).

Subsequent to the Disposal, the Group's interest in Pingxiang CF decreased from 90.2% to 40%. The management of the Company considered the Group has significant influence over Pingxiang CF and therefore Pingxiang CF is classified as an associate of the Group. Details of interests in associates are set out in note 11.

Put Option liability

	RMB'000
Put Option at the date of disposal	(22,627)
Fair value change	14,485
At June 30, 2018	(8,142)

The fair value of the Put Option at the date of Disposal and June 30, 2018 have been arrived at on the basis of valuations carried out by GW Financial Advisory Services Limited, a firm of independent qualified professional valuers not connected with the Group.

In determining the fair values of the Put Option, the Group engages independent qualified professional valuers to perform the valuation. The management of the Group work closely with them to establish the appropriate valuation techniques and inputs to the model. Discounted cash flow method is adopted for the valuation of the Put Option. Details are set out in note 21.

The fair values of the Put Option was determined by using the following key assumptions.

6. DISCONTINUED OPERATION - continued

	At June 30, 2018	At date of initial recognition
Probability (Note a)	15%	40%
Interest rate	4.75%	4.75%
Tenure	2 years	2 years
Discount rate	3.27%	3.67%

Note a: The probability represents the likelihood if a) Pingxiang CF fails to sign a Concession Agreement; or b) the operation of Pingxiang CF is suspended as a result of failing to sign the Concession Agreement.

The discount rate is based on 2-year PRC risk-free rate.

During the six-month period ended June 30, 2018, Pingxiang CF entered into the application process for the signing of the Concession Agreement. The management of the Company considered that Pingxiang CF has a higher probability to obtain the Concession Agreement. As at June 30, 2018, the fair value of the Put Option is RMB8,142,000. As a result, a fair value change on Put Option liability of RMB14,485,000 (unaudited) is recognized during the six months ended June 30, 2018.

In July 2018, Pingxiang CF signed a supplementary agreement with Xiangdong District Government of Pingxiang, Jiangxi province in the PRC (the "Supplementary Agreement"). The Supplementary Agreement states that the new concessionary right for natural gas pipeline distribution has been approved and Concessionary Agreement will be issued to Pingxiang CF within 30 days following the signing of the Supplementary Agreement.

The profit (loss) from the discontinued operation for the current and preceding interim period is analysed as follows:

	Six-month ended June 30, 2018 RMB'000 (unaudited)	Six-month ended June 30, 2017 RMB'000 (unaudited)
Loss for the period	-	(1,059)
Gain on disposal of Pingxiang CF	36,494	-
Income tax expense related to the gain on disposal	(6,201)	-
	30,293	(1,059)

6. DISCONTINUED OPERATION - continued

The results of Pingxiang CF for the current and proceeding interim periods were as follows:

	Six-month ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	-	25,201
Cost of sales	-	(24,395)
Other income	-	8
Other loss	-	(26)
Selling and distribution expenses	-	(443)
Administrative expenses	-	(1,337)
Finance costs	-	(67)
Loss before tax	-	(1,059)
Income tax expense	-	-
Loss for the period	-	(1,059)

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

Loss for the period from discontinued operation includes the following:

	Six-month ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Other staff costs	-	848
Staff retirement benefit scheme contribution	-	154
Total remuneration	-	1,002
Release of long-term lease prepayments	-	21
Cost of inventories recognized as expense in cost of sales	-	21,786
Contract cost recognized as expense in cost of sales	-	845
Depreciation	-	1,004
Loss on disposal of property and equipment	-	27
Interest income	-	(8)

6. DISCONTINUED OPERATION - continued

	RMB'000
Analysis of asset and liability over which control was lost:	
Property and equipment	85,121
Long-term lease prepayments	1,926
Long-term deposits and advances	384
Inventories	3,606
Trade receivables	4,058
Other receivables, prepaid expenses and deposits	6,137
Bank balances and cash	4,654
Total assets	105,886
Trade and other payables	(15,732)
Contract liabilities	(7,463)
Amount due to Xinao Gas	(13,000)
Amount due to the Group	(76,115)
Long-term debts	(6,250)
Total liabilities	(118,560)
Net liabilities disposed of	(12,674)
Satisfied by:	
Cash received at December 31, 2017 (note 15)	30,847
Deferred consideration on disposal of Pingxiang CF (note 13)	3,243
Additional capital contribution to Pingxiang CF (step (ii))	(16,900)
	17,190
Deemed gain on disposal of Pingxiang CF	
Net liabilities disposed of	(12,674)
Fair value of retained interest	(32,460)
Put Option liability at date of disposal	22,627
Non-controlling interests	3,203
	(19,304)
Deemed gain on disposal	36,494
Income tax expense	(6,201)
Net deemed gain on disposal	30,293
Net cash inflow arising on the Disposal:	
Repayment from Pingxiang CF (step (iii))	46,768
Cash and cash equivalents of Pingxiang CF deemed disposed of	(4,654)
	42,114

6. DISCONTINUED OPERATION - continued

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

	Six-month ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net cash inflow from operating activities	-	4,020
Net cash outflow from investing activities	-	(16,526)
Net cash inflow from financing activities	-	7,658
Net cash outflow	-	(4,848)

7. DISPOSAL OF PARTIAL INTEREST OF A SUBSIDIARY

On May 16, 2018, Sanya Changfeng New Energy Investment Co., Ltd. has transferred 100% equity interests in Gaoyao, a wholly-owned subsidiary, to Zhuhai Henghui Energy Co. Ltd, a non-wholly owned subsidiary, for a consideration of RMB10,000,000. As a result, the Group deemed to have disposed of 39% interests in Gaoyao and retain its effective interests of 61% over Gaoyao without losing control.

8. DIVIDENDS

During the current interim period, the second instalment of interim dividend of CAD0.01 cent per share in respect of the year ended December 31, 2017 (2017: Nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to CAD605,000 (unaudited) or equivalent to RMB3,041,000 (unaudited) (2017: Nil).

On July 5, 2018, the directors of the Company have determined that the first instalment of interim dividend of CAD0.01 cent per share amounting to approximately CAD694,000 (unaudited) in aggregate or equivalent to RMB3,500,000 (unaudited) (2017: CAD640,000, or equivalent to RMB3,321,000) (unaudited) will be paid to the shareholders of the Company. The dividend has been paid out in July 2018.

9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earning per share attributable to the owners of the Company are based on the following data:

	Three-month ended June 30,		Six-month ended June 30,	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Earnings				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	20,506	7,250	55,520	18,165

	Six-month ended June 30,		Three-month ended June 30,	
	2018	2017	2018	2017
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share	65,057,939	63,998,631	64,699,252	63,921,404
Effect of dilutive potential shares:				
Share options issued by the Company	1,896,863	623,124	1,985,191	600,394
Weighted average number of ordinary shares for the purpose of diluted earnings per share	66,954,802	64,621,755	66,684,443	64,521,798
Basic earnings per share (Note)	RMB0.32	RMB0.11	RMB0.86	RMB0.28
	CAD0.06	CAD0.02	CAD0.17	CAD0.06
Diluted earnings per share (Note)	RMB0.31	RMB0.11	RMB0.83	RMB0.28
	CAD0.06	CAD0.02	CAD0.17	CAD0.05

9. EARNINGS PER SHARE – 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 CAD0.2025 and RMB1.0000 to CAD0.2007 for three-month and six-month ended June 30, 2018, respectively, and RMB1.0000 to CAD0.1961 and RMB1.0000 to CAD0.1941 for three-month and six-month ended June 30, 2017, respectively, being the average exchange rate that prevailed during the respective periods.

From continuing operations

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

	Three-month ended June 30,		Six-month ended June 30,	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	20,506	7,250	55,520	18,165
Less: (Loss) profit for the period from discontinued operations attributable to owners of the Company	-	(90)	21,097	(955)
Earnings for the purpose of basic earnings per share from continuing operations	20,506	7,340	34,423	19,120

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

From discontinued operation

Basic and diluted earning per share for the discontinued operation for the six-month period ended June 30, 2018 is RMB0.33 and RMB0.32 respectively, or equivalent to CAD0.07 and CAD0.06 respectively, per share (six-month period ended June 30, 2017: basic and diluted loss per share at RMB0.02, or equivalent to CAD0.003 per share).

Basic and diluted earning per share for the discontinued operation for the three-month period ended June 30, 2018 is RMBNil per share (three-month period ended June 30, 2017: basic and diluted loss per share at RMB0.001, or equivalent to CAD0.0003 respectively, per share).

10. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB25,748,000 (unaudited) (June 30, 2017: RMB21,894,000 (unaudited)) for acquiring pipelines, which are used in the construction and other equipment. Construction in progress of approximately RMB21,213,000 (unaudited) (June 30, 2017: RMB1,910,058 (unaudited)) have been transferred to property and equipment during the six-month period.

11. INTERESTS IN ASSOCIATES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Cost of investment in an associate - unlisted (note)	37,460	5,000
Share of post-acquisition losses and other comprehensive expense	(2,272)	(349)
	35,188	4,651

Details of the Group's associates as at June 30, 2018 and December 31, 2017 is 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
			30/6/2018	31/12/2017	30/6/2018	31/12/2017	
Xiangtan Shin-Ko Energy Co., Ltd.* (note a) 湘潭市长丰深冷能源有限公司 ("Shin-Ko Energy")	The PRC	The PRC	50%	50%	50%	50%	Operating liquefied natural gas ("LNG") storage facility
Pingxiang CF (note b)	The PRC	The PRC	40%	n/a	40%	n/a	Gas sale and distribution and pipeline installation and connection

* The English names of the associates are for identification purpose only.

Note a: 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 consider 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.

Note b: On November 22, 2017, the Group entered into an equity restricting agreement to dispose of in aggregate 50.2% effective interest in Pingxiang CF to Xinao Gas. The Disposal is completed on January 5, 2018. The Group has significant influence over Pingxiang CF and therefore it is classified as an associate of the Group. Details of the Disposal are set out in note 6.

12A. TRADE RECEIVABLES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Trade receivables	12,629	17,015
Less: expected credit loss	(454)	(559)
	12,175	16,456

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.

Details of impairment assessment are set out in Note 14.

12B. CONTRACT ASSETS

	June 30, 2018 RMB'000
Contract assets from pipeline construction works	24,973
Less: allowance for doubtful debts	(2,456)
	22,517
Current	22,517
Non-current	-

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on pipeline construction works. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the performance obligation of the construction works satisfied.

Details of impairment assessment are set out in note 14.

13. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Pipeline relocation receivables (Note)	9,366	8,328
Deposits paid for acquisition of property and equipment	5,404	2,358
Prepayments for gas purchase	7,862	2,619
Rental prepayment	1,489	1,137
Deposit for land rental payment	314	189
VAT recoverable	11,735	11,353
Receivables on disposal of Pingxiang CF	3,243	-
Other prepayments and deposits	3,557	3,690
	42,970	29,674
Analyzed for reporting purposes as follows:		
- Current assets	30,372	21,009
- Non-current assets	12,598	8,665
	42,970	29,674

Note: 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 June 30, 2018, the balances are approximately RMB9,366,000 (unaudited) (December 31, 2017: RMB8,328,000 (audited)) on construction of new pipelines as a result of the relocation notice. The Group expected RMB2,486,000 (unaudited) (2017: RMB2,331,000 (audited)) would be refunded by the local government in twelve-month period with the remaining balance of RMB6,880,000 (2017: RMB5,997,000 (audited)) to be refunded beyond twelve-month period.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

The Group applies the simplified approach to providing for ECL prescribed by IFRS 9 for trade receivables and contract assets which permits the use of the lifetime expected credit loss for these trade receivables and contract assets.

The Group determines the ECL on these items by using a provision matrix, estimated based on the financial quality of customers and historical credit loss experience based on the past due status of the customers, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. As at January 1, 2018, the additional loss allowance for provision for trade receivables and contract assets were insignificant. During the current interim period, the Group provided RMB2,910,000 impairment allowance based on the provision matrix.

For the purpose of impairment assessment for other receivables, amounts due from related parties, pledged bank deposits and bank balances, loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for other receivables, the management of the Company have taken into account the historical default experience and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The management of the Company considered there has been no significant increase in credit risk since initial recognition and hence the ECL allowance is insignificant at January 1, 2018 and June 30, 2018.

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables and contract assets during the current interim period was as follows:

	2018 RMB'000
At January 1 (audited)	3,281
Reversal of impairment loss	(371)
At June 30 (unaudited)	2,910

15. TRADE AND OTHER PAYABLES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Trade and construction payables	31,465	55,763
Security deposit received from customers for natural gas supplies	4,296	5,352
Accrued wages and staff benefits	2,456	8,761
Receipt in advance from the disposal of Pingxiang CF (Note)	-	30,847
Other tax payables	1,573	1,691
Other payables	1,965	1,968
	41,755	104,382

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: 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 (audited) from Xinao Gas in respect of an initial disposal of 24.5% interest in Pingxiang CF. The disposal was completed and related gain was recognized during the six-month period ended June 30, 2018. Details of the disposal of Pingxiang CF are set out in note 6.

16. AMOUNTS DUE FROM (TO) RELATED PARTIES

Name of related party	Relationship parties	Terms	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Shin-Ko Energy	Associate	Non-trade, unsecured, non-interest bearing and repayable on demand	(4,249)	(4,249)
Pingxiang CF (note)	Associate	Non-trade, unsecured and interest bearing	12,612	-
EDF CF	Joint venture	Non-trade, unsecured, non-interest bearing and repayable on demand	407	2,765
Mr. Lin	Ultimate controlling shareholder	Non-trade, unsecured, non-interest bearing and repayable on demand	(172)	(109)

Note: The balance represents the loan to Pingxiang CF with 4.35% interest bearing since 2012. As at June 30, 2018, Pingxiang CF has been classified as an associate to the Group upon the completion of disposal and the loan to Pingxiang CF is no longer being eliminated. The management of the Company expects that the loan will be repaid beyond 12 months and therefore the amount is classified as non-current asset. Details of the disposal are set out in note 6.

17. SHORT-TERM BANK BORROWINGS AND LONG-TERM DEBTS

During the current interim period, the Group did not obtain any new short-term bank borrowings and new long-term debt (December 31, 2017: short-term bank borrowings amounted of RMB40,000,000(audited) and long-term debt amounted of RMB21,250,000 (audited)).

18. 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 condensed interim consolidated 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 June 30, 2018, part of the property and equipment are ready for use and RMB114,000 (unaudited) (June 30, 2017: RMB122,000 (unaudited)) is recognized as other income. As at June 30, 2018, the government grants of RMB4,803,000 (unaudited) was recognized as non-current liability (December 31, 2017: RMB4,917,000 (audited)).

19. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount
		RMB'000
Common shares		
Issued and fully paid:		
At January 1, 2017	62,037,700	60,277
Exercised options	2,417,335	6,584
Share cancellation (note 1)	(110,000)	(172)
At December 31, 2017 (audited)	64,345,035	66,689
Exercised options	859,120	2,884
Share cancellation (note 2)	(16,000)	(20)
At June 30, 2018 (unaudited)	65,188,155	69,553

Note 1: On April 6, 2017, one of the shareholders exercised 110,000 share options. On April 13, 2017, he 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.

Note 2: On March 29, 2018, one of the shareholders cancelled the shares due to personal reasons. The board of Director of the Company approved the cancellation of the shares.

20. 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, administers the option scheme and determines the vesting and terms of each award.

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at January 1, 2018	5,190,150
Granted during the period	2,440,000
Exercised during the period	(859,120)
Expired/cancelled during the period	(186,030)
Outstanding as at June 30, 2018	6,585,000

The closing price of the Company's shares immediately before April 13, 2018, date of grant, was CAD1.09.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was CAD0.44 (unaudited) (2017: CAD0.31 (audited)).

20. SHARE-BASED COMPENSATION - continued

In the current interim period, share options were granted to management and employees and consultant, respectively, on April 13, 2018. The fair values of the options determined at the dates of grant using the Black-Scholes option were RMB3,141,000 and RMB356,000 respectively.

The options granted are to be vested until the day immediately following the successful initial public offering in The Stock Exchange of Hong Kong Limited ("HKEx") and the commencement date of listing of the Company's shares on the HKEx ("HK IPO Date"). The management, employees and consultant are required to remain their employment until HK IPO Date. During the six-month period, share-based compensation amounting to RMB862,000 was recognized.

The following assumptions were used to calculate the fair values of share options:

	For management and employees April 13, 2018	For consultant April 13, 2018
Share price at the date of grant	CAD1.07	CAD1.07
Exercise price	CAD1.09	CAD1.09
Expected volatility	33.85%	34.06%
Expected life	3.72 years	5.72 years
Risk-free rate	2.07%	2.15%
Expected dividend yield	0.67%	0.45%
Fair value per option	CAD0.26	CAD0.34

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 3 and 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

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 directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognized in profit and loss, with a corresponding adjustment to the share option reserve.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENT

The Group's put option liability is measeured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liability	Fair value as at June 30, 2018 RMB'000	Fair value as at December 31, 2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Put Option liability	8,142	Nil	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Probability of two exercise conditions happening, ranging from 0% to 40%. Details of the conditions are described in note 6.

There was no transfers between different levels during both periods.

Reconciliation of Level 3 fair value measurements of put option liability

The total gains or losses for the period included an unrealised gain of RMB14,485,000 relating to put option liability that are measured at fair value at the end of each reporting period (December 31, 2017: RMB0). Such fair value gains or losses are included in 'fair value change on put option liability'.

	Put option liability RMB'000
At December 31, 2017	-
Initial recognition	(22,627)
Fair value changes in profit or loss	14,485
At June 30, 2018	(8,142)

Fair value measurements and valuation processes

The management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENT - continued

Fair value measurements and valuation processes - continued

In estimating the fair value put option liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified third party valuers to perform the valuation. The management of the Group works closely with the qualified third party valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of put option liability.

Information about the valuation techniques and inputs used in determining the fair value of put option liability are disclosed above.

The management of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed interim consolidated financial statements approximate their fair values.

22. 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.