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SERVICING A CLEANER CHINA

2021 Annual Report

CF ENERGY CORP

CF ENERGY CORP.
Management's Discussion and Analysis
for the year ended
December 31, 2021

Dated April 29, 2022

Advisory

This Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to understand the financial position and operations of CF Energy Corp., (hereafter referred to as "CF Energy", "we" or the "Company") and its subsidiaries (collectively referred to as the "Group" or "our Group") as at and for the year ended December 31, 2021. This information should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2021. "CF Energy " includes CF Energy Corp. and its subsidiaries, unless otherwise indicated. Additional information related to CF Energy is available on SEDAR at www.sedar.com or on its website at http://www.cfenergy.com.

The preparation of the audited consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") or Generally Accepted Accounting Practices ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosed contingent assets and liabilities at the date of the financial statements, and reported amounts of sales and expenses during the reporting period. CF Energy bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

This MD&A contains certain non-IFRS financial measures to assist users in assessing the Company's performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures".

Amounts are stated in Renminbi (RMB), the official currency of the People's Republic of China (the "PRC" or "China") and the functional currency of the principal operating subsidiaries in the PRC, and Canadian dollars (CAD) unless otherwise indicated.

Caution Regarding Forward-Looking Information

Certain statements in this MD&A may constitute "forward looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward looking statements, such as significant changes in market conditions, the inability of the Company to realize sales and the inability of the Company to attract sufficient financing and the risk factors summarized below under the heading "Risks and Uncertainties". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Overview

CF Energy is a Canadian public company currently listed on the TSX Venture Exchange ("TSX-V") under the stock symbol "CFY". CF Energy is primarily involved in natural gas distribution and sustainable energy utilization, serving residential, commercial and industrial users as well as electric vehicle battery swap service in the PRC.

Our existing business model comprises three main segments: (i) Gas distribution utility segment, which comprises of natural gas transmission and sales, including (a) Pipeline Natural Gas ("PNG") sales and Liquified Natural Gas ("LNG") supply distribution sales and related service pipeline installation and connection sub-segments; (b) Compressed natural gas ("CNG") vehicle refueling stations; and (c) Natural gas direct transmission; (ii) Integrated smart energy segment, which comprises of integrated smart energy system and integrated district energy distribution and (iii) Smart mobility segment, which comprises of the operation of electric vehicle ("EV") battery swap stations. This segment presentation is first adopted in the unaudited condensed interim consolidated financial statements of the Group for the three-month and nine-month periods ended September 30, 2021 and continued in the audited consolidated financial statements of the Group for the year ended December 31, 2021 for the purpose of resource allocations and assessment of each segment performance.

Gas Distribution Utility Segment

Pipeline PNG Sales and LNG Supply Distribution Sales

Major pipeline PNG sales projects are based in Sanya City, Hainan Province and Pingxiang City, Jiangxi Province. The Company has been granted a 30-year exclusive concession right (2007 to 2037) in Sanya to operate the PNG sales as well as the construction and maintenance of the required facilities and pipelines which makes the Company the dominant participant in the Sanya PNG gas distribution market. The Company also distributes PNG to users in the ceramic industry base of Xiangdong District, Pingxiang City, Jiangxi Province under a 30-year distribution right (2010 to 2040) granted to its 40% owned associate.

CNG Vehicle Refueling

The Company operates two refueling stations respectively in Sanya City, Hainan Province and Changsha City, Hunan Province which provide refueling services for vehicles such as household cars, taxicabs, buses and trucks. The Company offers two types of natural gas to customers for vehicle refueling: CNG and LNG.

Natural Gas Direct Transmission

This is the transportation of natural gas via the Company's 2.0 kilometers (1.4 miles) of pipeline connecting the provincial natural gas trunk lines to the Gaoyao Combined Heat, Power and Cold Natural Gas Power Plant owned by Guangdong Datang International Zhaoqing Heat & Power Co., Ltd. in Zhaoqing City, Guangdong Province.

Integrated Smart Energy Segment

Currently there are two projects under this segment, namely the integrated smart energy project (the "Haitang Bay Integrated Smart Energy Project") and the integrated district energy distribution project (the "Meishan Project").

The Haitang Bay Integrated Smart Energy Project

The Haitang Bay Integrated Smart Energy Project (the "Project"), which combines the use of multiple clean energy sources, including solar, hydro, electricity, and natural gas (CCHP/Co-Gen), is to supply cooling, heating, as well as hot water to the hotels, shopping centers, and households in the Haitang Bay area of Sanya City, Hainan Province, the PRC. This project is conducted through the Group's 70% held (30% held by the EDF Group) subsidiary company, EDF Changfeng (Sanya) Energy Co., Ltd. ("EDF CF") with authorized capital of RMB119.1 million fully paid up in 2021. Under a 30-year concession right agreement (2017 to 2047), EDF CF has the right to build, own and operate the project in Haitang Bay, Hainan Province.

The Project has been recognized as a low carbon energy utilization project in the tropical resort city of Sanya, China's Hainan Province, to provide air-conditioning with reduced emissions for public facilities in the Haitang Bay area. The Project will have four (4) central energy stations, 30km of district cooling and heating distribution networks, and 38 end user stations by the end of 2023. Once fully implemented, the system will distribute cooling, heating and hot water to serve 4.7 million square meters of commercial space, including large scale hotels, shopping malls, entertainment parks and buildings, hospitals and other commercial complexes. The Project uses optimized multi-energy integration program to distribute cooling, heating and hot water to customers. The system will apply many advanced technologies, i.e. multi-level compressed high-efficient refrigeration units, "ice battery" technology, hydro heat pump technology, distributed photovoltaic technology and AI data management to provide more efficient energy supply. The Project integrates advanced energy-saving technologies, such as ice storage, water-source heating pumping. It is expected to save about 30,000 tons of standard coal and reduce about 100,000 tons of carbon dioxide, sulfur dioxide and nitrogen oxide emissions every year once fully implemented.

Construction of the first energy station and the 18,900m of pipeline for the integrated smart energy network (6,000m of pipeline laid through land reclamation bypassing a river) was completed and commenced commercial operation in September 2021. The first group of commercial customers includes the Sanya Edition Hotel, Fairmont Sanya Haitang Bay, and Westin Sanya Haitang Bay Resort. The Company has signed up ten (10) commercial customers in Haitang Bay as of the date of this MD&A. The first energy station can provide services to 350,052 square meters of cooling space.

<u>The Meishan Project</u>

The Meishan Project is a joint investment, construction and operation of an integrated district energy distribution project in the New Economic Development Zone of Meishan City, Sichuan Province (the "Meishan New Economic Development Zone") to be operated by Meishan Hengtai Tianzhiyuan Energy Limited ("Meishan Hengtai"), a company which the Group holds an effective interest of 72%. The Meishan New Economic Development Zone, situated next to the central urban area of Meishan City, Sichuan Province, with a planned development area of 50.5 square kilometers, is to be the hub for manufacturers of drugs, supplements, medical equipment, and other medical related supplies. The year-round constant demand for steam is necessary to produce drugs that makes the Meishan New Economic Development Zone an ideal platform for integrated district energy distribution.

The project commenced trial operation in April 2021 and commercial operation officially in mid-May 2021 and has signed up seven (7) commercial customers with three (3) customers under service as of the date of this MD&A. In addition, the Sichuan provincial government has approved the pipeline construction plan for the second phase of the integrated district energy distribution project in Meishan City which will commence construction in 2022.

The project is expected to significantly improve the district's energy consumption efficiency and reduce local air pollution in line with state policy as more customers connect to the program.

<u>Smart Mobility Segment</u>

EV Battery Swap Station

The EV battery swap station business is a segment of the Group to build and operate battery swap service to electric vehicles. EDF CF has invested, built and operated two (2) EV battery swap stations in Sanya City to serve BAIC Qingxiang Technology Co., Ltd.'s ("BAIC QX") 200 swap-battery EVs for its network taxi hiring business (the "Network Taxis") currently operating in Sanya City and its additional 200 EV Network Taxis planned for Hainan Province in the near term with Blue Valley Smart (Beijing) Energy Technology Co., Ltd. ("Blue Valley"). The two (2) battery swap stations have started commercial operations in August 2020 and January 2021 respectively. In September 2020, the Company and EDF (China) Holding Ltd. ("EDF (China)") jointly established Hainan Huapu Smart Mobility Company Limited ("Huapu SM"), which signed an 8-year exclusive co-operating agreement with BAIC QX and Blue Valley to provide EV battery swap services in the city of Haikou City, provincial capital of Hainan Province. The first battery swap station in Haikou City commenced operation in August 2021, and the second station commenced operation in January 2022. Concurrently, a memorandum of understanding was also signed among the Company, EDF (China) and Blue Valley to jointly develop the battery swap project in Zhuhai City, Guangdong Province. The first battery swap station of Zhuhai City completed construction near the end of 2021, and it had an opening ceremony on January 11, 2022. The station was under trail run in February 2022 and officially commenced operation in March 2022.

Results for year ended December 31, 2021

For the year ended December 31, 2021, the Group reported net profit from continuing operations of RMB21.7 million, a decrease of RMB31.0 million, or 59%, from RMB52.7 million (restated) in 2020. On a comparable basis, after excluding fair value loss of RMB4.8 million (2020 gain: RMB11.4 million) on derivative financial instrument of loan discharge agreement (see "Related Party Transactions" section on pages 21 and 22 of this MD&A) , recognition of share-based payments of RMB0.8 million (2020:RMB 1.7 million) and non-recurring government financial assistance of RMB1.8 (2020:RMB5.0 million), the non-IFRS adjusted net profit from continuing operations for 2021 was RMB25.5 million, a decrease of RMB12.5 million, or 33% from RMB38.0 million as reported for the year ended December 31, 2020.

Chairman's Message

Ann Siyin Lin, CEO and Chair of the Board, states that:

Our revenues have taken a big hit this year as COVID-19 loomed over the Chinese and global economy for a second year running. In addition, the lower net profit was also caused by the decreasing gas selling price which was regulated by the government, even though the volume of gas sold in Sanya City increased by 12% compared to that of 2020.

On the smart energy front, the Haitang Bay Integrated Smart Energy Project has commenced commercial operation in early third quarter of 2021 as planned, and is now in implementation stage. Three (3) of the hotels in Haitang Bay are currently using the system and connection of two other hotels are under construction. In 2022, we are anticipating additional hotels will be connecting and using our system as the economy slowly recovers. However, the growth of hotel clients will be slow since most hotels are not operating at their normal capacities due to low volume of visitors in Sanya, and hence their incentive to connect to our cooling system, which is more cost-effective, is diminished. Our EV battery swap business is still facing some difficulties in the operating cities since most public transportation companies have postponed their plans to replace their taxis due to reduced travelling requirement during the pandemic. However, as the market gradually recovering from the post-pandemic effect, we are hoping to see a positive momentum of in EV battery swap service.

Now more than ever we need to make strategic changes and plans to navigate through this crisis and prepared for a prolonged period of uncertainty and new crises to come. This includes improving efficiencies and productivities via leaning out the processes across all functions in the Group, and implementing organizational labor restructuring to minimize operational & human resources costs. We aim to upgrade and transition the management team into a more commercialized standard in the coming year. We believe this change management will set new goals and directions for the Company to drive up the profitability and transition towards healthier, more sustainable stage.

Major Highlight for the year ended December 31, 2021 and up to the date of this MD&A

Termination of a subsidiary's operation / Discontinued operation

The Group's non-wholly owned subsidiary, Hebei Riheng Clean Energy Co., Ltd. ("Riheng"), in Shijiazhuang City, Hebei Province, has been providing point-to-point supply of natural gas in the form of LNG under various LNG supply distribution contracts to ceramic factories and industrial parks in Hebei Province since its establishment in 2018.

In the 2020 year, the Group realigned its future business strategies with major focus on the development of clean energy solutions with high growth potential, including the integrated smart energy and electric vehicle. As Riheng's business and operating model no longer aligned with the Group's new business focus and growth expectations, in the best interests of the Group, the Group made the decision to terminate the operation of Riheng and direct its future resources toward key projects that are with higher growth potentials and in line with the China Central government's future development policy focus going forward. For reporting purposes for the 2021 year, Riheng was considered as a discontinued operation and accordingly, the comparative figures of Riheng for 2020 have been presented and restated separately as a discontinued operation.

Enhancement of existing gas distribution business

As part of our natural gas distribution business and for the purpose of transmitting PNG from our gas stations to our customers in Sanya City, the Group is responsible for the installation of the gas pipeline networks and connecting them to the end-users. For enhancement of existing gas distribution business, in addition to our existing Nanshan Primary Station, a second gas station will be built. Land use right for the second gas station was obtained in April of 2021.

Abolishment of Certain Pipeline Connection Related Services Charges to Customers in Sanya

The Company was notified by the Sanya City Development and Reform Commission ("SYDRC") that, with retroactive effective to March 1, 2021, certain service charges relating to the connection services for the distribution of natural gas to customers in Sanya will be abolished. The new rules will impact certain of the Company's pipeline connection fees and meter upgrade fees chargeable to our customers going forward.

Gas Selling Price Adjustment

The Group's natural gas business is a price regulated industry in China, where its business and operations are susceptible to risks associated with government pricing policy and regulation changes. The Group needs to enter into discussions and negotiations with local governments on pricing from time to time. Over the past years, the Group had been able to increase the selling price several times. In July 2020, as the government natural gas price regulating body in Sanya City, the SYDRC finalized the City's natural gas utility pricing formula adjustment (the "Pricing Formula"), which is based on and adjusted with reference to the pricing formula adjustment of gas purchase price (the "Gas Purchasing Price") plus gas distribution cost (the "Gas Distribution Cost"), became the guideline for the Group to follow on its gas selling prices starting from August 1, 2020 (the "New Gas Selling Price") for both residential and commercial customers. The Pricing Formula is part of the pricing control strategy of China's National Development and Reform Commission for the whole of China. The New Gas Selling Price is to be reviewed (semi-annually) and adjusted periodically based on the Pricing Formula.

Following the price adjustments to the Gas Selling Price with effect from September 1, 2021, the New Gas Selling Price per m^3 to commercial customers in Sanya City has been adjusted from RMB4.0 to RMB3.83 while the price to social welfare units such as schools, government facilities, and other not-for-profit organizations which are classified under commercial customers remain unchanged at RMB3.23. The New Gas Selling Price per m^3 to residential customers, which is based on 3 levels of consumption, with the 3rd level price to be adjusted from RMB3.96 to RMB3.82 while the 1st and 2nd level prices remain unchanged at RMB 2.94 and RMB3.53 respectively.

Going forward, as the pricing control policy is being further implemented by the SYDRC, the Group expects the New Gas Selling Price would significantly and adversely impact the profitability of its natural gas distribution business segment.

Investment in a Leading EV Battery Swap Technology Company in the PRC

The Group has entered into an agreement to acquire approximately 3.43% of the total equity shares of Blue Valley, a privately held EV battery technology development and service company in China. Consideration of a total of RMB14,670,000 was paid and business registration of share transfer was completed in May 2021.

Blue Valley primarily develops advanced EV battery swap and energy storage/redistribution technologies for the Chinese EV market. Blue Valley's key investors include BAIC BluePark New Energy Technology Co., Ltd., SK Innovation Co., Ltd. and Contemporary Amperex Technology Co., Ltd. (the largest EV battery manufacturer in China). Blue Valley is currently CF Energy's business partner and equipment supplier of the EV Battery Swap Stations and the investment in Blue Valley will further enhance the Group's involvement in the fast-growing EV battery swap business in China.

The China Automobile Industry Association ("CAIA") projects that 18.26 million EVs will be on-road in China by 2024. Moreover, CAIA projects that 13.7 million EV owners in China will likely not have private charging units. Finally, Blue Valley estimates that there may be 4.0 million battery-swap-type EVs on-road in China by 2024.

Non-Brokered Private Placement Financing

The Company completed a non-brokered private placement of unsecured convertible debentures in the aggregate principal amount of CAD600,000 (the "Convertible Debenture") in May 2021. The Convertible Debentures have a term of two years ending on May 19, 2023 (the "Maturity Date") with 7% interest per annum to be paid semi-annually, with an option of the holders of the debenture (the "Debenture Holders") to convert the principal amount outstanding under the Convertible Debenture into common shares of the Company ("Shares") at a conversion price of CAD0.66 (the "Conversion Price") per Share. Under the terms of the Convertible Debenture, the Company has the right to require the Debenture Holders to convert all principal amounts outstanding under the Convertible Debenture at the Conversion Price if, for any fifteen consecutive trading days prior to the Maturity Date, the daily volume-weighted average price of the Shares on the TSX-V equals or exceeds CAD0.85 per Share. The subscribers to the Convertible Debentures are Oakwest Capital and Oak Hill Financial Inc.. The proceeds of the Convertible Debentures are for general working capital and to support the Company's new energy business development of the Group.

COVID-19 impact on our business in the Hainan Province

With the resurgence of the outbreak of COVID-19 confirmed cases in China around the end of July 2021, to combat this, the Central Government re-instated certain travel restrictions previously adopted across China restricting residence in major cities with recent confirmed cases of COVID-19 to travel outside of these cities and likewise, for travelers to travel to the restricted cities, unless traveling is deemed essential. These restrictions were also applicable to the Hainan Province until they were uplifted on August 19, 2021 as there were a few recent confirmed COVID-19 infected cases in Hainan Province.

As a result of these restrictions, the demand for natural gas for the months of August, September and November 2021 experienced significant drop from the daily average consumption and an overall drop in revenue in the gas distribution utility segment of the Group. Such drop had impacted both the third and fourth quarters of 2021 resulting in the erosion of much of the increase of revenue brought forward from the first half of 2021.

The restrictions have also affected our other business segments, including the Haitang Bay Integrated Smart Energy Project and the EV battery swap station business. Commencement of operation for some of the hotels in Haitang Bay which were planned to convert to our system were temporarily closed and the schedules for new hotel customers tapping into our system have been delayed. The significant drop in visitors to Sanya has also impacted our EV battery swap station business as demand for network taxi has also reduced.

Outlook

As communicated in the Chairman's message, the Company will be making strategic and directional changes in 2022 to drive the Company's performance back on track. With the new strategy and stronger, more efficient management team, the Company will continue to strive to make meaningful progress despite the COVID-19 pandemic and grow across our business segments. We will continue to look for new opportunities in the energy sector, including gas procurements, alternative energy resources to ensure multi-dimensional growth of the Company and further mitigate potential risks as the world navigate through the energy and resource transition.

As part of the plan to contribute to the carbon neutrality plan in China, the Company has started planning around this goal and making contribution to help achieve net-zero carbon emissions. Therefore, the Company will continue to invest in the integrated smart energy and smart mobility business segments. For the smart mobility segment, we have been working with local taxi and ride-sharing companies, municipal public transportation ministries in various cities in different provinces, and we have signed several new agreements with some of those companies in Haikou, Sanya and Zhuhai cities with execution targeted in 2022. In addition, we are also exploring opportunities to expand the EV battery swap service into light and heavy trucks in China as well.

Selected yearly Financial Information

The following tables provide selected financial information for the year ended December 31, 2021 and 2020 in Chinese RMB and Canadian dollars. Presentation in Canadian dollars is for information purpose only.

					For information purposes and unaudited			
	RMB'000				**CAD'000**			
	2021	**2020**	**Change**	**%**	**2021**	**2020**	**Change**	**%**
except percentages and per share amounts		**(Restated)**				**(Restated)**		
Continuing Operations								
Revenue	**355,233**	**340,300**	**14,933**	**4%**	**69,022**	**66,154**	**2,868**	**4%**
Gross profit	**134,032**	**139,040**	**(5,008)**	**-4%**	**26,042**	**27,029**	**(987)**	**-4%**
% of revenue	37.7%	40.9%	-3.2%		37.7%	40.9%	-3.2%	
Other income	3,371	7,300	(3,929)	-54%	655	1,419	(764)	-54%
Other losses, net	(1,062)	(1,378)	316	-23%	(206)	(268)	62	-23%
Impairment losses under expected credit loss model, net of reversal	(1,301)	(284)	(1,017)	358%	(253)	(55)	(198)	358%
Fair value change on derivative financial instrument	(4,827)	11,367	(16,194)	-142%	(938)	2,210	(3,148)	-142%
Selling and marketing expenses	(38,994)	(37,789)	(1,205)	3%	(7,577)	(7,346)	(231)	3%
% of revenue	11.0%	11.1%	-0.1%		11.0%	11.1%	-0.1%	
General and administrative expenses	(47,789)	(45,961)	(1,828)	4%	(9,285)	(8,935)	(350)	4%
% of revenue	13.5%	13.5%	-0.1%		13.5%	13.5%	-0.1%	
Share-based compensation expenses (note 4)	(781)	(1,678)	897	-53%	(152)	(326)	174	-53%
Share of results of associates	4,794	5,319	(525)	-10%	931	1,034	(103)	-10%
Finance costs	(10,092)	(6,942)	(3,150)	45%	(1,961)	(1,350)	(611)	45%
Profit before tax	**37,351**	**68,994**	**(31,643)**	**-46%**	**7,256**	**13,412**	**(6,156)**	**-46%**
% of revenue	10.5%	20.3%			10.5%	20.3%		
Income tax expense	(15,670)	(16,295)	625	-4%	(3,045)	(3,168)	123	-4%
% of revenue	4.4%	4.8%			4.4%	4.8%		
Profit for the year from continuing operations	**21,681**	**52,699**	**(31,018)**	**-59%**	**4,211**	**10,244**	**(6,033)**	**-59%**
% of revenue	6.1%	15.5%			6.1%	15.5%		
Discontinued operation (note 1)								
Loss for the year from a discontinued operation	(2,217)	(7,123)	4,906	-69%	(431)	(1,385)	954	-69%
Profit for the year	**19,464**	**45,576**	**(26,112)**	**-57%**	**3,780**	**8,859**	**(5,079)**	**-57%**
Other comprehensive expense								
Item that will not be reclassified to profit or loss:								
Fair value loss on investments in equity instruments								
at fair value through other comprehensive income	(2,749)	-	(2,749)	100%	(534)	-	(534)	100%
Income tax relating to item that will not be reclassified to profit or loss	687	-	687	100%	133	-	133	100%
Other comprehensive expense for the year, net of income tax	(2,062)	-	(2,062)	100%	(401)	-	(401)	100%
Total comprehensive income for the year	**17,402**	**45,576**	**(28,174)**	-62%	**3,379**	**8,859**	**(5,480)**	-62%
Profit (loss) for the year attributed to owner of the Company								
- from continuing operations	23,011	52,826	(29,815)	-56%	4,471	10,269	(5,798)	-56%
- from discontinued operation	(1,330)	(4,274)	2,944	-69%	(258)	(831)	573	-69%
	21,681	48,552	(26,871)	-55%	4,213	9,438	(5,225)	-55%
Loss for the year attributed to non-controlling interests								
- from continuing operations	(1,330)	(127)	(1,203)	947%	(258)	(25)	(233)	947%
- from discontinued operation	(887)	(2,849)	1,962	-69%	(175)	(554)	379	-69%
	(2,217)	(2,976)	759	-26%	(433)	(579)	146	-26%
	19,464	**45,576**	**(26,112)**	-57%	**3,780**	**8,859**	**(5,079)**	-57%
Total comprehensive income (expense) attributable to								
- Owners of the Company	**19,619**	**48,552**	**(28,933)**	-60%	**3,812**	**9,438**	**(5,626)**	-60%
- Non-controlling interests	(2,217)	(2,976)	759	-26%	(433)	(580)	147	-25%
	17,402	**45,576**	**(28,174)**	-62%	**3,379**	**8,858**	**(5,479)**	-62%
Total comprehensive income (expense) attributable to								
- from continuing operations	20,949	52,826	(31,877)	-60%	4,070	10,269	(6,199)	-60%
- from discontinued operation	(1,330)	(4,274)	2,944	-69%	(258)	(831)	573	-69%
	19,619	48,552	(28,933)	-60%	3,812	9,438	(5,626)	-60%
EBITDA from continuing operations (note 2)	**77,436**	**98,631**	**(21,195)**	**-21%**	**15,046**	**19,174**	**(4,128)**	**-21%**
% of revenue	21.8%	29.0%			21.8%	29.0%		
From continuing and discontinued operations	***RMB***	***RMB***			***CAD***	***CAD***		
Basic EPS	*0.33*	*0.74*			*0.06*	*0.14*		
Diluted EPS	*0.32*	*0.74*			*0.06*	*0.14*		
From continuing operations								
Basic EPS	*0.35*	*0.81*			*0.07*	*0.16*		
Diluted EPS	*0.34*	*0.81*			*0.07*	*0.16*		
From discontinued operation								
Basic EPS	*(0.02)*	*(0.07)*			*(0.01)*	*(0.02)*		
Diluted EPS	*(0.02)*	*(0.07)*			*(0.01)*	*(0.02)*		

Note 1: Discontinued operation is in respect of the termination of the operation of Riheng (Please refer to page 5 of this MD&A for more details).

Note 2: EBITDA is identified and defined under the section "Non-IFRS Financial Measures".

Note 3: Canadian dollars were converted from RMB at the respective average rates of RMB 1 to CAD 0.1943 for 2021 and CAD 0.1944 for 2020.

Note 4: Share-based compensation expenses are included in general administrative expenses for the purpose of presentation in the consolidated financial statements.

Result of Operations

Total Revenue and Sales Volume sold

Continuing Operations

Revenue (Summary table)

Total Revenue (in RMB'000)	2021	2020 (Restated)	Change	%
Gas Distribution Utility				
- Gas supply	174,042	170,424	3,618	2%
- Pipeline installation and connection	126,734	123,327	3,407	3%
- CNG vechicle refueling	45,836	46,498	(662)	-1%
Integrated Smart Energy	8,330	-	8,330	100%
Smart Mobility	291	51	240	5
Total Revenue in RMB'000	**355,233**	**340,300**	**14,933**	**4%**
Total Revenue in CAD'000	**69,022**	**66,154**	**2,868**	**4%**

Located in an international tourist destination in the PRC's only tropical province, Sanya City, our business is affected by demand of natural gas generated by tourists in hotel stay and travelling activities such as catering in restaurants.

Total revenue from continuing operations for the year ended December 31, 2021 was RMB355.2 million, an increase of RMB14.9 million, or 4%, from RMB340.3 million (restated) for the year ended December 31, 2020. Revenue from gas supply in 2021 was RMB174.0 million, an increase of RMB3.6 million, or 2% as compared to RMB170.4 million (restated) in 2020. Revenue from pipeline installation and connection in 2021 was RMB126.7 million, an increase of RMB3.4 million, or 3% as compared to RMB123.3 million in 2020. CNG vehicle refueling revenue in 2021 was RMB45.8 million, a slight decrease of RMB0.7 million, or 1% as compared to RMB46.5 million in 2020.

The Haitang Bay Smart Energy Project commenced operation in September 2021 and began contributing revenue to the Integrated Smart Energy segment alongside the Meishan Project. Revenue from the Integrated Smart Energy segment in 2021 was RMB8.3 million.

Revenue from EV battery swap included in the Smart Mobility segment was RMB0.3 million.

With the resurgence of the outbreak of COVID-19 confirmed cases in China around the end of July 2021, the Central Government had re-instated certain travel restrictions previously adopted across China, restricting residence in major cities with recent confirmed cases of COVID-19 to travel outside of these cities and likewise, for travelers to travel to the restricted cities, unless traveling was deemed essential. With these restrictions, the demand for natural gas in Sanya City began to drop in the month of August 2021 and worsened in September 2021. Such drop in sales volume from commercial customers and the resultant decrease in gas sales revenue for the third quarter of 2021 had carried forward to impact the last quarter of 2021, which eroded part of the increase of revenue in the first half of 2021. This resulted in an overall marginal increase in commercial customers and total revenue of gas sales for the whole of 2021 as compared to 2020.

On a comparable basis, total revenue in 2021 has not achieved full recovery to pre-COVID-19 level in 2019. Total revenue from continuing operations decreased RMB49.7 million, or 12% from RMB404.9 million in 2019 to RMB355.2 million in 2021. The slow recovery was mainly attributed to the reduction in selling price of gas supply since August 2020 which was further reduced in September 2021 and the adverse effect of resurgence of the outbreak of COVID-19 which affected the second half of 2021.

Sales volume sold

Gas sales **Sales volume sold (m³)**	**2021**	**2020** **(Restated)**	**Change**	**%**
Sanya City, Hainan Province	51,417,885	46,037,842	5,380,043	12%
Other cities	1,839	69,071	(67,232)	-97%
Total gas sales volume (m³)	**51,419,724**	**46,106,913**	**5,312,811**	**12%**
CNG refueling				
Sanya CNG/LNG	8,100,222	9,362,308	(1,262,086)	-13%
Changsha CNG	3,275,773	3,357,770	(81,997)	-2%
Total CNG/LNG volume (m³)	**11,375,995**	**12,720,078**	**(1,344,083)**	**-11%**
Total sales volume sold (m³)	**62,795,719**	**58,826,991**	**3,968,728**	**7%**

Total sales volume from continuing operations in 2021 was 62.8 million m³, an increase of 4.0 million m³, or 7% as compared to 58.8 million m³ (restated) in 2020. The overall increase in 2021 was mainly attributable to the increase in gas sales volume in Sanya City of 5.4 million m³, or 12% from 46.0 million m³ in 2020 to 51.4 million m³ in 2021 due to recovery of consumption of gas attributable to the increase of commercial activities in the first half of 2021, partially offset by the downturn in consumption of gas due to the temporary government travel restriction measures being implemented to combat the resurgence of the outbreak of COVID-19 in the second half of the year.

On a comparable basis against 2019, total sales volume recorded a decrease of 4.1 million m³, or 6% from 66.9 million m³ in 2019 to 62.8 million m³ in 2021. Gas volume in Sanya City remained at similar level as that of 2019, with a modest increase of RMB0.8 million, or 2% from RMB50.6 million in 2019 to RMB51.4 million in 2021.

<u>Gas Sales volume by nature of customers</u>

Gas sales

Sanya City, Hainan Province Gas volume sold (m³)	**2021**	**2020** **(Restated)**	**Change**	**%**
Residential customers	16,882,321	16,197,400	684,921	4%
Commercial customers	34,535,564	29,840,442	4,695,122	16%
	51,417,885	**46,037,842**	**5,380,043**	**12%**
Other cities Gas volume sold (m³)				
Commercial customers	**1,839**	**69,071**	**(67,232)**	**-97%**
Total	**51,419,724**	**46,106,913**	**5,312,811**	**12%**

Gas sales volume of residential customers in 2021 was 16.9 million m³, a slight increase of 0.7 million m³, or 4% as compared to 16.2 million m³ in 2020. Gas sales volume for commercial customers in 2021 was 34.5 million m³, an increase of 4.7 million m³, or 16% as compared to 29.8 million m³ in 2020.

With the resurgence of the outbreak of COVID-19 in Sanya City during August 2021 and in the northern part of China in November 2021, the Central Government had re-instated certain travel restrictions previously adopted across China, restricting residence in major cities with recent confirmed cases of COVID-19 to travel outside of these cities and likewise, for travelers to travel to the restricted cities, unless traveling is deemed essential. As a result of these restrictions, the demand for natural gas from commercial customers in Sanya City began to drop in August 2021 and worsen in September 2021. Despite sales volume picked up in October 2021, with the number of confirmed cases of COVID-19 found in the northern region of China in November 2021, cross-province seasonal residences who habitually return to stay in Sanya City to enjoy the warm weather in the winter had not returned. As these cross-province seasonal residences usually come as family to Sanya City in the winter, their return would generally increase the commercial business in Sanya City during the winter months. The lack of patronage from these residences had affected both sales revenue of commercial and residential customers.

Sales volume from commercial customers dropped 6% and 19% in August and September 2021 respectively as compared to the corresponding months in 2020. Sales volume continued to decrease in October 2021 to 19% and further dropped to 21% in November 2021 as compared to the corresponding months in 2020. The decrease in sales volume of commercial customers for the second half of 2021 was partially offset by the increase in the first half of 2021 and resulted in an overall increase of 4.7 million m^3, or 16% to 34.5 million m^3 in 2021 as compared to 29.8 million m^3 in 2020.

Such adverse effect was evidenced by the Sanya City Bureau of Statistics where the number of overnight visitors to Sanya City in August and September 2021 were 0.7 million times and 1.1 million times respectively, significantly decreased by 61% and 34% as compared to the same months in 2020. Number of overnight visitors to Sanya city in October 2021 bounced back to 1.5 million times but dropped again to 1.3 million times in November 2021 and recorded a 44% decrease in November 2021 as compared to the same months in 2020. The overall average number of overnight visitors in 2021 was 1.8 million times, an increase of 0.4 million times, or 26% as compared to 1.4 million times in 2020 but still 0.3 million times lower, or 16% as compared to 2.1 million times in 2019 when benchmarked to pre-COVID level.

According to Sanya City Bureau of Statistics, the hotel occupancy rates of Sanya City in August and September 2021 were 21% and 36% respectively, a significant decrease of 48 and 27 percentage points as compared to the corresponding months in 2020. Hotel occupancy rate bounced back to 50% in October 2021 but dropped again to 41% in November 2021. The overall average hotel occupancy rate in 2021 was 56%, a slight increase of 5 percentage point as compared to 51% in 2020 but still 16 percentage point lower as compared to 72% in 2019 when benchmarked to hotel occupancy rate in pre-COVID level of 2019.

As an international tourist destination and the only tropical province in the PRC, Sanya City's travelling activities has a direct impact on gas revenue from commercial customers with travelling activities as a large portion of gas revenue was generated from this sub-segment.

On a comparable basis against 2019, gas sales volume for residential customers in Sanya City increased 2.9 million m^3, or 21% from 14.0 million m^3 in 2019 to 16.9 million m^3 in 2021. The increase was explained by the habituation of staying home since the COVID-19 pandemic in 2020 and the continued increase in new customers, a trend which has not been affected by the pandemic. Gas volume for commercial customers decreased 2.1 million m^3, or 6% from 36.6 million m^3 in 2019 to 34.5 million m^3 in 2021.

Commercial customers in Sanya City include non-residential customers such as hotels, resorts and restaurants and attributed approximately 85.0% of total volume from commercial customers, whereas social welfare units such as schools, government facilities, and other not-for-profit organizations attributed approximately 15.0% of total volume from commercial customers. Customers outside of Sanya City are all commercial customers which mainly come from brick manufacturers in Wenchang City, Hainan Province.

Gas sales by number of customers

Sanya City, Hainan Province	**2021**	**2020**	**Change**	**%**
Customers newly started gas supply				
Residential customers	**20,725**	**17,494**	**3,231**	18%
Commercial customers	**119**	**55**	**64**	116%
Total customers				
Residential customers	**262,970**	**242,245**	**20,725**	9%
Commercial customers	**1,293**	**1,174**	**119**	10%

Despite the imposition of temporary travelling restrictions in certain months of the second half of 2021, the overall commercial sector recorded 119 new commercial customers in 2021 as compared to 55 and 80 new commercial customers in 2020 and 2019 respectively. These new commercial customers are small business owners and many of which are owners of catering establishments.

20,725 new residential customers were obtained in 2021, as compared to 17,494 and 23,842 new residential customers obtained in 2020 and 2019.

There was a total of 262,970 residential customers and 1,293 commercial customers as at December 31, 2021, as compared to 242,245 residential customers and 1,174 commercial customers as at December 31, 2020.

Gas sales revenue by customers

Gas sales				
Sanya City, Hainan Province				
Gas sales revenue (in RMB'000)	**2021**	**2020 (Restated)**	**Change**	**%**
Residential customers	46,224	47,520	(1,296)	-3%
Commercial customers	122,444	118,146	4,298	4%
	168,668	**165,666**	**3,002**	**2%**
Other cities				
Gas sales revenue (in RMB'000)				
Commercial customers	**5,374**	**4,758**	616	13%
Total gas sales by customers	**174,042**	**170,424**	**3,618**	**2%**

Gas sales revenue from residential customers in Sanya City in 2021 was RMB46.2 million, a decrease of RMB1.3 million, or 3% from RMB47.5 million in 2020. Gas sales revenue from commercial customers in Sanya City in 2021 was RMB122.4 million, an increase of RMB4.3 million, or 4%, from RMB118.1 million in 2020. Sales revenue from commercial customers in Sanya City was driven by the increase in sales volume, partially offset by the reduction in selling prices due to the New Gas Selling Price adjustments imposed by SYDRC which began to take effect from September 1, 2021.

With effect from September 1, 2021, the New Gas Selling Price per m^3 to commercial customers in Sanya City was adjusted from RMB4.0 to RMB3.83 while the price to social welfare units such as schools, government facilities, and other not-for-profit organizations which are classified under commercial customers remained unchanged at RMB3.23. The New Gas Selling Price to residential customers, which is based on 3 levels of consumption, with the 3rd level price adjusted from RMB3.96 to RMB3.82 while the 1st and 2nd level prices remained unchanged at RMB 2.94 and RMB3.53 respectively. Impact of price reduction led to a decrease in weighted average selling price of approximately of 11% and 7% for commercial customers and residential customers respectively in 2021 as compared to 2020.

On a comparable basis against 2019, gas sales revenue from residential customers in Sanya City recorded an increase of RMB5.6 million, or 14% from RMB40.6 million in 2019 to RMB46.2 million in 2021. Gas sales revenue from commercial customers in Sanya City recorded a decrease of RMB43.1 million, or 26% from RMB165.5 million in 2019 to RMB122.4 million in 2021. Impact of price reduction led to a decrease in weighted average selling price of 22% and 6% for commercial customers and residential customers respectively in 2021 as compared to 2019.

Gas sales revenue in other cities included gas transmission fee charged for natural gas transmitted to the Datang Gaoyao Plant in Zhaoqing City, Guangdong Province which amounted to RMB5.3 million in 2021, an increase of RMB0.8 million, or 17% as compared to RMB4.5 million in 2020. Production of Datang Gaoyao Plant has not been affected by the COVID-19 pandemic with steady gas volume being transmitted.

Pipeline installation and connection

Sanya City, Hainan Province				
Pipeline connection by number of customers	**2021**	**2020**	**Change**	**%**
Customers newly connected				
Residential customers	**20,273**	**35,059**	(14,786)	-42%
Commercial customers	**148**	**87**	61	70%
Total customers connected				
Residential customers	**341,219**	**320,946**	20,273	6%
Commercial customers	**1,365**	**1,217**	148	12%
Pipeline connection revenue (in RMB'000)				
Residential customers	109,437	109,044	393	0%
Commercial customers	17,297	14,283	3,014	21%
Total	**126,734**	**123,327**	**3,407**	**3%**

Pipeline installation and connection revenue from residential customers in 2021 was RMB109.4 million remained at the same level as 2020. Pipeline installation and connection revenue from commercial customers in 2021 was RMB17.3 million, an increase of RMB3.0 million, or 21% from RMB14.3 million in 2020.

On a comparable basis against 2019, pipeline installation and connection revenue from residential customers in Sanya City recorded an increase of RMB9.6 million, or 10% from RMB99.8 million in 2019 to RMB109.4 million in 2021. Pipeline installation and connection revenue from commercial customers in Sanya City decreased by RMB14.0 million, or 45% from RMB31.3 million in 2019 to RMB17.3 million in 2021.

Pipeline installation and connection revenue from residential customers returned to the pre-COVID level was attributed to the revenue from connection of gas supply from residential customers in temporary housing under city redevelopment plan. However, the pipeline installation and connection revenue from commercial customers is still being affected by COVID-19 where fewer large commercial projects were undertaking in 2021.

Revenue from residential customers recovered faster than revenue from commercial customers under COVID-19. Sales revenue from residential customers continued to increase which mainly attributed to the connection of gas supply to the temporary housing for relocating residences of certain old residential areas in Sanya city under the government policy of city planning. Revenue from commercial customers recovery was more gradual in 2021.

There were 20,273 new residential customers in 2021 as compared to 35,059 new customers in 2020. There were 341,219 residential customers and 320,946 commercial customers as at December 31, 2021, as compared to 320,946 residential customers and 1,217 commercial customers as at December 31, 2020.

CNG Vehicle refueling

CNG refueling				
Vehicles refueling stations				
CNG Sales Volume				
(in m³)	**2021**	**2020**	**Change**	**%**
Sanya CNG/LNG	8,100,222	9,362,308	(1,262,086)	-13%
Changsha CNG	3,275,773	3,357,770	(81,997)	-2%
Total Sales Volume (m³)	**11,375,995**	**12,720,078**	**(1,344,083)**	-11%
Total Revenue				
(in RMB'000)	**2021**	**2020**	**Change**	**%**
CNG Sales Revenue				
Sanya CNG/LNG	31,489	31,952	(463)	-1%
Changsha CNG	14,347	14,546	(199)	-1%
Total Revenue (RMB'000)	**45,836**	**46,498**	**(662)**	-1%

Total sales volume of vehicle refueling stations in Sanya and Changsha decreased 1.3 million m^3, or 11% from 12.7 million m^3 in 2020 to 11.4 million m^3 in 2021. Decrease in sales volume in 2021 was attributed to the reduction in gas demand under travel restrictions imposed by the Central government to combat with the resurgence of the outbreak of COVID-19 in certain months of the second half of 2021.

Drop in revenue from Sanya station was severe than that of Changsha station as there were a few recent confirmed COVID-19 infected cases in Hainan Province which caused a reduction of daily commutes and social events in Sanya City in August, September and November of 2021.

In fact, on a comparable basis against 2019, total sales volume of two vehicle refueling stations decreased 4.6 million m^3, or 29% from 16.0 million m^3 in 2019 to 11.4 million m^3 in 2021. Sales revenue of two vehicle refueling stations decreased RMB17.4 million, or 27% from RMB63.2 million in 2019 to RMB45.8 million in 2021.

Integrated Smart Energy

Integrated smart Energy				
Integrated Smart Energy System				
Sanya City, Hainan Province				
(in RMB'000)	**2021**	**2020**	**Change**	**%**
Commerical customers	6,448	-	6,448	100%
Integrated district energy distribution				
Meishan City, Sichuan Province				
(in RMB'000)				
Commerical customers	1,882	-	1,882	100%
Total	**8,330**	**-**	**8,330**	100%

The integrated smart energy segment is a newly created segment which comprises the Haitang Bay Integrated Smart Energy Project (integrated smart energy system) which commenced commercial operation in September 2021 and the Meishan Project (integrated district energy distribution project) which commenced commercial operation in May 2021. The Haitang Bay Integrated Smart Energy Project was in implementation stage. Three of the hotels in Haitang Bay are currently using the system and connection of two other hotels are under construction.

With the resurgence of the outbreak of COVID-19 in Sanya City during August and September of 2021 and in the northern part of China in November 2021, tourism industry in Sanya City and surrounding area was heavy affected with noticeable drop in occupancy rate which led to a reduction in usage of integrated smart energy system as projected.

Smart Mobility

Smart Mobility				
EV Battery Swap Revenue				
(in RMB'000)	**2021**	**2020**	**Change**	**%**
Sanya City, Hainan Province	249	51	198	388%
Haikou City, Hainan Province	42	-	42	100%
Total Revenue (RMB'000)	**291**	**51**	**240**	471%

The smart mobility is a newly created segment which comprises the EV battery swap business. There are a total of three (3) EV battery swap stations with the first station located by the Sanya airport which commenced operation in August 2020, the second station located in Haitang Bay which commenced operation in January 2021 and the third one in Haikou which commenced operation in August 2021.

Foreign exchange rates

CF Energy reports its financial results in Renminbi (RMB), its functional currency as it earns all its revenues and incurs most of its expenses in RMB. As the Company is listed in TSX-V Canada, certain financial information and/or comparative analysis are also presented in Canadian dollars (CAD), fluctuations in the exchange rates between RMB and CAD should also be considered.

The exchange rate between the RMB and the CAD is summarized below.

One Chinese RMB to Canadian dollars	2021	2020	% change
Spot rate at the end of the year	0.1955	0.1949	0.3%
Average rate for the year	0.1943	0.1944	-0.1%

Gross margin

Gross profit from continuing operations in 2021 was RMB134.0 million, a decrease of RMB5.0 million, or 4%, from RMB139.0 million (restated) in 2020. Gross profit margin in 2021 was 37.7%, a decrease of 3.2 percentage points as compared to 40.9% (restated) in 2020.

On a comparable basis against 2019, the gross profit in 2019 was RMB172.6 million (restated) and gross profit margins in 2019 was 42.6%.

With the gas selling price adjustments, the weighted average gas selling price of residential customers in Sanya City decreased RMB0.19, or 7% from RMB2.93 in 2020 to RMB2.74 in 2021. Weighted average selling price for commercial customers in Sanya City in 2021 decreased RMB0.41, or 11% from RMB3.96 in 2020 to RMB3.55 in 2021.

Drop in gross profit margin from continuing operations in 2021 as compared to that in 2020 was mainly attributable to the higher gross profit margin for revenue from commercial customers in pipeline connection which was more than offset by the raise in purchase price of LNG which could not be fully transferred to our customers in Sanya CNG vehicle station and partially offset by the implementation of the SYDRC gas selling price adjustments from September 1, 2021. Average purchase price of LNG was over RMB3.0 per m^3 in the last quarter of 2021 which drove the overall LNG purchase price to a high level averaging RMB2.81 per m^3 in 2021 as compared to RMB2.14 per m^3 in 2020 and RMB2.56 per m^3 in 2019. LNG cost contributed approximately 21% and 12% of total cost of gas purchase and cost of goods sold in both years of 2021 and 2020. LNG purchase volume contributed 15% and 18% of total gas purchase volume in 2021 and 2020 respectively.

Operating expenses

Selling and marketing expenses of continuing operations in 2021 were RMB39.0 million, an increase of RMB1.2 million, 3% from RMB37.8 million (restated) in 2020. Selling and marketing expenses as a percentage of sales in 2021 was 11.0%, consistent with that in 2020. The increase in selling and marketing expenses in 2021 was mainly attributable to the normal level of social security provident fund expenses on salaries in 2021 as compared to the reduction in statutory social security provident fund expenses under a one-off relaxation policy imposed by the government of Sanya City in the first half of 2020.

General and administrative expenses of continuing operations in 2021 were RMB47.8 million, an increase of RMB1.8 million, or 4% from RMB46.0 million (restated) in 2020. General and administrative expenses as a percentage of sales in 2021 was 13.5%, remained constant as compared to 2020. The increase was mainly attributable to government's one-off reduction in statutory social security provident fund payments in 2020 as mentioned in "Selling and marketing expenses" above, and the general and administrative expenses incurred for projects under development which ceased to be capitalized upon commencement of operations in 2021. Unlike sales and marketing expenses, general and administrative expenses by nature will not always fluctuate in line with the level of sales activities.

Finance Costs

Finance costs from continuing operations in 2021 were RMB10.1 million, an increase of RMB3.2 million, or 45% from RMB6.9 million in 2020. Finance costs reflected interests on lease liabilities and interest on Convertible Debentures, short-term bank borrowings and long-term bank financing for the development of the Group's projects under development, net of RMB8.3 million (2020: RMB6.9 million) capitalized on projects under development.

Share of profit of associates

Share of profit of associates of RMB4.8 million in 2021, mainly represents the share of profit of the Group's 40% held associate, Pingxiang Xinao Changfeng Gas Co., Ltd. ("Pingxiang Xinao CF").

EBITDA from continuing operations

EBITDA from continuing operations (non-IFRS measure as identified and defined under section "Non-IFRS Measures") in 2021 was RMB77.4 million, a decrease of RMB21.2 million, or 21%, from RMB98.6 million (restated) in 2020.

EBITDA from continuing operations in 2021 included the recognition of share-based payments of RMB0.8 million (2020: RMB1.7 million), non-recurring government financial assistance of RMB1.8 million (2020: RMB5.0 million) and a loss of RMB4.8 million (2020: gain of RMB11.4 million) in fair value change on derivative financial instrument of loan discharge agreement relating to the commitment of the estate of Mr. Huajun Lin to subscribe for the common shares of the Company in the amount of RMB 36.0 million (please refer to the section headed "Related Party Transactions" on pages 21 and 22 of the MD&A for more details), which is in line with IFRS, has been classified as a "derivative financial instrument", subject to periodic fair value assessment and adjustment (as applicable). The derivative financial instrument in question was initially recognized at fair value at the date when the derivative contract was entered into and is subsequently remeasured to its fair value at the end of each reporting period. Market price of the common shares of the Company was CAD0.54 as at December 31, 2021 and CAD0.45 as at December 31, 2020 respectively. A loss of RMB4.8 million in fair value change on derivative financial instrument of loan discharge agreement was recognized in 2021 which arose from the difference between the market price of the Company between December 31, 2021 and December 31, 2020. On contrast, a gain of RMB11.4 million in fair value change on derivative financial instrument of loan discharge agreement was recognized in 2020 as the market price of the Company as at December 31, 2020 and 2019 had a downward difference of RMB0.22.

On a comparable basis, the adjusted EBITDA from continuing operations in 2021 was RMB81.3 million, a decrease of RMB2.7 million, or 3%, from RMB84.0 million (restated) in 2020.

Profit for the year from continuing operations

The Group reported net profit from continuing operations of RMB21.7 million in 2021, a decrease of RMB31.0 million, or 59%, from RMB52.7 million (restated) in 2020.

Earnings per share ("EPS") from continuing operations was RMB0.35 (CAD0.07) and RMB0.34 (CAD0.07) per share (basic and diluted) for 2021 as compared to RMB0.81 (CAD0.16) (basic and diluted) per share for 2020.

Adjusted net profit for the year from continuing operations (non-IFRS)

In RMB thousands (except for % figures)	2021	2020 (Restated)	Change	%
Continuing operations				
Net profit for the year from continuing operations	21,681	52,699	(31,018)	-59%
Non-recurring items				
Fair value change on derivative financial instrument	4,827	(11,367)	16,194	142%
Recognition of share-based payments	781	1,678	(897)	-53%
Government financial assistance	(1,777)	(4,955)	3,178	-64%
Adjusted net profit for the year from continuing operations (non-IFRS)	**25,512**	**38,055**	**(12,543)**	-33%

All non-GAAP measures have been identified. On a comparable basis (please refer to the section headed "EBITDA from continuing operations" above for more details), after excluding the loss in fair value change on derivative financial instrument of loan discharge agreement, recognition of share-based payments and non-recurring government financial assistance, the Company reported an adjusted net profit of RMB25.5 million in 2021, a decrease of RMB12.5 million, or 33% from that of RMB38.0 million as reported in 2020.

Adjusted EPS was derived from the adjusted net profit for the year from continuing operations (non-IFRS) divided by weighted average number of ordinary shares for the purpose of diluted earnings per share. Adjusted EPS from continuing operations was RMB0.38 (CAD0.07) per share (basic and diluted) for in 2021 as compared to adjusted EPS from continuing operations of RMB0.58 (CAD0.11) (basic and diluted) for 2020.

Loss for the year from a discontinued operation

Loss from a discontinued operation in 2021 was RMB2.2 million (2020: RMB7.1 million) related to the termination of the operation of Riheng as part of the Group's policy to realign its future business strategies with major focus on clean energy solutions with high growth potential (Please refer to page 5 of this MD&A for more details).

Selected quarterly results

The following set out the Company's unaudited consolidated quarterly results for the most recent eight quarters:

In thousands of RMB, except per share amounts

Quarterly data (RMB '000)	2021				2020			
except per share amounts	Q4	Q3	Q2	Q1	Q4 (Restated)	Q3 (Restated)	Q2 (Restated)	Q1 (Restated)
Revenue	105,239	82,612	86,177	81,205	109,007	89,970	76,386	64,937
Gross profit	32,182	33,757	34,474	33,619	44,626	39,907	27,376	27,131
Profit (loss) for the period from continuing operations	(5,689)	9,521	14,854	2,995	14,860	22,955	(2,156)	17,040
Profit (loss) for the period attributed to owners of the Company from continuing operations	(4,151)	9,664	14,397	3,101	15,388	22,709	(2,315)	17,044
EPS (loss) of continuing and discontinued operations								
- basic (RMB)	(0.07)	0.15	0.21	0.04	0.18	0.34	(0.04)	0.26
- diluted (RMB)	(0.06)	0.14	0.20	0.04	0.18	0.34	(0.04)	0.26
EPS (loss) from continuing operations								
- basic (RMB)	(0.06)	0.15	0.22	0.04	0.24	0.35	(0.04)	0.26
- diluted (RMB)	(0.05)	0.14	0.21	0.04	0.25	0.34	(0.04)	0.26

Selected Financial Data

(RMB000's)	December 31, 2021	December 31, 2020
Bank balances and cash	127,595	138,602
Net current liabilities	(133,480)	(63,749)
Adjusted working capital (note1)	1,555	38,729
Property and equipment	755,050	565,962
Right-of-use of assets	77,637	26,538
Total assets	1,195,344	992,010
Non-current liabilities	383,726	263,216
Shareholders' equity	418,144	388,948

note 1: This financial measure is identified and defined under the section "Non-IFRS Financial Measures"

Bank balance and cash decreased by RMB11.0 million to RMB127.6 million as at December 31, 2021 from RMB138.6 million as at December 31, 2021, primarily resulted from the net effect of the increase in net cash generated from operating activities of RMB10.1 million, cash used for acquisition of property and equipment of RMB114.1 million, purchase of equity interests mainly in Blue Valley which classified as equity instrument at fair value through other comprehensive income (FVTOCI) of RMB15.2 million and net draw down of new short-term borrowings and long-term debt of RMB162.5 million of which RMB91.9 million was raised for EDF CF, a long-term convertible debentures of RMB3.1 million was raised by the Group in the second quarter of 2021 and an additional capital contribution from non-controlling interests of EDF CF amounted to RMB11.1 million.

Adjusted Working Capital

The adjusted working capital (see "Non-IFRS Financial Measures") was RMB1.6 million as at December 31, 2021, a decrease of RMB37.2 million, from adjusted working capital of RMB38.7 million as at December 31, 2020. Adjusted working capital excludes the receipt in advance from customers included in contract liabilities of RMB74.2 million related to receipts received in advance from customers from pipeline installation and connection project prior to commencement and natural gas sales and short-term bank borrowings of RMB60.9 million.

Liquidity and Capital Resources

The Group's principal sources of short-term funding are existing bank and cash balances, operating cash flows and borrowings under its lines of credit and long-term funding are bank term loan facilities provided to the Group which amounted to RMB60.9 million and RMB409.7 million respectively as at December 31, 2021.

The Company's principal sources of liquidity are cash provided from operation, including advance payments from residential and commercial and industrial customers related to construction contracts for gas connection included in contract liabilities, refund liabilities and access to credit facilities and capital resources.

The Company's primary short-term cash requirement is to fund working capital and repay the remainder of its outstanding withdrawal on its lines of credit as they fall due.

The Company's medium and long-term cash goals are to fund construction of its pipeline networks and gas distribution facilities and projects under development, to acquire capital and intangible assets for its growth initiatives in China and to repay its long-term loan facilities from bank.

In the short term, management does not expect to face any liquidity problems considering its current bank and cash position, available undrawn bank facilities and, despite the impact of COVID-19 pandemic, the expectation to continue to generate cash flows from operations in the short and long term. During the year and as at December 31, 2021, the Group was in compliance with all of its debt covenants.

The net gearing ratio is calculated by dividing interest-bearing borrowings, Convertible Debentures and lease liabilities, net of cash and cash equivalents, by total equity attributable to equity shareholders of the Company. The Group's net gearing ratio was approximately 84.3% as at December 31, 2021, an increase of 38.9 percentage points as compared to 45.4% as at December 31, 2020. Higher gearing ratio was mainly attributable to the further draw down of banking facilities to finance the Group's projects under development.

Capital Commitments

As at December 31, 2021, 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 audited consolidated financial statements amounted to RMB140.8 million, a decrease of RMB113.8 million as compared to RMB254.6 million as at December 31, 2020. The significant reduction of capital commitment was attributable to the advancement of the development of the Haitang Bay Integrated Smart Energy Project as much of the unspent capital commitments brought forward from December 31, 2020 were utilized during 2021 upon the project's commenced of operation in September 2021. Capital commitments as at December 31, 2021 also included a remaining initial investment of RMB0.9 million for the 2% equity interests in Hainan Shanglian Investment Co., Ltd. and remaining capital injection in respective of investment in EDF CF of RMB23.9 million.

Share Capital

As at December 31, 2021, the Company has 65,885,155 common shares and 4,450,000 stock options outstanding. On November 24, 2021, the Company bought back 100,500 shares of its common shares with consideration of RMB225,000 (CAD44,677). Such shares were cancelled after they were bought back.

During the year ended December 31, 2021,150,000 share options had either expired or had been forfeited. Further 950,000 share options granted on April 10, 2017 have expired/forfeited on April 9, 2022. The Company has no warrants outstanding as of the date of this MD&A.

On December 18, 2020, the Company awarded a total of 2,090,000 shares to senior management and employees of the Group under the Employee Stock Award Plan, of which 25% of the Award Shares, 522,500 shares at the price of CAD0.43 per common share which are not subject to any conditions have been issued. During the year ended December 31, 2021, 547,500 shares award rights expired/forfeited as the participants failed to satisfy the agreed performance condition and service condition. The remaining 1,020,000 shares award rights which are subject to the fulfilment of certain considerations remained un-issued as at December 31, 2021.

Non-IFRS Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other companies or issuers. Investors are cautioned that these measures should not be construed as alternatives to net income or to cash provided by operating, investing, and financing activities determined in accordance with IFRS, as indicators of its performance. The Group provides these measures to assist investors in determining its ability to generate income and cash provided by operating activities and to provide additional information on how these cash resources are used. These measures are listed and defined below.

EBITDA from continuing operations

EBITDA is defined herein as earnings before income tax expense, finance costs, depreciation and amortization. EBITDA does not have any standardized meaning prescribed by IFRS and therefore may not conform to the definition used by other companies or issuers. A reconciliation of net profit from continuing operations to EBITDA and adjusted EBITDA for 2021 and 2020 are presented in the MD&A as follows:

In RMB thousands (except for % figures)	2021	2020 (Restated)	Change	%
Continuing operation				
Net profit for the year from continuing operations	21,681	52,699	(31,018)	-59%
Add:				
Finance costs	10,092	6,942	3,150	45%
Income tax expense	15,670	16,295	(625)	-4%
Depreciation and amortization	29,993	22,695	7,298	32%
EBITDA for the year from continuing operations	77,436	98,631	(21,195)	-21%
Non-recurring items				
Fair value change on derivative financial instrument	4,827	(11,367)	16,194	142%
Recognition of share-based payments	781	1,678	(897)	-53%
Government financial assistance	(1,777)	(4,955)	3,178	-64%
Adjusted EBITDA from continuing operations	81,267	83,987	(2,720)	-3%

Adjusted working capital

Adjusted working capital is calculated as current assets less adjusted current liabilities. Adjusted current liabilities is calculated as current liabilities, excluding the receipts in advance from customers from pipeline installation and connection project prior to commencement and natural gas sales, included in contract liabilities which represented 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 customers. Receipt in advance from customers from pipeline installation and connection will be recognized as income upon the performance obligations are fulfilled and receipt in advance from customers for natural gas sales will be recognized as income upon the consumption of natural gas. Both amounts are deferred income in nature and non-refundable to customers, hence are excluded in the calculation of adjusted current liabilities. Adjusted current liabilities also excluded the short-term bank loan as lines of credit in the PRC are typically renewable when due.

The Group believes that the working capital as a supplemental measure, as adjusted based on the above parameters, provides a more appropriate indication of the Group's ability to settle its debt obligations as they fall due.

The calculation of adjusted working capital is provided in the table below.

In RMB thousands As at	Note	December 31, 2021	December 31, 2020
Current assets		259,994	276,097
Less: Current liabilities		(393,474)	(339,846)
Net current liabilities		**(133,480)**	**(63,749)**
Add: Receipts in advance from customers	1	74,175	62,478
Add: Short-term bank borrowings		60,860	40,000
Adjusted working capital		**1,555**	**38,729**

Note 1: Receipts in advance from customers in respect of pipeline installation and connection projects prior to commencement and natural gas sales are included in contract liabilities.

As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB133.5 million. The increase in net current liabilities as compared to December 31, 2020 was mainly attributed to the drawdown of current portion of long-term debt of RMB20.9 million based on the negotiations with the bank which successfully raised the overall limit of existing facilities granted by the bank and reduced in bank balances and cash of RMB11.0 million.

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 capital commitments. Taking into account the Group's cash flow projections, including the term facilities, unutilized bank facilities, the Group's ability to renew or refinance existing 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 audited consolidated financial statements have been prepared on a going concern basis.

Free Cashflow from continuing operations

Free cash flow is calculated as earnings before interest, net of tax, add/minus non-cash expense and income and reduced/increased by the change in net current assets (liabilities) and capital expenditure of the Company.

The calculation of free cash flow is provided in the table below.

In RMB thousands	**2021**	**2020 (Restated)**
Net profit for the year from continuing operations	21,681	52,699
Add: Finance costs	10,092	6,942
Income tax expense	15,670	16,295
EBIT	47,443	75,936
Effective tax rate	*42%*	*24%*
EBIT net of tax	**27,539**	**58,001**
Non-cash income and expense		
Depreciation and amortization	29,993	22,695
Impairment losses under expected loss model, net	1,301	284
Share of profit of associates	(4,794)	(5,319)
Recognition of share-based payments	781	1,678
Loss on disposals of property and equipment	5	456
Gain on modification of leases	(30)	-
Fair value change on derivative financial instrument	4,827	(11,367)
Unrealized exchange loss on monetary items	20	444
Change in net current liabilities	69,731	74,950
Less: Capital expenditures	(230,990)	(149,385)
Free Cash Flow	**(101,617)**	**(7,563)**

Negative free cash flow from continuing operations for 2021 amounted to RMB101.6 million, a decrease of RMB94.0 million as compared to the negative free cash flow of RMB7.6 million in 2020.

Related Party Transactions

During the year, the Group entered into the following transactions and balances with related parties:

The following balances were outstanding from related parties at the end of the reporting period:

Name of related party	Relationship	Terms	2021 RMB'000	2020 RMB'000
Balances				
Pingxiang Xiao CF	Associate	Non-trade, unsecured and interest bearing (note a)	12,423	12,423
		Trade, unsecured, non-interest bearing and repayable on demand (note b)	-	1,410

notes:

(a) The balance represented a loan of RMB11.0 million to Pingxiang Xinao CF plus interest accrued until October 16, 2019 when the Group entered a supplemental agreement with Ping Xiang Xinao CF to pay additional interest which had been bearing interest at 4.35% per annum until October 16, 2019.

(b) The balance as at December 31, 2020 represented amount due from Pingxiang Xinao CF amounted of RMB1.41 million after signing of the Concessionary Agreement with Xiangdong District Government of Pingxiang, Jiangxi province and obtain the concessionary right for natural gas pipeline distribution. The balance was fully settled in May 2021.

The loan discharge agreement (the "Loan Discharge Agreement") dated May 25, 2017 entered among Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. ("CF China") and Mr. Lin, provided that if the HKIPO 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 days following June 28, 2019 to require Mr. Lin, directly or indirectly, to subscribe for common shares of the Company on the TSX-V, in the amount of RMB36.0 million or its CAD equivalent.

On July 26, 2019, the Company announced that the Board of the Company has determined to exercise the Company's option pursuant to the Loan Discharge Agreement dated May 25, 2017 among the Company, CF China and Mr. Lin to require the Estate to invest an aggregate amount of RMB36.0 million (approximately CAD6,861,587) in common shares of the Company (the "Investment"). Accordingly, the Estate will make the Investment at a price of CAD0.68 per common share representing a premium of approximately 6.3% over the closing price of the common shares of the Company on July 24, 2019. Following the Investment, based on the prevailing exchange rate, the Estate will hold approximately 44,774,068 common shares or approximately 59.43% of the total outstanding common shares of the Company.

Notices for the Investment (the "Notices") were sent to the four beneficiaries of the Estate. Among the four beneficiaries of the Estate, Siyin Lin (Ann) and Siqin Lin had provided written statements to the Company, respectively, that they were in full agreement to honor the Investment. The remaining two beneficiaries of the Estate, namely Mingfei He and Zhipei (Trevor) Lin, however, have not agreed to honor the Investment. On June 2, 2021, Ann Lin sent in her letter to the Company and CF China reiterated her consent to honor the Investment. Since the issuance of the Notices, the Board and management of the Company have made continuous effort of communication with Mingfei He and Trevor Lin requesting and persuading them to honor the Investment. However, given the time that has passed for the Estate to subscribe for shares, the Company is left with no alternative but to take legal action to enforce the Loan Discharge Agreement and the Investment.

On June 21, 2021, the Company together with CF China filed a contract dispute case (the "Claim") against the Estate in the Sanya Intermediate People's Court, Sanya City, Hainan Province, the PRC to enforce the execution of the Loan Discharge Agreement and the Investment. Subsequent to the filing of the Claim, on June 23, 2021, Ann Lin sent in her letter to the Company and CF China reiterated her consent to honor the Investment, and on June 24, 2021, the Court issued the subpoena requiring all parties related to the Claim to attend the court hearing scheduled to be held on August 31, 2021 in Sanya City, Hainan Province, the PRC.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Revenue recognition

The Group applies input method in estimating the performance obligations satisfied of IFRS 15. The Group recognizes contract revenue and profit of gas connection contracts according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. The management of the Company reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses. For the year ended December 31, 2021, pipeline installation and connection revenue from continuing operations is RMB126.7 million (2020: RMB123.3 million).

Provision of ECL for trade receivables and contract assets

The Group uses a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar credit risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration of reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

Risks and Uncertainties

The Company is exposed to a variety of risks in the normal course of operations that could significantly affect its operating cash flows and profitability of operations and could cause its actual results to differ in material respects from its anticipated results. These risks may include, but are not limited to, those listed below. The Company seeks to manage the risks associated with its business operations; however, many of the factors affecting these risks are beyond the Company's control. The future effect of these risks and uncertainties cannot be quantified or predicted.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Any future change in laws, regulations, governmental policies or initiatives could materially and adversely affect our business, financial condition and results of operations

All of our business operations are located in the PRC. As such, our financial position, profitability and prospects are prone to economic, political and legal developments in the PRC. Any adverse changes, variations or adjustments could materially affect the business of our Group.

Despite the tremendous growth of the Chinese economy in the past 30 years, China is still considered as a developing economy. The structure, level of government involvement, level of development, foreign exchange control, capital investment control, growth rate and allocation of resources continue to be the key factors of separation from the developed countries. The PRC government, over the past years, implemented various measures to strengthen economic development, reduce ownership of state assets and guide the allocation of resources. While some of these measures may be beneficial to the PRC economy as a whole, it may have a negative impact on our Group. For example, we may be affected by changes in tax regulations and control over capital investments. In addition, as China is becoming progressively integrated with the global economy, major events such as economic recessions will adversely affect the economic conditions in the PRC. Such adverse condition may, in turn affect market demand of our services and our competitive position.

As a natural gas distributor in the PRC, we operate under the supervision of a number of national government ministries and departments, including the Ministry of Commerce, the Ministry of Labor and Social Security and the Ministry of Housing and Urban-Rural Development, as well as local provincial or city authorities where our Group's projects are located. Our Group is also obligated to comply with the relevant requirements of certain regulations, such as the Regulation on the Administration of Urban Gas and Regulations on the Safety Supervision of Special Equipment. Provision of natural gas are granted by the local government through the awarding of exclusive concession rights, pursuant to the policies of promoting environmental protection and encouraging the use of natural gas as a cleaner energy source. We cannot assure you that the above regulatory regime and policies (including the granting of exclusive concession rights) will not be amended. Any unfavorable amendments could materially and adversely affect our business operations and our financial condition.

Fluctuations in the value of the Renminbi may have a material and adverse impact on your investment

Most of our revenues and expenses were denominated in RMB, while dividends, if any, will be distributed in Canadian dollars. Any significant revaluation or devaluation of the RMB may materially and adversely affect our cash flows and financial position. The fluctuation in the value of RMB against other foreign currencies is affected by China's political and economic conditions and China's foreign exchange regime and policy.

The PRC government has adopted a managed floating exchange rate system in July 2005 to allow the value of Renminbi to fluctuate within a regulated range based on market supply and by reference to a basket of currencies. Since the adoption of this policy, the PRC government has made, and in the future may make, further adjustments to the exchange rate system. Under significant international pressure, the PRC government may proceed further with the reform of the Renminbi exchange rate system and to enhance the flexibility of the Renminbi exchange rate.

We cannot predict how the exchange rate of RMB against other currencies will fluctuate in the future. Any appreciation or depreciation of the RMB against Canadian dollars may have an impact on the value and any dividends payable.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares

The RMB is not a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the existing PRC foreign exchange regulations, payment of current account items, including the payment of dividends, do not require prior approval from the State Administration of Foreign Exchange, subject to compliance with certain procedural requirements. However, approval from appropriate government authorities is required when Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of loans denominated in foreign currency.

The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt and equity financing, including by means of loans and capital contributions from us. The PRC government may in the future and at its discretion restrict access to foreign currencies for current account transactions. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be come into effect in the future.

RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

We are affected by risks arising from the PRC government's price control regime for natural gas

The Group's natural gas business is a price regulated industry in China, where its business and operations are susceptible to risks associated with government pricing policy and regulation changes. The Group needs to enter into discussions and negotiations with local governments on pricing from time to time.

In July 2020, the Sanya City Development and Reform Commission ("SYDRC") has finalized the City's natural gas utility pricing formula adjustment which became the guideline for the Group to follow on its gas selling prices starting from August 1, 2020 (the "New Gas Selling Price"). SYDRC is the government natural gas price regulating body in Sanya City, and this pricing formula adjustment (the "Pricing Formula") is part of the pricing control strategy of China's National Development and Reform Commission for the whole of China. The Development and Reform Commissions at the local level have gradually introduced specific regulations in line with such guiding principle.

Effective from August 1, 2020, the Group's New Gas Selling Price commenced to be regulated by the Pricing Formula based on gas purchase price (the "Gas Purchasing Price") plus gas distribution cost (the "Gas Distribution Cost"). The New Gas Selling Price are applicable to both residential and commercial customers. The New Gas Selling Price are to be reviewed and adjusted periodically (semi-annually) based on changes to the Gas Purchasing Price and the Gas Distribution Cost. As the Price Formula uses historical Gas Purchasing Price and Gas Distribution Cost to determine future selling price, and the actual New Gas Purchase Price and Gas Distribution Cost will be different, therefore its impact on the Group's net profit could not be readily quantified.

Following the price adjustments to the Gas Selling Price with effect from September 1, 2021, the New Gas Selling Price per m^3 to commercial customers in Sanya City has been adjusted from RMB4.0 to RMB3.83 while the price to social welfare units such as schools, government facilities, and other not-for-profit organizations which are classified under commercial customers remain unchanged at RMB3.23. The New Gas Selling Price per m^3 to residential customers, which is based on 3 levels of consumption, with the 3rd level price to be adjusted from RMB3.96 to RMB3.82 while the 1st and 2nd level prices remain unchanged at RMB 2.94 and RMB3.53 respectively.

Partly due to the new prices, for the 2021 year (covering 4 months of the new prices), the Group's gas distribution business segment's profit dropped during that period as compared to the corresponding in 2020. With decreased in sales volume due to the resurgence of the outbreak of COVID-19 in the second half year of Price would continue to significantly and adversely impact the profitability of its natural gas distribution business segment.

PNG sales segment and service pipeline installation and connection segment are operated pursuant to concession rights granted by the local governments and early termination of our concession rights or failure to renew or secure new concession rights will materially affect our operation

For the year ended December 31, 2021, revenue from gas sales and pipeline installation and connection accounted for approximately 85% of our total revenue. Such businesses are operated under the concession rights granted by the relevant local governments with a fixed term and area of operation. Currently, our Group has obtained three concession rights, including a 30-year exclusive concession right (2007 to 2037) in Sanya City obtained by CF China, a 30-year operation right (2010 to 2040) in the administrative region of Xiangdong District, including the Pingxiang Industrial Ceramic Production Park obtained by one of our associates, Pingxiang CF and a 30-year concession right (2017 to 2047) to build, own and operate four energy processing stations in Haitang Bay obtained by EDF CF. Under the relevant concession agreements, we are required to comply with continuing obligations during the concession period. If the grantor of the concession right is satisfied with our compliance with the continuing obligations during the concession period, it may, one year prior to the expiration of the concession right, negotiate with us on the extension of the concession period or grant us with a preferential right for the renewal of the concession agreement. On the other hand, any failure to meet such obligations may lead to early termination of the concession rights.

In addition, the concession rights may be terminated before the expiration date under various circumstances which include: (i) the occurrence of force majeure events; (ii) by mutual agreement between the signing parties; (iii) cancellation of the concession rights; and (iv) the occurrence of any serious incidents caused by our default which materially affected public welfare and safety.

There is no guarantee that our concession rights will not be terminated before the contracted expiration date nor that we could ascertain the renewal of such concession rights to be granted upon their expiration. Upon the expiration of the concession rights or early termination of any of the concession rights, if we are unable to negotiate for a renewal or obtain concession rights in other new operating areas, our business, operations and financial results will be materially and adversely affected and, in the worst situation, the sustainability of our operation may not be assured.

We are exposed to risks relating to our business relationship with our major supplier, China National Offshore Oil Corporation ("CNOOC")

In June 2019, the Group entered into a purchase contract with CNOOC for the supply of PNG from the new gas field "Eastern 13-2" of CNOOC. The purchase contract stipulated the price and the amount of PNG committed to be purchased by and made available to the Group for the June 17, 2019 to December 31, 2020 period. Prior the expiry of the purchase contract, the Group signed a further purchase contract with CNOOC for the continuing supply of PNG to the Group for the 2021 year. Two-year purchase contract with CNOOC for 2022 and 2023 is under negotiation and no change in price for the first four months in 2022 is expected. PNG constitutes the major raw material for our business. CNOOC is currently our single PNG supplier and any instability in, shortages of supply of PNG to us from CNOOC could significantly and adversely affect our business operations and financial results.

Any dispute between us and CNOOC or any material disagreements in the interpretation of any of the terms under the purchase contract, or if we fail to comply with the terms under the purchase contract in a timely manner, our relationship with CNOOC may be adversely affected, which in turn, would result in disruption or insufficient supply of natural gas to our customers and consequently, loss of business opportunities. In any case, if CNOOC decides to terminate the purchase contract, or we fail to renew or secure a new purchase contract upon expiry of existing purchase contract under similar or more commercially favorable terms, we may be faced with shortage of natural gas or higher purchase cost as more expensive LNG may have to be sourced to supplement shortage of PNG supply, our business operation and financial conditions may be adversely affected.

We require various licenses and permits to commence, operate and expand our operations. Any failure to obtain or renew any or all of these licenses and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans

In accordance with the applicable PRC laws and regulations, our business operations required us to obtain prerequisite local government approval and granting of licenses and permits from relevant government authorities. As our operation required licenses and permits granted by the local government authorities, we are subject to their annual inspections for compliance issues. Failure to pass these inspections or any breach in compliance could result in the temporary suspension or revocation of our licenses and permits which could significantly disrupt our operation and may materially and adversely affect our business and financial condition.

Our business is subjected to seasonality

As a substantial portion of our revenue is derived from Sanya City, our business is subjected to seasonality. Sanya City, being a famous tropical tourist city, attracts more tourists between November and February than the rest of the year. Large amount of the total sales volume of our natural gas occurred in the first and fourth quarter of a year. During this peak season, the increase in the number of seasonal residents will cause a higher demand for the usage of natural gas for cooking and heating purposes, and in any case if we are unable to source sufficient natural gas from our suppliers, a shortage of gas supply may be resulted.

Our business relies on the continuous normal functioning of our gas transmission and any unexpected breakdown or malfunction of our gas pipeline networks or gas leakage would materially affect our business operation

Our gas distribution business requires normal functioning of the pipeline networks in order to sell and transmit natural gas to our customers. The functioning of pipeline networks can be affected by factors such as natural disasters and damage inflicted by an independent third party. Any unexpected malfunctioning or leakage of the pipeline network would require us to perform restoration or replacement works which might take time, and we may have to temporarily shut down our gas supply to our affected customers due to safety issue. As a result, our business operation and financial condition may be adversely affected.

We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subjected to

Due to the flammable and explosive nature of natural gas, we are exposed to various risks and hazards, including equipment failures, industrial accidents, environmental hazards and natural disasters, etc. These inherent risks and hazards, if not managed or mitigated with due care, could adversely affect our business operation, financial condition and reputation. Such hazards may lead to (i) suspension or disruption in our operations; (ii) contamination to the surrounding environment; (iii) personal injuries or death; and (iv) severe damage to property, plant and equipment. We may also be accountable for civil liabilities or fines or criminal charges as a result of third parties' injuries.

We have obtained various insurance policies to cover certain risks associated with our business. We can neither guarantee nor assure you on the adequacy of our insurance policies' coverage to ensure us fully against all risks and losses that may arise. Furthermore, our insurance policies are subjected to regular review by our insurers. If we fail to renew our insurance policies on similar or acceptable terms, and if, in the case of material loss that exceeded the limits or coverage of our insurance policies, our business operations and financial condition may be materially and adversely affected.

We engage third parties to undertake our service pipeline installation and connection work and construction of pipeline networks and any defects on works carried out by such third parties may materially affect our business

We typically engage third party contractors to perform our pipeline installation and connection works and construction of pipeline networks. We cannot guarantee the work carried out by third parties will not contain any defects as we have limited control over their operations. We also cannot assure you that we will be able to continually engage third party contractors under commercially acceptable terms. Any loss of their services or increase costs of their engagement, or failure to find a suitable replacement in a timely manner, will materially disrupt our business operations and adversely affect our financial condition.

Our future plans are subject to uncertainties and risks and could result in fluctuations in our financial performance

Our growth is closely associated with the successful implementation of our future plans. There is no guarantee that we can efficiently and accurately implement our future plans as we may encounter unexpected obstacles and unforeseeable changes which could be beyond our control, such as macro-economic changes, fluctuations in market conditions, difficulties in dealing with local regulatory and governmental authorities, changes in governmental policies and initiatives and complications in negotiating with our contractual counterparts. There is also no assurance that the outcome of such future plans will be satisfactory. Such obstacles and changes may restrain us from achieving the expected results.

Our financial condition and results of operations can be affected by the occurrence of epidemics or pandemics and natural disasters as well as political instability

As a result of the COVID-19 pandemic affecting China, quarantine and travel restriction measures were implemented in China to compact the pandemic. As a result, the Group experienced a significant drop in its business across all business segments in 2021. Despite recovery has been experienced with the pandemic under control and the availability and administration of vaccines in China, it remains uncertain as to the extent of the impact the pandemic may possibly have on our business moving forward as it is dependent on the continuing containment status of the pandemic and the availability and the effect of vaccines against the pandemic in China and across the globe.

As a substantial portion of our revenue is generated by our business operation in Sanya City and despite having business operations in other locations within the PRC, the geographic concentration of our business operation exposes us to natural disasters, epidemics or pandemics such as the COVID-19 pandemic and other acts of God, which are beyond our control and could adversely affect the local economy, infrastructure and livelihood of the people in the Sanya City. Our business, operating results and financial condition may be adversely and materially affected if such natural disasters occur in Sanya City and/or in the regions in which we have operations.

Our business and financial performance may be affected if we are unable to attract or retain experienced professionals

The ability to retain or attract experienced professionals is also a crucial factor in our sustainable growth. Our continuing success is largely attributable to our experienced management team who possess rich industry experience and profound knowledge and vision. Our business, financial performance and prospects depend on our ability to recruit, train and retain qualified and registered technical personnel, including engineers and safety personnel. As our business operation require various licenses to be obtained, we are obligated under relevant regulations to maintain a certain number of qualified personnel in order to satisfy the minimum requirement as a license holder. In any event, if we lose a number of our key management members or qualified personnel and are unable to find a suitable replacement with equivalent qualifications in a timely manner, our business operation and profitability could be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Any changes in laws, regulations or government policies in relation to our industry could materially and adversely affect our business, financial condition and results of operations

Our business operations are subject to a broad range of laws and regulations in the PRC, such as environmental protection and fire control, safety and foreign investment. We may incur extra compliance costs and be required to make timely adjustments to our operations as a result of any changes in existing laws and regulations, either of which could be materially and adversely affect our business operations and financial condition. We cannot predict any future changes nor can we assure you that there will be no future change in such laws and regulations. We may be adversely affected as a result of the continuing changes in the existing laws and regulations.

We compete with other alternative energy sources

Energy sources such as coal gas and electricity can be used as an alternative energy source by the end-users. When an end-user chooses the type of energy to be used, they will consider various factors such as cost, convenience, reliability and safety. As such, comparison with these alternative energy sources will affect the demand for natural gas. In addition, the change of government policy to other substitute energy sources will also affect the demand for natural gas. There is no guarantee that end-users will shift to use natural gas as their primary energy source. If the end-users refuse to use natural gas as their primary energy source, or other alternative energy sources are seen as more cost-efficient, our operation and financial position will be adversely affected.

Technological advancement of and the increasing governmental support for the use of electric vehicles may reduce the demand for natural gas refueling services

Electricity is considered as an alternative for natural gas as vehicle fuels. With the sustained and rapid development of China's economy and the acceleration of urbanization, energy shortage and environmental pollution has become more prominent. As such, the development of new energy automobile is crucial to alleviate energy and environmental pressure. The Government has implemented transformative strategies to upgrade the automobile industry in attempt to strengthen energy conservation and reduce emission.

Governmental policies have encouraged and promoted the manufacture and usage of electric vehicles by placing more resources into research and development of core technologies to enhance the functionality of the electric vehicles such as higher driving range and faster recharging time as well as better designs and to increase the number of recharging stations nationally. In addition, the PRC government also promoted the usage of new energy vehicles by means of government subsidies and tax exemption on both national and provincial level. Subsidies and tax exemption can be enjoyed by purchasers of electric vehicles.

In view of the aforesaid, if the PRC government continues to implement supportive policies on new energy vehicles, the demand for natural gas vehicles and our natural gas refueling services will slow down, which will adversely affect our operating results.

Natural gas operation requires substantial initial capital investment and any significant increase in the cost of constructing or developing natural gas facilities may materially and adversely affect our planned expansion and prospects

Natural gas operators are required to make substantial initial capital investments to construct new gas pipelines and natural gas facilities. Upon the raise in its equity interest in EDF CF from 50% to 70% in 2019, the Company expects to have to inject a substantial capital investment to meet the construction funding requirements of the phase 2 of Haitang Bay Smart Energy Project.

The capital investment required to develop and construct natural gas facilities varies based on the cost of fixed assets and the cost of construction. The price of such equipment and/or construction may increase if market demand for such equipment or construction is greater than the available supply, or if the prices of key components, commodities and raw materials necessary to build such equipment increase. A significant increase in the costs of developing and constructing natural gas facilities could materially and adversely affect the business, financial condition, results of operations and cost of implementation of the planned expansion.

Increasing coverage of city natural gas may cause gas shortage

The increasing demand for natural gas will tighten the natural gas supply and may cause shortages if the large demand is not met by upstream suppliers. There is no guarantee that the upstream suppliers will be able to continually provide sufficient natural gas supply to meet with the increasing demand driven by the government policies. Our business and financial condition will be adversely affected if such gas shortage problem occurs in Sanya City or in the regions in which we have operations.

Government policy regulation in the real estate market will affect our business growth

The PRC government has issued a series of policies to control housing price of the real estate market. Policies such as restricted loan and purchase policies may significantly hinder the growth of China's real estate market, which in turn affect the business growth of city natural gas operators. There is no guarantee that relevant policies will not be amended. Any unfavorable amendments could adversely affect our business operations and financial condition.

Government policy regulation in Pipeline Connection Related Services Charges to Customers in Sanya will affect our business growth

The Company was notified by the regulatory officials in Hainan Province that, with retroactive effective to March 1, 2021, certain service charges relating to the connection services for the distribution of natural gas to customers in Sanya will be abolished. The new rules will impact certain of the Company's pipeline connection fees and meter upgrade fees chargeable to their customers going forward as a result of this regulatory change.

The Company continues to expand its marketing and sales efforts in anticipation of high regional economic growth driven by the government's International Free Trade Zone development policy which if successful are expected to offset the anticipated revenue reduction resulting from the recent regulatory change. By growing its customer base, optimizing district gas supply and operational costs, the Company remains its focus on achieving healthy growth in Sanya's natural gas distribution business for the coming years. However, despite such counter measures are being undertaken by the Group, there is no guarantee that such measures would successfully alleviate all the impact which the new policy might bring. Furthermore, there is no guarantee that additional more stringent policy measures would not be implemented by the government in Hainan Province and if such additional policy measures were being implemented, revenue from the pipeline connection and related services business segment may be further impacted.

Business risk in EV battery swap operation

Market Non-Acceptance for Battery Swap Cars

The pioneers of swap station technology such as Better Place trialed its battery swap technology in Tel Aviv, Israel between 2007 and 2013, and managed to only sell 500 cars. While China has government support and a large EV market, there is a similar risk of market non-acceptance for the battery swap technology.

In 2021, on average, prices for public fast-charging were between RMB 1 to 1.8/kWh, only 1-2 times more expensive than home charging, making electric fueling relatively affordable for all citizens regardless of their housing situation.[1] With the relatively lower cost and high market penetration of EV charging stations, there is no guarantee that the battery swap technology will become a popular alternative to EV charging.

In addition, since the pandemic of COVID-19, a lot of taxi/ride-sharing companies have been taking a big revenue hit for the past several years due to lockdowns, traveling-bans, and other related restrictions. The demand of transportations has decreased significantly and hence taxi companies are not looking to purchase taxis with swappable EV batteries. This will negatively affect the demand for EV battery swap services.

Risk of EV Market Competition

BAIC swap stations can only perform battery swap services for Beijing Auto EV and is not currently compatible with other EV car brands. Until there is further collaboration between BAIC and the other EV brands, the swap station services of the Company are tied with the sales of Beijing Auto EV. In recent years, there are many automakers, startups, and technology companies entering the electric vehicle market, providing fierce competition for BJEV.

Decline of Electric Vehicle Usage

The Chinese government continue to provide state subsidies for electric vehicle sales. The government cannot be expected to indefinitely provide subsidies for the EV market and the cancellation of subsidies may negatively impact the growth of the EV and swap station market in China.

Alternative Clean Energy Vehicles

Hydrogen is seen as a viable alternative to diesel and petrol vehicles and does not require investment in battery recharging or swap infrastructure. Hydrogen can be pumped like petrol and diesel using existing network of petrol stations. Electric vehicles will not remain the only clean energy alternative for the automotive sector and may face competition from other clean energy sources. Government orders for hydrogen powered vehicles in China have reached 690 by the end of February 2021, a 79% increase compared to the same period in 2020.

Principal Accounting Policy

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair value, 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 preparation of the Group's consolidated financial statements for the year ended December 31, 2021.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

[1] https://www.greenbiz.com/article/what-china-can-teach-us-about-ev-fast-charging-rollouts

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions for the first time and early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021 in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases ("IFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application has had no impact to the opening retained profits at January 1, 2021.

In addition, during the year, a certain lessor agreed to waive lease payments on one lease of office premises as a direct consequence of the Covid-19 pandemic which were originally due on or before June 30, 2021. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulting in a decrease in lease liabilities of RMB215,000, which have been recognised as variable rent expense in profit or loss for the current year.

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures ("IFRS 7").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year as none of the Group's financial instruments are subject to the interest rate benchmark reform.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other non-incremental costs which the Group must incur to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework1
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 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendment to IFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract1
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 20201

1 Effective for annual periods beginning on or after January 1, 2022.

2 Effective for annual periods beginning on or after January 1, 2023.

3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs 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.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Financial instruments and other instruments

The Company holds a number of financial instruments, the most significant of which are derivative financial instrument, convertible debentures, equity instrument at fair value through other comprehensive income, trade receivables, trade payables, cash and loans. The financial instruments are recorded at either fair values or amortized amount on the statements of financial position of consolidated financial statements. Please refer to note 43 of the consolidated financial statements for more details.

CF ENERGY CORP.

Report and Consolidated Financial Statements
For the years ended December 31, 2021 and 2020

CF ENERGY CORP.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

CONTENTS	PAGE(S)
INDEPENDENT AUDITOR'S REPORT	1 - 5
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6 & 7
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	8 - 10
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENTS OF CASH FLOWS	12 & 13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14 - 98

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CF ENERGY CORP.
(incorporated in Canada with limited liability)

Opinion

We have audited the consolidated financial statements of CF Energy Corp. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 98, which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of profit and loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

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

Key audit matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	**How our audit addressed the key audit matter**
Revenue Recognition of pipeline installation and connection We identified the recognition of revenue from pipeline installation and connection as a key audit matter due to its quantitative significance to the consolidated statements of profit or loss and other comprehensive income and significant judgments involved in the recognition of revenue. As disclosed in note 4 to the consolidated financial statements, revenue from pipeline installation and connection are measured based on the 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. The Group recognized revenue of RMB126,734,000 from pipeline installation and connection during the year ended December 31, 2021. As set out in note 4 to the consolidated financial statements, significant judgments are applied in recognising contract revenue and profit of pipeline installation and connection that are based on the input method, which is to recognise 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. The construction costs which mainly comprise sub-contracting charges and costs of materials that are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management.	Our procedures in relation to the revenue recognition of pipeline installation and connection included: • Obtained an understanding, evaluated the design and tested the operating effectiveness over the Company's controls related to the recognition of pipeline installation and connection revenue; • Discussed with management with respect to the recognition basis and evaluated the appropriateness and consistency of the revenue recognition method applied; • Selected a sample of contracts with customers and performed the following: - Verified the contract revenue by comparing to customer agreement; - Verified the mathematical accuracy of the percentage of completion by reference to the proportion of the contract costs incurred for the work performed to date over the estimated total contract costs ; - Tested the accuracy and occurrence of costs incurred to date by comparing to supporting documents, and evaluated whether the costs were properly included in the amount of costs incurred to date.

INDEPENDENT AUDITOR'S REPORT

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Deloitte.

德勤

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matter communicated with those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Ka I.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 29, 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	NOTES	2021 RMB'000	2020 RMB'000 (Restated)[1]
Continuing operations			
Revenue	5	355,233	340,300
Cost of sales		(221,201)	(201,260)
Gross profit		134,032	139,040
Other income	7	3,371	7,300
Other losses, net	8	(1,062)	(1,378)
Impairment losses under expected credit loss model, net of reversal	10	(1,301)	(284)
Fair value change on derivative financial instrument	27	(4,827)	11,367
Selling and marketing expenses		(38,994)	(37,789)
General and administrative expenses		(48,570)	(47,639)
Share of results of associates	21	4,794	5,319
Finance costs	9	(10,092)	(6,942)
Profit before tax		37,351	68,994
Income tax expense	11	(15,670)	(16,295)
Profit for the year from continuing operations		21,681	52,699
Discontinued operation			
Loss for the year from a discontinued operation	12	(2,217)	(7,123)
Profit for the year	**13**	**19,464**	**45,576**
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(2,749)	-
Income tax relating to item that will not be reclassified to profit or loss		687	-
Other comprehensive expense for the year, net of income tax		(2,062)	-
Total comprehensive income for the year		17,402	45,576

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	NOTES	2021 RMB'000	2020 RMB'000 (Restated)[1]
Profit (loss) for the year attributable to owners of the Company			
- from continuing operations		23,011	52,826
- from a discontinued operation		(1,330)	(4,274)
		21,681	48,552
Loss for the year attributable to non-controlling interests			
- from continuing operations		(1,330)	(127)
- from a discontinued operation		(887)	(2,849)
		(2,217)	(2,976)
		19,464	45,576
Total comprehensive income (expense) attributable to:			
Owners of the Company		19,619	48,552
Non-controlling interests		(2,217)	(2,976)
		17,402	45,576
Total comprehensive income (expense) attributable to owners of the Company:			
- from continuing operations		20,949	52,826
- from a discontinued operation		(1,330)	(4,274)
		19,619	48,552
Earnings per share			
From continuing and discontinued operations			
- Basic	15	RMB0.33	RMB0.74
- Diluted	15	RMB0.32	RMB0.74
From continuing operations			
- Basic	15	RMB0.35	RMB0.81
- Diluted	15	RMB0.34	RMB0.81
From discontinued operation			
- Basic	15	RMB(0.02)	RMB(0.07)
- Diluted	15	RMB(0.02)	RMB(0.07)

1 Comparative figures are restated based on the requirement of IFRS5 with regard to discontinued operation of Hebei Riheng Clean Energy Co., Ltd.

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2021 AND 2020

	NOTES	2021	2020
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	755,050	565,962
Right-of-use assets	18	77,637	26,538
Long-term lease prepayments	17	-	50
Goodwill	19	1,635	1,635
Intangible assets	20	12,048	9,610
Interests in associates	21	38,342	33,548
Amount due from an associate	30	12,423	13,833
Amounts due from non-controlling interests of subsidiaries	31	2,296	2,178
Non current portion of other receivables, prepaid expenses and deposits	26	22,306	62,059
Equity instrument at fair value through other comprehensive income	22	12,926	500
Deferred tax assets	22	687	-
		935,350	715,913
CURRENT ASSETS			
Current portion of long-term lease prepayments	17	100	617
Inventories	23	3,988	3,929
Contract assets	24	19,498	19,107
Trade receivables	25	39,880	39,217
Other receivables, prepaid expenses and deposits	26	57,043	50,399
Derivative financial instrument	27	7,081	11,908
Restricted cash	28	3,235	5,327
Fixed bank deposits	28	-	6,000
Bank balances and cash	28	127,595	138,602
		258,420	275,106
Assets classified as held for sale	12	1,574	991
		259,994	276,097

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2021 AND 2020

	NOTES	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade and other payables	29	133,744	135,529
Dividend payable to non-controlling interest of a subsidiary		299	299
Amounts due to non-controlling interest of a subsidiary		100	-
Contract liabilities	32	124,270	108,764
Lease liabilities	36	2,240	1,639
Income tax payable		10,602	14,615
Short-term bank borrowings	33	60,860	40,000
Current portion of long-term debts	34	61,354	39,000
		393,469	339,846
Liabilities associated with assets classified as held-for-sale	12	5	-
		393,474	339,846
NET CURRENT LIABILITIES		(133,480)	(63,749)
TOTAL ASSETS LESS CURRENT LIABILITIES		801,870	652,164

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued
AT DECEMBER 31, 2021 AND 2020

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Long-term debts	34	348,380	229,132
Convertible debentures	35	2,877	-
Lease liabilities	36	5,327	5,492
Deferred income - government grants	37	18,436	18,864
Deferred tax liabilities	38	8,706	9,728
		383,726	263,216
NET ASSETS		418,144	388,948
CAPITAL AND RESERVES			
Share capital	39	70,978	70,053
Reserves		296,810	277,307
Equity attributable to owners of the Company		367,788	347,360
Non-controlling interests		50,356	41,588
TOTAL EQUITY		418,144	388,948

The consolidated financial statements on pages 6 to 98 were approved and authorized for issue by the Board of Directors on April 29, 2022 and are signed on its behalf by:

YONGBIAO DING
DIRECTOR

WENCHENG ZHANG
DIRECTOR

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Attributable to owners of the Company								
	Share capital RMB'000	Contributed surplus RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Fair value through other comprehensive income reserve RMB'000	Other reserves RMB'000 (Note c)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at January 1, 2020	69,861	17,580	53,258	-	(531)	156,596	296,764	31,269	328,033
Profit (loss) and total comprehensive income for the year	-	-	-	-	-	48,552	48,552	(2,976)	45,576
Options forfeited (note 40)	-	(260)	-	-	-	260	-	-	-
Options exercised (note 40)	192	180	-	-	-	-	372	-	372
Capital injection by non-controlling interest (note d)	-	-	-	-	-	-	-	13,800	13,800
Recognition of equity-settled share-based payments	-	1,678	-	-	-	-	1,678	-	1,678
Acquisition of non-controlling interest in a subsidiary (note 14)	-	-	-	-	(6)	-	(6)	(114)	(120)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(391)	(391)
As at December 31, 2020	70,053	19,178	53,258	-	(537)	205,408	347,360	41,588	388,948
Profit for the year	-	-	-	-	-	21,681	21,681	(2,217)	19,464
Other comprehensive expense for the year (note 22)	-	-	-	(2,062)	-	-	(2,062)	-	(2,062)
Total comprehensive income income for the year	-	-	-	(2,062)	-	21,681	19,619	(2,217)	17,402
Issuance of share awards (note 39)	1,150	(1,150)	-	-	-	-	-	-	-
Repurchase of shares (note 39)	(225)	-	-	-	-	-	(225)	-	(225)
Capital injection by non-controlling interest (note d)	-	-	-	-	-	-	-	11,100	11,100
Recognition of equity-settled share-based payments	-	781	-	-	-	-	781	-	781
Acquisition of non-controlling interest in a subsidiary (note 14)	-	-	-	-	(243)	-	(243)	243	-
Disposal of interests of a subsidiary (note 14)	-	-	-	-	358	-	358	(358)	-
Provision for statutory surplus reserves	-	-	344	-	-	(344)	-	-	-
Recognition of equity component of convertible debentures (note 35)	-	-	-	-	188	-	188	-	188
Deferred tax liability on recognition of equity component of convertible debentures (note 35)	-	-	-	-	(50)	-	(50)	-	(50)
As at December 31, 2021	70,978	18,809	53,602	(2,062)	(284)	226,745	367,788	50,356	418,144

Notes:

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

(b) Statutory surplus reserve represents 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. The statutory surplus reserve is not distributable.

(c) Other reserve as of January 1, 2020 represents an aggregate of the surplus for disposal of 5.4% equity interest in Hebei Riheng Clean Energy Co., Ltd. ("Riheng"), a non wholly-owned subsidiary of the Group, to an independent third party during the year ended December 31, 2018, and the waiving of certain unpaid consideration for acquiring of the 5.4% equity interest in Riheng from the independent third party on September 20, 2019. Details about the acquisition and disposal of partial interest of subsidiaries during the respective financial years are set out in note 14.

(d) On May 8, 2020, EDF (China) Holding Ltd ("EDF China"), the non-controlling interest of EDF Changfeng (Sanya) Energy Co., Ltd. ("EDF CF"), a subsidiary of the Company completed the additional share capital injection of RMB13,800,000. On December 13, 2021, EDF China made further share capital injection of RMB11,100,000.

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit for the year	19,464	45,576
Adjustments for:		
Income tax expense	15,670	16,295
Interest income	(713)	(1,344)
Interest expense	10,092	6,942
Depreciation of property and equipment	24,774	18,656
Depreciation of right-of-use assets	3,996	2,952
Impairment loss recognized under expected loss model, net		
- trade receivables	1,139	266
- contract assets	65	15
- other receivables	97	-
Amortization of government grants	(428)	(227)
Amortization of long-term lease prepayments	567	618
Amortization of intangible assets	1,223	1,087
Gains on termination of leases	(29)	-
Gain on pipeline relocation projects	(346)	-
Share of profit of associates	(4,794)	(5,319)
Impairment loss recognized on Riheng (note 12)	1,871	5,531
Recognition of share-based payments	781	1,678
Loss on disposals of property and equipment	5	456
Fair value change on derivative financial instrument	4,827	(11,367)
Unrealized exchange loss on monetary items	20	444
Operating cash flows before movements in working capital	78,281	82,259
(Increase) decrease in inventories	(59)	1,364
(Increase) decrease in trade receivables	(5,299)	6,089
(Increase) in other receivables, prepaid expenses and deposits	(7,778)	(3,130)
Decrease (increase) in long-term deposits and advances	240	(5,695)
Decrease (increase) in contract assets	936	(11,463)
(Decrease) increase in trade and other payables	(3,350)	9,378
Increase (decrease) in contract liabilities	15,511	(1,741)
Increase in amount due to a non-controlling interest of a subsidiary	100	-
Decrease in amounts due from an associate (note 30)	1,410	-
Cash generated from operations	79,992	77,061
Income tax paid	(20,754)	(15,109)
Interest paid	(18,084)	(11,344)
Interest received	595	1,228
NET CASH FROM OPERATING ACTIVITIES	41,749	51,836

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Deposit paid for acquisition of property and equipment	(215)	(6,906)
Deposit paid for acquisition of land use right	(19,092)	(51,701)
Acquisition of property and equipment	(200,957)	(87,228)
Acquisition of pipelines for relocation projects	(10,716)	(9,759)
Acquisition of intangible assets	(225)	(697)
Proceeds on disposal of property, plant and equipment	1,006	520
Purchase of equity instruments at fair value through other comprehensive income	(15,175)	(500)
Receipt of receivable on disposal of Pingxiang CF	289	-
Receipt of compensation on pipeline relocation projects	11,081	354
Placement of restricted cash	-	(5,219)
Withdrawal of restricted cash	2,092	192
Withdrawal of fixed bank deposits	6,000	-
Receipt of government grant relating to assets	-	12,110
NET CASH USED IN INVESTING ACTIVITIES	(225,912)	(148,834)
FINANCING ACTIVITIES		
Dividend paid to non-controlling interests of subsidiaries	-	(1,919)
Proceeds on exercised share options	-	372
Repurchase of ordinary shares	(225)	-
Repayments of lease liabilities	(2,708)	(2,540)
Repayment of short-term bank borrowings	(40,000)	-
New short-term bank borrowings raised	60,860	30,000
Repayment of long-term debts	(44,000)	(15,000)
New long-term debt raised	185,602	81,132
New long-term convertible debentures raised	3,127	-
Repayment from an associate	-	1,969
Additional capital contribution from non-controlling interest of subsidiaries	11,100	13,800
NET CASH FROM FINANCING ACTIVITIES	173,756	107,814
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,407)	10,816
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	138,602	127,990
Effect of foreign exchange rate changes	(133)	(204)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	128,062	138,602
Represented by:		
Bank balances and cash	127,595	138,602
Bank balances and cash included in assets held-for-sale	467	-
	128,062	138,602

The accompanying notes are an integral part of the consolidated financial statements.

1. GENERAL INFORMATION

CF Energy Corp. (the "Company") is a public limited company originally incorporated under the Canada Business Corporations Act on May 4, 2006 until it changed its incorporation jurisdiction to British Columbia on June 18, 2018 under the Business Corporations Act (British Columbia). Its shares are listed on the TSX Venture Exchange. The registered office of the Company is located at Suite 2600, Three Bentall Center, P.O. BOX 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, Canada and the head office of the Company is located at 3100 Steeles Ave East, Suite 3008, Markham, Ontario, L3R 8T3, Canada. The principal operations of the Company's business are in the PRC. Its ultimate controlling party is the estate of Mr. Huajun Lin ("Mr. Lin"), who was also an officer and director of the Company until he resigned from such positions with effect from February 22, 2019.

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 consolidated financial statements are presented in Renminbi ("RMB").

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to *IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

2.1 Impacts on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions* for the first time and early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond June 30, 2021* in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* ("IFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application has had no impact to the opening retained profits at January 1, 2021.

In addition, during the year, a certain lessor agreed to waive lease payments on one lease of office premises as a direct consequence of the Covid-19 pandemic which were originally due on or before June 30, 2021. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulting in a decrease in lease liabilities of RMB215,000, which have been recognised as variable rent expense in profit or loss for the current year.

2.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. None of the Group’s financial instruments are subject to the interest rate benchmark reform. Additional disclosures as required by IFRS 7 are set out in note 43.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

2.3 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other non-incremental costs which the Group must incur to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
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 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendment to IFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[1]

[1] Effective for annual periods beginning on or after January 1, 2022.
[2] Effective for annual periods beginning on or after January 1, 2023.
[3] Effective for annual periods beginning on or after a date to be determined.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs in issue but not yet effective - continued

Except for the new and amendments to IFRSs 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.

Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs in issue but not yet effective - continued

Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRSs *Annual Improvements to IFRSs 2018-2020*

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.1 Basis of preparation of consolidated financial statements - continued

At December 31, 2021, the Group's current liabilities exceeded its current assets by RMB133,480,000. 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 41. Taking into account the Group's cash flow projection, including the term facility, 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.

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 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 IFRS 16, 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 categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies

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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Basis of consolidation - continued

Changes in the Group's interests in existing subsidiaries - continued

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Investments in associates

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Investments in associates - continued

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The financial statements of associates 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 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment 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 is not allocated to any asset, including goodwill, that 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, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

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 the relevant 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 which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is 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 or 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

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.

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

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.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognizes such costs as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Right-of-use assets - continued

Right-of- use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Lease liabilities - continued

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Lease modifications - continued

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *"Leases"* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

As stated in note 18, during the year ended December 31, 2021, one of the Group's subsidiaries received rent recessions equivalent to three months' rent in 2020. The Group applied the practical expedient and treated the rent concessions as a variable rent expense in profit or loss against the lease liability. The total amount of the rent concessions was RMB215,000.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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 related to income 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. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Employee benefits

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 payments

Equity-settled share-based payment transactions

Share options granted to employees

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 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/loss before tax 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Taxation - continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

Property and equipment

Property and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes (other than construction-in-progress as described below). Property and equipment 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 (including buildings, pipelines and equipment) in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Property and equipment - continued

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.

Intangible assets

Intangible assets acquired separately

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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/ revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Impairment on property and equipment, right-of-use assets, intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) 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 asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Impairment on property and equipment, right-of-use assets, intangible assets other than goodwill - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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 all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "fair value change on derivative instrument" line item.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and contract assets subject to impairment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including equity instrument at fair value through other comprehensive income, trade receivables, other receivables and deposits, contract assets, amount due from an associate and non-controlling interests of subsidiaries, restricted cash, fixed bank deposits and bank balances and cash) which are subject to impairment under IFRS 9. 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. Assessments 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 collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and contract assets subject to impairment under IFRS 9 - continued

(i) Significant increase in credit risk - continued

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; or
- 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.

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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and contract assets subject to impairment under IFRS 9 - continued

(ii) Definition of default - continued

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or original of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets and contract assets subject to impairment under IFRS 9 - continued

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets

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 measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade and other payables, dividend payable to non-controlling interest of a subsidiary, short-term bank borrowings and long-term debts are subsequently measured at amortized cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity - continued

Convertible loan notes

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to contributed surplus. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

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.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

Key sources of estimation uncertainty

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

Revenue recognition

The Group applies input method in estimating the performance obligations satisfied of IFRS 15. The Group recognizes contract revenue and profit of pipeline installation and connection based on the input method, which is to recognise 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. Construction costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Management of the Company needs to estimate future costs at completion for each of the pipeline installation and connection contracts. For the year ended December 31, 2021, pipeline installation and connection revenue is RMB126,734,000 (2020: RMB123,327,000).

Provision of ECL for trade receivables and contract assets

The Group uses a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar credit risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration of reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 25, 26 and 43 (b).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2021						
	Gas distribution utility						
Segments	Gas sales	Pipeline installation and connection	CNG vehicle refuelling	Subtotal	Integrated smart energy	Smart mobility	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods and services							
Gas distribution utility							
- Gas supply	174,042	-	-	174,042	-	-	174,042
- Pipeline installation and connection	-	126,734	-	126,734	-	-	126,734
- CNG vehicles refuelling	-	-	45,836	45,836	-	-	45,836
	174,042	126,734	45,836	346,612	-	-	346,612
Integrated smart energy							
- Integrated smart energy system	-	-	-	-	6,448	-	6,488
- Integrated district energy distribution	-	-	-	-	1,882	-	1,882
	-	-	-	-	8,330	-	8,330
Smart mobility							
- Electric vehicle battery swap	-	-	-	-	-	291	291
Total	174,042	126,734	45,836	346,612	8,330	291	355,233
Geographical markets in the PRC							
Sanya City, Hainan Province	168,668	126,734	31,489	326,891	6,448	249	333,588
Changsha City, Hunan Province	-	-	14,347	14,347	-	-	14,347
Meishan City, Sichuan Province	-	-	-	-	1,882	-	1,882
Other cities	5,374	-	-	5,374	-	42	5,416
Total	174,042	126,734	45,836	346,612	8,330	291	355,233
Timing of revenue recognition							
A point in time	174,042	-	45,836	219,878	8,330	291	228,499
Over time	-	126,734	-	126,734	-	-	126,734
Total	174,042	126,734	45,836	346,612	8,330	291	355,233

5. REVENUE - continued

(i) Disaggregation of revenue from contracts with customers - continued

	For the year ended December 31, 2020						
	Gas distribution utility						
Segments	Gas sales	Pipeline installation and connection	CNG vehicle refuelling	Subtotal	Integrated smart energy	Smart mobility	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods and services							
Gas distribution utility							
- Gas supply	170,424	-	-	170,424	-	-	170,424
- Pipeline installation and connection	-	123,327	-	123,327	-	-	123,327
- CNG vehicles refuelling	-	-	46,498	46,498	-	-	46,498
	170,424	123,327	46,498	340,249	-	-	340,249
Smart mobility							
- Electric vehicle battery swap	-	-	-	-	-	51	51
Total	170,424	123,327	46,498	340,249	-	51	340,300
Geographical markets in the PRC							
Sanya City, Hainan Province	165,666	123,327	31,952	320,945	-	51	320,996
Changsha City, Hunan Province	-	-	14,546	14,546	-	-	14,546
Other cities	4,758	-	-	4,758	-	-	4,758
Total	170,424	123,327	46,498	340,249	-	51	340,300
Timing of revenue recognition							
A point in time	170,424	-	46,498	216,922	-	51	216,973
Over time	-	123,327	-	123,327	-	-	123,327
Total	170,424	123,327	46,498	340,249	-	51	340,300

5. REVENUE - continued

(ii) Performance obligations for contracts with customers

a) Revenue from natural gas supply

The Group supplies gas to residential, commercial and industrial consumers in the PRC. The Group receives integrated circuit cards ("IC cards") deposits from residential customers in advance before they consume the natural gas and this will give rise to contract liabilities. Monthly invoices will be issued to industrial and commercial customers based on the actual usage and the price of gas. Revenue from natural gas supply is recognized at a point in time when the customers consume the natural gas.

b) Revenue from CNG vehicle refuelling

The Group operates two natural gas refuelling stations in Sanya City, Hainan Province and Changsha City, Hunan Province, respectively. The Group receives IC card deposits from customers in advance before they purchase the natural gas at the natural gas refuelling stations and this will give rise to contract liabilities. Revenue from CNG vehicle refuelling is recognized at a point of time when the gas refuels to customers' vehicle.

c) Revenue from natural gas pipeline installation and connection

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

The services are recognized as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue from natural gas pipeline connection is recognized based on the 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.

The Group's natural gas pipeline installation and connection contracts include payment schedules which require stage payments over the construction/installation period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 30% to 70% of total contract amount, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognized on the specific contract equals to or exceeds the amount of the deposits.

5. REVENUE - continued

(ii) Performance obligations for contracts with customers - continued

c) Revenue from natural gas pipeline installation and connection - continued

A contract asset, net of contract liability related to the same contract, is recognized over the period in which the construction/installation services are performed, representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

(iii) Transaction price allocated to remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2021 and 2020 and the expected timing of recognizing revenue are as follows:

	Pipeline installation and connection	
	2021	2020
	RMB'000	RMB'000
Within one year	60,420	73,544
More than one year but not more than two years	32,446	17,501
More than two years	13,058	34,556
	105,924	125,601

Contracts for gas distribution services typically have terms in which the Group bills a fixed price for each gas volume used by the customers on a monthly basis. The Group recognizes revenue according to gas consumption by customers.

6. OPERATING SEGMENTS

Information is reported to the Chief Executive Officer of the Company, 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.

For the year ended December 31, 2021, the Group commenced the business engaging in the integrated smart energy along with the completion of construction and commencement of commercial operations of the Haitang Bay Integrated Smart Energy Project and the Meishan Project, and it is considered as a new operating and reportable segment by the CODM. In addition, the Group reorganised its internal reporting structure by splitting the electric vehicle battery swap business from the previously adopted CNG vehicle refuelling segment into a new operating and reportable segment, which resulted in changes to the composition of its reportable segments in current year as well.

Accordingly, the operating segments have been realigned from two business segments, namely the gas distribution utility segment and CNG vehicle refueling segment previously adopted, to three business segments, namely the gas distribution utility segment, the integrated smart energy segment and the smart mobility segment. Those operating segments are aggregated 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.

Prior year segment disclosures have been represented to conform with the current year's presentation.

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

(a) Gas distribution utility which includes gas sales, pipeline installation and connection, and CNG vehicles refueling

(i) provides gas pipeline installation and connection services and delivers natural gas to residential, commercial and industrial customers through its pipeline networks and associated facilities in Sanya City, Hainan Province, the PRC;

(ii) operates CNG vehicle refueling stations to supply gas for taxicabs and public transportation vehicles in Sanya City, Hainan Province and Changsha City, Hunan Province, the PRC; and

(iii) transmits of natural gas via the Group’s pipeline networks for its customers in Zhaoqing City, Guangdong Province, the PRC.

6. OPERATING SEGMENTS – continued

(b) Integrated smart energy

(i) uses multiple clean energy sources, including solar, hydro, electricity, and natural gas (CCHP/Co-Gen) to supply cooling, heating, as well as hot water to its customers in the Haitang Bay area of Sanya City, Hainan Province, the PRC;

(ii) supplies heat and power via the Group's pipeline networks to its customers in Meishan City, Sichuan Province, the PRC; and

(iii) supplies heat and power via the Group's pipeline networks to its customers in Meishan City, Sichuan Province, the PRC.

(c) Smart mobility

(i) operates electric vehicle ("EV") battery swap business in Sanya City and Haikou City, Hainan Province, the PRC.

Segments revenues and results

The following is an analysis of Group's revenue and results from continuing operations by reportable segments:

For the year ended December 31, 2021

Continuing operations

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	Consolidated RMB'000
Segment revenue	416,085	8,330	291	424,706
Inter-segment revenue	(69,473)	-	-	(69,473)
Revenue from external customers	346,612	8,330	291	355,233
Segment profit (loss)	64,068	(7,288)	(1,861)	54,919
Share of results of associates				4,794
Fair value change on derivative financial instrument				(4,827)
Unallocated other income				22
Unallocated corporate expenses				(18,686)
Profit before tax from continuing operations				36,222

6. OPERATING SEGMENTS - continued

Segments revenues and results - continued

For the year ended December 31, 2020

Continuing operations

	Gas distribution utility RMB'000 (Restated)	Integrated smart energy RMB'000 (Restated)	Smart mobility RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Segment revenue	360,809	-	51	360,860
Inter-segment revenue	(20,560)	-	-	(20,560)
Revenue from external customers	340,249	-	51	340,300
Segment profit (loss)	73,562	(2,781)	(690)	70,091
Share of results of associates				5,319
Fair value change on derivative financial instrument				11,367
Unallocated other income				1,273
Unallocated corporate expenses				(19,056)
Profit before tax from continuing operations				68,994

Other segment information

For the year ended December 31, 2021

Continuing operations

Amounts included in the measure of segment profit or losses:

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation of property and equipment	20,747	2,383	1,342	302	24,774
Depreciation of right-of-use assets	2,281	470	404	841	3,996
Amortization of government grant	(428)	-	-	-	(428)
Amortization of intangible assets	708	401	-	114	1,223
Loss on disposals of property and equipment	5	-	-	-	5
Recognition of impairment losses on trade receivables	1,119	20	-	-	1,139
Recognition of impairment loss on contract assets	65	-	-	-	65
Recognition of impairment loss on other receivables	(10)	(1)	1	107	97
Release of long-term lease prepayments	567	-	-	-	567
Interest income from bank deposits, an associate and non-controlling interest of a subsidiary	(565)	(8)	(11)	(129)	(713)
Finance costs	7,457	2,175	157	303	10,092

6. OPERATING SEGMENTS - continued

Other segment information - continued

For the year ended December 31, 2020 (Restated)

Continuing operations

Amounts included in the measure of segment profit:

	Gas distribution utility RMB'000 (Restated)	Integrated smart energy RMB'000	Smart mobility RMB'000	Unallocated RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Depreciation of property and equipment	17,200	306	282	325	18,113
Depreciation of right-of-use assets	2,023	273	83	573	2,952
Amortization of government grant	(227)	-	-	-	(227)
Amortization of intangible assets	687	286	-	114	1,087
Loss on disposals of property and equipment	9	-	-	-	9
Recognition of impairment losses on trade receivables	263	3	-	-	266
Recognition of impairment loss on contract assets	16	-	-	-	16
Release of long-term lease prepayments	618	-	-	-	618
Interest income from bank deposits, an associate and non-controlling interest of a subsidiary	(1,210)	(16)	-	(95)	(1,321)
Finance costs	6,842	-	-	100	6,942

Geographical information

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

Information about major customers

No single customer accounted for more than 10% of the Group's sales in both years or trade receivables at December 31, 2021 and 2020.

7. OTHER INCOME

Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Interest income from bank deposits	602	1,211
Interest income from non-controlling interest of a subsidiary (note 30)	111	111
Government grants (note)	2,205	5,183
Others	453	795
	3,371	7,300

Note: During the current year, the Group recognised government grants of RMB1,777,000 (2020: RMB4,955,000) provided by Sanya Development and Reform Commission.

8. OTHER LOSSES, NET

Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Exchange loss	(24)	(444)
Loss on disposal of property and equipment	(5)	(10)
Donations	(1,136)	(867)
Others	103	(57)
	(1,062)	(1,378)

9. FINANCE COSTS

Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Interest on lease liabilities	339	340
Interest expense on convertible debentures (note 35)	177	-
Interest expense on short-term bank borrowings and long-term debts	17,921	11,004
Less: amounts capitalized in cost of property and equipment	(8,345)	(4,402)
	10,092	6,942

Borrowing costs capitalized arose on the general borrowing pool and are calculated by applying a capitalization rate of 5% (2020: 5%) per annum to expenditure on qualifying assets.

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Impairment losses recognized on:		
- Trade receivables	(1,139)	(269)
- Contract assets	(65)	(15)
- Other receivables	(97)	-
	(1,301)	(284)

Details of impairment assessment are set out in note 43 (b).

11. INCOME TAX EXPENSE

Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	16,065	17,640
PRC withholding EIT	691	867
	16,756	18,507
(Over) under provision in prior year	(14)	120
	16,742	18,627
Deferred tax credit (note 38)	(1,072)	(2,332)
	15,670	16,295

The Company was incorporated in Canada and is therefore subject to Canadian federal and Ontario statutory income tax at a rate of 26.5% (2020: 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 (2020: 25%).

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

	2021 RMB'000	2020 RMB'000 (Restated)
Profit before tax	37,351	68,994
Tax at Canadian federal and Ontario statutory income tax rate of 26.5%	9,898	18,284
Tax effect of expenses not deductible for tax purposes	1,104	903
Effect of difference in tax rates of entities operating in other jurisdictions	(2,367)	(3,099)
Tax effect of tax losses and deductible temporary differences not recognized	5,379	(592)
Utilization of tax losses previously not recognized	(171)	(188)
Under (over) provision in prior year	(14)	120
PRC withholding EIT	691	867
Deferred tax on undistributed earnings in the PRC	-	(896)
Tax effect of income before intragroup elimination	417	581
Others	733	315
Income tax expense for the year	15,670	16,295

12. DISCONTINUED OPERATION

In 2020, the Group realigned its future business strategies with major focus on the development of clean energy solutions with high growth potential, including the integrated smart energy and electric vehicle battery swap, and made the first move into the EV battery swap business. As the business and operating model of Hebei Riheng Clean Energy Co., Ltd. ("Riheng") no longer aligns with the Group's new business focus and growth expectations, in the best interests of the Group, management of the Company decided to gradually terminate the operation of Riheng and direct its future resources toward key projects that are with higher growth potentials and in line with the China Central government's future development policy focus going forward.

By the end of 2020, the Group has entered into sales agreements with several buyers to dispose of certain property, plant and equipment of Riheng, which were expected to be sold within twelve months. These assets were accordingly classified as assets held-for-sale and separately presented in the consolidated statement of financial position as at December 31, 2020.

During the first quarter of 2021, management determined to dispose of all of Riheng's operations and considered Riheng as a discontinued operation. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to Riheng, which are expected to be sold within twelve months, were accordingly classified as a disposal group held for sale and were separately presented in the consolidated statement of financial position as set out below. The comparative figures of Riheng in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present Riheng as a discontinued operation.

	2021 RMB'000	2020 RMB'000 (Restated)
Revenue	70	27,910
Cost of sales	(69)	(26,808)
Other income	4	42
Selling and marketing expenses	(50)	(1,361)
General and administrative expenses	(301)	(931)
Other losses (note)	(1,871)	(5,975)
Loss before tax	(2,217)	(7,123)
Income tax expense	-	-
Loss for the year	(2,217)	(7,123)

Note: In current year, the Group recognised an impairment loss for subsequent write-down of property and equipment of RMB991,000 (2020: RMB5,247,000) and receivables of RMB715,000 (2020: RMB728,000), respectively, to fair value less costs to sell.

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

12. DISCONTINUED OPERATION - continued

The major classes of assets and liabilities of Riheng as at December 31, 2021, which have been presented separately in the consolidated statements of financial position, are as follows:

	December 31, 2021 RMB'000
Other receivables, prepaid expenses and deposits	1,107
Bank balances and cash	467
Total assets classified as held-for-sale	1,574
Receipts in advance from customers	5
Amount due to the Group	6,219
	6,224
Less: inter-company elimination	(6,219)
Total liabilities associated with assets classified as held-for-sale	5

The net cash flows attributable to the operating, investing and financing activities of Riheng are shown as follows:

	2021 RMB'000	2020 RMB'000
Net cash from (used in) operating activities	85	(1,986)
Net cash used in investing activities	-	(309)

13. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000 (Restated)
Profit for the year from continuing operations has been arrived after charging the following:		
Directors' remuneration	433	461
Other staff costs	43,852	46,161
Staff retirement benefit scheme contribution	7,271	2,355
Recognition of (reversal of) share-based payments	781	1,678
Total staff costs	52,337	50,655
Auditors' remuneration	2,513	2,420
Release of long-term lease prepayments	567	618
Cost of inventories recognized as expense in cost of sales	122,565	114,461
Contract costs recognized as expense in cost of sales	36,068	30,206
Depreciation of property and equipment	24,774	18,113
Depreciation of right-of-use assets	3,996	2,952
Amortization of intangible assets (included in cost of sales)	1,223	1,087
Total depreciation and amortization	29,993	22,152

14. ACQUISITION AND DISPOSAL OF PARTIAL INTEREST OF SUBSIDIARIES

On November 12, 2020, Hainan Huapu Natural Gas Investment Co., Ltd ("Huapu NG"), a wholly-owned subsidiary of the Group acquired 0.6% equity interest from the non-controlling interest of Sanya Changfeng Offshore Natural Gas Engineering Construction Co., Ltd. ("CF Engineering") at RMB120,000 consideration. As a result, the Group's effective interest in CF Engineering increased to 100%, the difference between the consideration and the carrying amount of the 6% recognized as other reserve as at December 31, 2020.

On April 13, 2021, Sanya Changfeng Clean Energy Co., Ltd., a wholly-owned subsidiary of the Group acquired a 20% equity interest in the non-controlling interest of Hainan Hengtai Energy Co., Ltd. ("Hainan Hengtai") with no consideration. As a result, the Group's effective interest in Hainan Hengtai increased from 80% to 100%, the carrying amount of the non-controlling interest of RMB243,000 as of April 13, 2021 was recognized as other reserves.

In August 2021, Hainan Huapu Green Energy Investment Co., Ltd. ("Huapu Green"), a wholly-owned subsidiary of the Group entered into a share transfer agreement with EDF China to transfer 30% equity interest in Hainan Huapu Smart Mobility Co., Ltd ("Huapu SM") with no consideration considering the long-term strategic cooperation between the Group and EDF China. As a result, the Group's effective interest in Huapu SM decreased from 100% to 70%. The transfer was completed on December 6, 2021, and the name of Huapu SM changed to Hainan EDF Huapu Smart Mobility Co., Ltd. The carrying amount of the 30% equity interest of RMB358,000 as of December 6, 2021 was recognized as other reserves.

15. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2021 RMB'000	2020 RMB'000 (Restated)
Earnings		
Profit for the purpose of basic earnings per share	21,681	48,552
Effect of dilutive potential ordinary shares:		
Interest on convertible debentures (net of income tax)	177	-
Profit for the purpose of dilutive earnings per share	21,858	48,552

15. EARNINGS PER SHARE - continued

From continuing and discontinued operations - continued

	2021	2020 (Restated)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	65,878,345	65,359,330
Effect of dilutive potential shares:		
Share options	1,274,876	121,698
Convertible debentures	565,380	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	67,718,601	65,481,028
Basic earnings per share (note)	RMB0.33	RMB0.74
	CAD0.06	CAD0.14
Diluted earnings per share (note)	RMB0.32	RMB0.74
	CAD0.06	CAD0.14

Note: The CAD figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.0000 to CAD0.1943 for the year ended December 31, 2021 and RMB1.0000 to CAD0.1944 for the year ended December 31, 2020, being the average exchange rate that prevailed during the respective years.

The computation of diluted earnings per share did not assume the exercise of the Company’s certain share options because the exercise price of those options was higher than the average market price for the shares for both 2021 and 2020.

From discontinued operations

Basic and dilutive earnings per share for the discontinued operations is RMB0.02 per share (2020: RMB0.07 per share, based on the loss for the year from the discontinued operations of approximately RMB1,330,000 (Restated 2020: RMB4,274,000) and the denominators detailed above for both basic and diluted earnings per share.

15. EARNINGS PER SHARE - continued

For 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:

	2021 RMB'000	2020 RMB'000 (Restated)
Earnings		
Profit for the year attributable to owners of the Company	21,681	48,552
Less:		
Loss for the year from discontinued operations attributable to owners of the Company	(1,330)	(4,274)
Profit for the purpose of basic earnings per share from continuing operations	23,011	52,826
Effect of dilutive potential ordinary shares:		
Interest on convertible debentures (net of income tax)	177	-
Profit for the purpose of dilutive earnings per share	23,188	52,826
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	65,878,345	65,359,330
Effect of dilutive potential shares:		
Share options	1,274,876	121,698
Convertible debentures	565,380	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	67,718,601	65,481,028
Basic earnings per share	RMB0.35	RMB0.81
	CAD0.07	CAD0.16
Diluted earnings per share	RMB0.34	RMB0.81
	CAD0.07	CAD0.16

16. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Pipelines RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2020	36,421	401,744	16,533	49,501	3,459	98,072	605,730
Additions	-	744	97	1,209	8	155,989	158,047
Disposal	(232)	(60)	(130)	(1,752)	-	-	(2,174)
Reclassified as held-for-sale	-	-	-	(1,935)	-	-	(1,935)
Transfer	319	5,862	-	5,055	-	(11,236)	-
At December 31, 2020	36,508	408,290	16,500	52,078	3,467	242,825	759,668
Additions	465	5,188	247	1,950	-	210,458	218,308
Disposal	-	-	(5,449)	(1,346)	(108)	-	(6,903)
Transfer into intangible assets	-	-	-	-	-	(3,436)	(3,436)
Transfer	127,955	127,834	-	34,811	-	(290,600)	-
At December 31, 2021	164,928	541,312	11,298	87,493	3,359	159,247	967,637
DEPRECIATION AND IMPAIRMENT							
At January 1, 2020	5,140	123,476	11,804	30,059	2,051	-	172,530
Provided for the year	866	13,333	1,183	3,128	146	-	18,656
Impairment loss recognized in profit or loss (note 9)	-	-	-	4,286	-	376	4,662
Reclassified as held-for-sale	-	-	-	(944)	-	-	(944)
Eliminated on disposals and written off	-	-	(130)	(1,068)	-	-	(1,198)
At December 31, 2020	6,006	136,809	12,857	35,461	2,197	376	193,706
Provided for the year	1,717	13,887	1,106	7,919	145	-	24,774
Eliminated on disposals and written off	-	-	(4,617)	(1,276)	-	-	(5,893)
At December 31, 2021	7,723	150,696	9,346	42,104	2,342	376	212,587
NET BOOK VALUE							
At December 31, 2021	157,205	390,616	1,952	45,389	1,017	158,871	755,050
At December 31, 2020	30,502	271,481	3,643	16,617	1,270	242,449	565,962

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 certain pipelines and related equipment with a net book value of approximately RMB239,382,000 (2020: RMB216,722,000) to a bank to secure the RMB66,000,000 (2020: RMB76,000,000) long-term debts granted to the Group.

17. LONG-TERM LEASE PREPAYMENTS

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

	2021 RMB'000	2020 RMB'000
Current assets	100	617
Non-current assets	-	50
	100	667

18. RIGHT-OF-USE ASSETS

	Leasehold properties RMB'000	Leased lands RMB'000	Total RMB'000
As at December 31, 2021			
Cost	10,394	71,239	81,633
As at December 31, 2020			
Cost	9,374	20,116	29,490
For the year ended December 31, 2021			
Depreciation charge	(2,661)	(1,335)	(3,996)
For the year ended December 31, 2020			
Depreciation charge	(2,140)	(812)	(2,952)
As at December 31, 2021			
Carrying amount	7,733	69,904	77,637
As at December 31, 2020			
Carrying amount	7,234	19,304	26,538

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	822	526
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	5	1,250
Total cash outflow for lease	4,223	4,316
Additions to right-of-use assets	55,096	8,137

For both years, the Group leases various offices and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 year to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. RIGHT-OF-USE ASSETS - continued

In addition, the Group also leases lands in the PRC for gas utility distribution and gas stations. Other than a land lease in Hunan province, the PRC, the land leases are usually prepaid upfront. Terms of the land leases are ranging from 5 to 50 years.

The Group regularly entered into short-term leases for staff quarters. As at December 31, 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense are amount to RMB822,000 (2020: RMB526,000).

Variable lease payments

Lease of a land for a CNG vehicle refueling station contains both fixed lease payments and variable lease payments that are based on the volume of gas refueled by customers. Variable lease payments not included in the measurement of lease liabilities for the year ended December 31, 2021 amounting to RMB100,000 (2020: RMB667,000).

In addition, during the year ended December 31, 2021, one of the Group's subsidiaries received rent concessions with a forgiveness of certain amount of lease payments that occurred as a direct consequence of the Covid-19 pandemic amounting to RMB215,000 which were originally due on or before June 30, 2021. The Group applied the practical expedient and treated the rent concessions as a negative variable lease payment against the lease liability and recorded the forgiven amount in profit.

19. GOODWILL

	Acquisition of EDF CF RMB'000
COST	
At December 31, 2020 and December 31, 2021	1,635
CARRYING VALUE	
At December 31, 2021 and December 31, 2020	1,635

On December 26, 2019, the Group entered into an agreement with EDF China to inject additional capital in EDF CF, a former 50% joint venture of the Group, amounting to RMB24,000,000. Following the completion of the capital injection, the Group holds 70% of equity interest in EDF CF and it became a non wholly-owned subsidiary of the Group. Goodwill arising on the acquisition of 20% of equity interest in EDF CF was RMB1,635,000.

During the year ended December 31, 2020, management of the Group determines that there is no impairment on the goodwill arising on acquisition of a subsidiary.

20. INTANGIBLE ASSETS

	Gas purchase contract and supply rights RMB'000	Software RMB'000	Exclusive operating right RMB'000	Others RMB'000	Total RMB'000
COST					
At January 1, 2020	2,150	7,850	2,485	520	13,005
Additions	-	697	-	-	697
At December 31, 2020	2,150	8,547	2,485	520	13,702
Additions	-	3,661	-	-	3,661
At December 31, 2021	2,150	12,208	2,485	520	17,363
AMORTIZATION					
At January 1, 2020	1,266	1,607	-	132	3,005
Charge for the year	114	832	89	52	1,087
At December 31, 2020	1,380	2,439	89	184	4,092
Charge for the year	114	968	89	52	1,223
At December 31, 2021	1,494	3,407	178	236	5,315
NET BOOK VALUE					
At December 31, 2021	656	8,801	2,307	284	12,048
At December 31, 2020	770	6,108	2,396	336	9,610

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
Exclusive operating right	27 years
Others	10 years

21. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investments in associates - unlisted	32,710	32,710
Share of post-acquisition profits and other comprehensive income	5,632	838
	38,342	33,548

21. INTERESTS IN ASSOCIATES - continued

Details of the Group's associates as at December 31, 2021 and 2020 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Paid-up capital 2021 RMB'000	Paid-up capital 2020 RMB'000	Proportion of ownership interest held by the Group 2021	Proportion of ownership interest held by the Group 2020	Proportion of voting rights held by the Group 2021	Proportion of voting rights held by the Group 2020	Principal activity
Pingxiang Xinao CF	The PRC	The PRC	32,460	32,460	40%	40%	40%	40%	Gas sales and distribution and pipeline installation and connection
Sichuan Xiangshu Petrochemical Co., Ltd* (Note) 四川湘蜀石油化工有限公司 ("Xiangshu") (note)	The PRC	The PRC	250	250	23.2%	23.2%	23.2%	23.2%	Refined oil sales and distribution

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

Note: Hunan CNPC Energy Co., Ltd , a non-wholly owned subsidiary of the Group, has a 40% ownership with the right to appoint two out of five members to the board of directors according to the agreement. As a result, the effective interest held by the Group is 23.2%, the management of the Company considers that the Group has significant influence over Xiangshu and therefore it is classified as an associate of the Group.

All of the associates are accounted for using the equity method in these financial statements.

Summarized financial information of a material associate

Summarized financial information in respect of a material associate is set out below. The Summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Pingxiang Xinao CF

	2021 RMB'000	2020 RMB'000
Current assets	42,619	24,202
Non-current assets	164,281	146,167
Current liabilities	138,960	112,455
Non-current liabilities	-	2,088

	2021 RMB'000	2020 RMB'000
Revenue	293,784	187,636
Profit for the year	12,114	13,402
Total comprehensive income for the year	12,114	13,402

21. INTERESTS IN ASSOCIATES - continued

Summarized financial information of material associate - continued

Reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Pingxiang Xinao CF recognized in the consolidated financial statements:

	2021 RMB'000	2020 RMB'000
Net assets of Pingxiang Xinao CF	67,940	55,826
Proportion of the Group's interest in Pingxiang Xinao CF	40%	40%
	27,176	22,330
Add: Fair value adjustment	11,009	11,009
Carrying amount of the Group's interest in Pingxiang Xinao CF	38,185	33,339

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
- Unlisted equity investments	12,926	500

In September 2020, the Group entered into an agreement to invest RMB2,000,000 for 2% of the total equity shares of Hainan Shanglian Investment Co., Ltd. The Group made initial capital injection of RMB500,000 in 2020 and sequential injection of RMB505,200 in 2021, respectively.

In January 2021, the Group entered into two separate agreements to acquire approximately 3.43% in aggregate of the total equity shares of Blue Valley Smart Energy (Beijing) Technology Co., Ltd.* (蓝谷智慧(北京)能源科技有限公司) (“Blue Valley”), a privately held EV battery technology development and service company in the PRC. Total consideration of RMB14,670,000 was paid and business registration of share transfer was completed in May 2021.

The above unlisted equity investments represent the Group’s equity interest in private entities incorporated in the PRC. The directors of the Company have elected to designate these investments in equity instruments as FVTOCI as they believe that the Group will hold these investments for medium to long-term strategic purposes.

As of December 31, 2021, the fair value of the 3.43% equity interest in Blue Valley was RMB11,921,000, resulting in the recognition of an unrealized loss of RMB2,749,000 and a deferred tax of RMB687,000 against revaluation reserve in the other comprehensive income as of December 31, 2021.

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

23. INVENTORIES

	2021 RMB'000	2020 RMB'000
Construction materials	3,283	3,338
Gas appliances, meters and spare parts	12	124
Natural gas for sale	693	467
	3,988	3,929

As at December 31, 2021, no inventories (2020: nil) were written down to the lower of cost and the net realizable value. No reversal of any write down were recorded during the year ended December 31, 2021 (2020: nil).

24. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets from pipeline construction works	19,604	19,148
Less: Allowance for credit losses	(106)	(41)
	19,498	19,107

As at January 1, 2020, contract assets amounted to RMB7,659,000.

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. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognized are as follows:

Construction contracts of pipeline construction works

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 30% to 70% of total contract amount as part of its credit risk management policies. The Group typically transfer the contract assets to trade receivables when the performance obligation of the construction works satisfied.

The Group classifies these contract assets as current because the Group expects to realize them in its normal operating cycle.

Details of the impairment assessment are set out in note 43.

25. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables		
- Gas sales	19,681	18,280
- Pipeline installation and connection	25,178	24,782
	44859	43,062
Less: Allowance for credit losses	(4,979)	(3,845)
	39,880	39,217

As at January 1, 2020, trade receivables from contracts with customers amounted to RMB46,302,000.

Details of impairment assessment of trade receivables are set out in note 43.

26. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	2021 RMB'000	2020 RMB'000
Pipeline relocation receivables (note)	21,592	21,631
Deposits paid for acquisition of property and equipment	215	7,045
Deposits paid for land use right	18,858	51,701
Prepayments for gas purchase	5,486	2,093
Rental deposits	1,280	911
VAT recoverable	29,013	25,430
Receivables on disposal of Pingxiang Xinao CF	126	415
Other prepayments and deposits	3,101	3,595
	79,671	112,821
Less: impairment loss recognized	(322)	(363)
	79,349	112,458
Analyzed for reporting purposes as follows:		
- Current assets	57,043	50,399
- Non-current assets	22,306	62,059
	79,349	112,458

Note: During the year ended December 31, 2021 and 2020, 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 the local government would compensate part of the costs incurred by the Group as a result of the notified relocation. The balance represents cost incurred on construction of new pipelines as a result of the relocation notices. The Group expects RMB18,385,000 (2020: RMB18,444,000) would be refunded by the local government in 2022 with the remaining balance of RMB3,207,000 (2020: RMB3,187,000) to be refunded beyond 2022.

Details of impairment assessment of other receivables and deposits are set out in note 43.

27. DERIVATIVE FINANCIAL INSTRUMENT

	2021 RMB'000	2020 RMB'000
Derivative financial assets	7,081	11,908

In 2007, Mr. Lin, advanced loans in the aggregate amount of RMB40,000,000 to the Group pursuant to a subordination and forbearance agreement dated April 27, 2007 (the "Subordination and Forbearance Agreement"). 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 Initial Public Offering ("IPO") has not been completed on or prior to June 28, 2019, the Group shall have the right for a period of 90 days 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 the period of 30 calendar days preceding June 28, 2019 on the TSX Venture Exchange.

The IPO was not completed on or prior to June 28, 2019. On July 26, 2019, the Company announced that the Board determined to exercise the Company's option pursuant to the Loan Discharge Agreement to require the estate of Mr. Lin (the "Estate") to subscribe for an aggregate amount of CAD6,862,000 (approximately RMB36,000,000) in common shares of the Company at a price of CAD0.68 per common share. Following the subscription, based on the prevailing exchange rate of June 28, 2019, the number of shares to be issued is 10,090,568. The management of the Company considered that the share subscription is a forward contract. As at December 31, 2021, the market price of the common shares of the Company was CAD0.54 (2020: CAD0.45) and the closing exchange rate of RMB to CAD as at December 31, 2021 was RMB1.0000 to CAD0.1995 (2020: RMB 1.0000 to CAD0.1949).

28. BANK BALANCES AND CASH/RESTRICTED CASH/FIXED BANK DEPOSITS

Bank balances and restricted cash carried market interest rates which ranged from 0.3% to 1.49% per annum as at December 31, 2021 (2020: 0.3% to 1.49%).

The balance of restricted cash represents deposits of letter of guarantee as at December 31, 2021.

There was no fixed bank deposits with original maturity more than three months but less than six months as at December 31, 2021 (2020: RMB6,000,000 at fixed interest rate of 1.49% per annum).

Details of impairment assessment of bank balances and cash, restricted cash and fixed bank deposits are set out in note 43.

29. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade and construction payables	26,582	28,131
Security deposit received from customers for natural gas supplies	6,896	5,363
Payable on property and equipment acquisition	78,360	77,446
Accrued wages and staff benefits	8,378	13,170
Accrued audit fee	2,401	2,588
Compensation payable for land acquisition	2,906	2,906
Other tax payables	1,401	724
Other payables and accrued expenses	6,820	5,201
	133,744	135,529

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.

30. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE

The following balances were outstanding from related parties at the end of the reporting period:

Balances

Name of related party	Relationship	Terms	2021 RMB'000	2020 RMB'000
Pingxiang Xinao CF	Associate	Non-trade, unsecured and non-interest bearing (note b)	12,423	12,423
		Trade, unsecured, non-interest bearing (note a)	-	1,410
			12,421	13,833

Notes:

(a) The balance represents amount due from Pingxiang Xinao CF amounted of RMB1,410,000 which was presented as non-current asset as at December 31, 2020 after signing of the Concessionary Agreement with Xiangdong District Government of Pingxiang, Jiangxi province and obtain the concessionary right for natural gas pipeline distribution. The balance was fully settled in May 2021.

(b) The balance represents a loan of RMB11,000,000 to Pingxiang Xinao CF plus interest accrued at 4.35% per annum until October 16, 2019 when the Group entered a supplemental agreement with Ping Xiang Xinao CF to waive accruing interest from October 17, 2019 and onwards.

Details of impairment assessment of the respective amounts due from an associate and non-controlling interests of a subsidiary are set out in note 43.

30. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE - continued

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:

	2021 RMB'000	2020 RMB'000
Short-term benefits	2,773	3,074
Share-based payments	781	499
	3,554	3,573

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.

31. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The balance represents the loan to Sichuan Tianzhiyuan Energy Technology Limited as unsettled capital injected into Meishan Hengtai Tianzhiyuan Energy Co.,Ltd. bearing interest at 5.88% per annum amounted to RMB2,296,000 (2020: RMB2,178,000). In the opinion of the management of the Company, the outstanding balance is not expected to be repaid within 12 months after the end of reporting period and therefore the amount is classified as non-current asset.

32. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Commenced pipeline installation and connection projects	50,095	46,286
Receipts in advance from customers		
- Pipeline installation and connection projects prior to commencement	37,222	39,220
- Natural gas sales and others	36,953	23,258
	124,270	108,764

As at January 1, 2020, contract liabilities amounting to RMB110,505,000.

During the year ended December 31, 2021, RMB20,536,000 (2020: RMB20,873,000) and RMB75,838,000 (2020: RMB80,598,000) of carried-forward contract liabilities arose from natural gas sales and pipeline installation and connection projects has been recognized as revenue, respectively.

33. SHORT-TERM BANK BORROWINGS

The Group's short-term bank borrowings comprise:

Lenders	Secured/ unsecured	Contractual interest rate	Effective interest rate 2021	2020	Carrying amount 2021 RMB'000	2020 RMB'000	Notes
Bank of China, Sanya	Secured	Fixed interest rate at 4.4%	4.4%	4.4%	-	40,000	(a)
China Everbright Bank, Sanya	Unsecured	Fixed interest rate at 4.5%	4.5%	-	40,860	-	(b)
Bank of China, Sanya	Unsecured	Fixed interest rate at 3.85%	3.85%	-	10,000	-	(c)
China Everbright Bank, Sanya	Unsecured	Fixed interest rate at 4.5%	4.5%	-	10,000	-	(d)
Total short-term debts					60,860	40,000	

Notes:

(a) In 2020, the Group entered into agreements with Bank of China, Sanya to secure one-year bank loan in the amount of RMB40,000,000. The loan was secured by the 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"). The loan was fully repaid in 2021.

(b) On June 8, 2021 and November 30, 2021, the Group entered into two agreements with China Everbright Bank, Sanya to secure one-year bank loans in the aggregate amount of RMB40,860,000. The loans are unsecured and guaranteed by CF Engineering.

(c) On January 25, 2021, the Group entered into an agreement with Bank of China, Sanya to secure a one-year bank loan in the amount of RMB10,000,000. The loan is unsecured and guaranteed by CF China.

(d) One June 29, 2021, the Group entered into an agreement with China Everbright Bank, Sanya to secure a one-year bank loan in the amount of RMB10,000,000. The loan is unsecured and guaranteed by CF China and the Chair of the Group.

34. LONG-TERM DEBTS

	2021 RMB'000	2020 RMB'000
Bank borrowings		
- Secured, with variable rate	409,734	268,132
The carrying amounts of the above borrowings are repayable:*		
Within one year	61,354	39,000
Within a period of more than one year, but not exceeding two years	59,707	51,000
Within a period of more than two years, but not exceeding five years	113,769	127,000
Within a period of more than five years	174,904	51,132
	409,734	268,132
Less: Amounts due within one year shown under current liabilities	(61,354)	(39,000)
Amounts shown under non-current liabilities	348,380	229,132

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

The Group's long-term debts comprise:

Lenders	Secured/ unsecured	Contractual interest rate	Effective interest rate 2021	Effective interest rate 2020	Carrying amount 2021 RMB'000	Carrying amount 2020 RMB'000	Notes
Bank of China, Sanya	Secured	110% of 5-year PBOC benchmark borrowing rate, repricing every 6 months	4.8%	5.4%	8,000	16,000	(a)
Bank of China, Sanya	Secured	10-year PBOC benchmark borrowing rate, repricing every 12 months	4.8%	4.9%	66,000	76,000	(b)
Bank of China, Sanya	Secured	5-year PBOC benchmark borrowing rate, repricing every 12 months	4.55%	4.75%	80,000	95,000	(c)
Bank of China, Sanya	Secured	5-year loan prime rate ("LPR") plus 20 basis points, repricing every 6 months	4.85%	4.85%	213,904	61,132	(d)
China Everbright Bank, Sanya	Secured	5-year loan prime rate ("LPR") plus 105 basis points, repricing every 6 months	5.70%	-	2,830	-	(d)
Industrial and Commercial Bank of China, Sanya	Unsecured	1-year LPR plus 10 basis points, repricing every 6 months	3.95%	3.95%	39,000	20,000	(e)
Total long-term debts					409,734	268,132	

34. LONG-TERM DEBTS - continued

Notes:

(a) In 2013, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB40,000,000. The bank loan 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-annual instalments and will be fully repaid by 2023.

(b) In 2016, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB80,000,000. The bank loan was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, the PRC. 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 carrying amount of RMB43,655,000 (2020: RMB46,461,000). Repayment of the loan began from 2019 and will be fully repaid by 2025.

(c) In 2019, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB100,000,000. The bank loan was used to finance the purchase of gas. The loan has a 5-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 and the trade receivables of CF China and CF Engineering. Repayment of the loan began from 2020 and will be fully repaid by 2023.

(d) In 2020, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB230,000,000. The bank loan was used to finance the construction of B energy station and pipeline network supporting project in Sanya Haitang Bay low carbon smart energy comprehensive utilization demonstration area. The loan has a 15-year term from the date of the first initial withdrawal. The loan is secured by a pledge of certain land use rights with carrying amount of RMB5,779,000 (2020: RMB5,899,000) of EDF CF, trade receivables of EDF CF, and joint-liability guarantee of CF China. The loan will begin repayment from 2022 and will be fully repaid by 2035. As at December 31, 2021, the secured bank loan facility had total available undrawn amount of RMB13,266,000.

In 2021, the Group entered into an agreement with China Everbright Bank, Sanya to secure a bank loan in the amount of RMB3,500,000. The bank loan was used to fund construction of EV battery swap station project in Haitang district of Sanya City, the PRC. The loan has a 5-year term from the date of the first initial withdrawal. The loan is secured by trade receivables from EV battery swap business of EDF CF and joint-liability guarantee of CF China. As at December 31, 2021, the secured bank loan facility had total available undrawn amount of RMB670,000.

(e) In 2020 and 2021, the Group entered into agreements with Industrial and Commercial Bank of China, Sanya to secure bank loans in the amount of RMB20,000,000 and RMB30,000,000, respectively. The bank loans were used to finance the purchase of gas and daily operations. The loans have a 3-year term from the date of the first initial withdrawal. The loans are unsecured with repayment began from 2021 and will be fully repaid by 2023 and 2024, respectively.

35. CONVERTIBLE DEBENTURES

On May 20, 2021, the Group completed a non-brokered private placement of unsecured convertible debentures in the aggregate principal amount of CAD600,000 (the "Convertible Debentures"). The Convertible Debentures have a term of two years ending on May 19, 2023 (the "Maturity Date") with 7% interest per annum to be paid semi-annually, with an option of the holders of the debenture (the "Debenture Holders") to convert the principal amount outstanding under the Convertible Debentures into common shares of the Company ("Shares") at a conversion price of CAD0.66 (the "Conversion Price") per Share. Under the terms of the Convertible Debentures, the Company has the right to require the Debenture Holders to convert all principal amounts outstanding under the Convertible Debentures at the Conversion Price if, for any fifteen consecutive trading days prior to the Maturity Date, the daily volume-weighted average price of the Shares on the TSX Venture Exchange equals or exceeds CAD0.85 per Share.

At initial recognition, the equity component of the Convertible Debentures representing the fair value of the embedded option to convert the financial liability into equity of the Group was separated from the liability component as follows:

	RMB'000	CAD'000
Proceeds for issue of the Convertible Debentures	3,127	600
- Equity component	138	26
- Deferred tax liability	50	10
- Liability component	2,939	564

The equity component was presented in equity heading "other reserves" which will not be reclassified subsequently to profit or loss. The interest charge to the liability component is calculated by applying an effective interest rate of 10.68% since the Convertible Debentures were issued. The liability component is measured at amortised cost.

The respective movement of the equity and liability component of the Convertible Debentures for current year is set out below:

	2021 RMB'000	2021 CAD'000
Equity component		
Recognition of the equity component at the date of issue	188	36
Deferred tax	(50)	(10)
Carrying amount at the end of the year	138	26

	2021 RMB'000	2021 CAD'000
Liability component		
Carrying amount at the date of issue	2,939	564
Interest charge (note 9)	177	34
Interest paid and payable	(126)	(24)
Exchange differences	(113)	-
Carrying amount at the end of the year	2,877	574

36. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	2,240	1,639
Within a period of more than one year but not more than two years	1,525	1,830
Within a period of more than two years but not more than five years	2,608	2,167
Within a period of more than five years	1,194	1,495
	7,567	7,131
Less: Amount due for settlement within 12 months shown under current liabilities	(2,240)	(1,639)
Amount due for settlement after 12 months shown under non-current liabilities	5,327	5,492

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2020: 4.75%)

37. DEFERRED INCOME - GOVERNMENT GRANTS

The Group received RMB5,269,000, RMB2,553,000 and RMB12,110,000 in government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City in 2012, 2019 and 2020, respectively. These government grants were recognized as a long-term liability and will be recognized in the consolidated statement of profit or loss on the same basis as depreciation of the related property and equipment over the expected useful lives of the relevant assets. As of December 31, 2021, part of the property and equipment are ready for use and RMB428,000 (2020: RMB227,000) is recognised as other income. As at December 31, 2021, the government grants of RMB18,436,000 was recognized as a non-current liability (2020: RMB18,864,000).

38. DEFERRED TAX LIABILITIES

	2021 RMB'000	2020 RMB'000
Deferred tax liabilities	8,706	9,728

37. DEFERRED TAX LIABILITIES - continued

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

	Convertible debentures RMB'000	Property and equipment RMB'000	Accrued receivables on gas sales RMB'000	Receipts in advance and deferred income RMB'000	Withholding tax on undistributed earnings RMB'000	Intangible assets RMB'000	Right-of-use assets and lease liabilities RMB'000	Total RMB'000
As at January 1, 2020	-	14,622	1,313	(5,818)	1,396	621	(74)	12,060
Credit (charge) to profit or loss	-	(642)	(334)	(566)	(896)	(22)	128	(2,332)
At December 31, 2020	-	13,980	979	(6,384)	500	599	54	9,728
Credit to other comprehensive income	50	-	-	-	-	-	-	50
Credit (charge) to profit or loss	(14)	39	(161)	(931)	-	(22)	17	(1,072)
At December 31, 2021	36	14,019	818	(7,315)	500	577	71	8,706

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 RMB318,479,000 at December 31, 2021 (2020: RMB276,693,000), as the Group is able to control the timing of the reversal of the temporary differences.

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:

	2021 RMB'000	2020 RMB'000 (Restated)
Loss carried forward	147,484	133,391
Deductible temporary differences	1,981	2,028
	149,465	135,419

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 approximately RMB149,465,000 (2020: RMB135,419,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2021 RMB'000	2020 RMB'000
2021	-	5,832
2022	4,520	4,520
2023	5,962	5,962
2024	7,672	7,672
2025	11,685	11,685
2026	17,831	-
From 2028 onwards	99,219	97,111
Indefinite	595	609
	147,484	133,391

39. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount
		RMB'000
Common shares		
Issued and fully paid:		
At January 1, 2020	65,263,155	69,861
Exercised options	200,000	192
At December 31, 2020	65,463,155	70,053
Issuance of share awards (Note 40)	522,500	1,150
Shares repurchased (note)	(100,500)	(225)
At December 31, 2021	65,885,155	70,978

Note: On November 24, 2021, the Company repurchased 100,500 shares of its common shares with a consideration of RMB225,000 (CAD44,677). All the shares were cancelled in November 2021.

40. SHARE-BASED COMPENSATION

Equity-settled share option scheme of the Company:

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. Under the Option Scheme, the Board 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, suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company.

At the annual general meeting of the Company held on July 26, 2019, the shareholders of the Company approved the resolution for the amendments to the existing Option Scheme from the "fixed" option plan to a "rolling" option plan whereby (i) options can be granted to subscribe for up to a maximum number of shares of the Company equal to 10% of the issued and outstanding shares of the Company from time to time; and (ii) subject to the maximum referred to in (i) above, options granted and exercised can be re-granted under the scheme. The Rolling Option Scheme is subject to annual renewal and approval by shareholders at each annual general meeting of the Company after initial approval and the current plan was subsequently approved by the shareholders of the Company at the annual general meeting of the Company held on October 29, 2020 and December 23, 2021.

There were no additional share options granted during the year ended December 31, 2021.

39. SHARE-BASED COMPENSATION - continued

Equity-settled share option scheme of the Company: - continued

2020 Option

On December 18, 2020, a total of 1,350,000 share options were granted to directors, management and a consultant. The estimated fair values of the options determined at the date of grant were CAD103,148.

The options granted were vested immediately on the grant date and are exercisable for a period of 3 years from the grant date.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Closing price of last trading day immediately preceding the grant date	CAD0.44
Exercise price	CAD0.60
Expected volatility	44.12%
Expected life	3 years
Risk-free rate	0.3%
Expected dividend yield	2.19%
Fair value per option	CAD0.08

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

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 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.

39. SHARE-BASED COMPENSATION - continued

Equity-settled share option scheme of the Company: - continued

The following table discloses details of specific categories of share options and the movements of the Option Scheme during the respective financial years.

For the year ended December 31, 2021

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Exercise price per share	Number of share options: Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Outstanding at 12.31.2021
Employees and management	April 10, 2017	Immediately	10.4.2017 to 9.4.2022	CAD0.40	950,000	-	-	-	950,000
Employees and management	August 10, 2017	Immediately	10.8.2017 to 9.8.2025	CAD0.63	1,800,000	-	-	(150,000)	1,650,000
Employees and management	August 18, 2017	Immediately	18.8.2018 to 17.8.2025	CAD0.65	500,000	-	-	-	500,000
Directors, officers, management and a consultant	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.60	1,350,000	-	-	-	1,350,000
					4,600,000	-	-	(150,000)	4,450,000
Weighted average exercise price (CAD)					0.58	-	-	0.63	0.57

For the year ended December 31, 2020

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Exercise price per share	Number of share options: Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Outstanding at 12.31.2020
Directors, officers and management	July 31, 2015	Immediately	31.7.2015 to 30.7.2020	CAD0.36	220,000	-	(200,000)	(20,000)	-
Employees and management	April 10, 2017	Immediately	10.4.2018 to 9.4.2022	CAD0.40	1,250,000	-	-	(300,000)	950,000
Employees and management	August 10, 2017	Immediately	10.8.2018 to 9.8.2025	CAD0.63	1,800,000	-	-	-	1,800,000
Employees and management	August 18, 2017	Immediately	18.8.2018 to 17.8.2025	CAD0.65	500,000	-	-	-	500,000
Directors, officers, management and a consultant	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.60	-	1,350,000	-	-	1,350,000
					3,770,000	1,350,000	(200,000)	(320,000)	4,600,000
Weighted average exercise price (CAD)					0.54	0.60	0.36	0.40	0.58

There were no share options exercised during the year ended December 31, 2021. In respect of the share options exercisable during the year and exercised during the prior year, the weighted average share price was CAD0.57 and CAD0.59 at the dates of exercise, respectively.

The number of share options exercisable as at December 31, 2021 was 4,450,000 (2020: 4,600,000).

Fair value of share options granted to directors and employees determined at the date of grant was expensed on the date of grant as all these share options granted were vested immediately.

39. SHARE-BASED COMPENSATION - continued

Equity-settled share-based sward scheme of the Company:

The Employee Stock Award Plan (the "Award Scheme") were adopted on October 29, 2020 for the primary purpose of compensating eligible employees of the Company and subsidiaries of the Company for their shortfall in salaries and motivating the employees to retain in the Group so that they may participate in any future growth of the Group. Under the Award Scheme, the Board may grant awards to eligible participants including all employees on the payroll records of the Group. The aggregate number of shares that may be issued under the Award Plan is fixed at 6,546,315, representing 10% of the issued and outstanding shares of the Company at the date of adoption of the Share Award. The total number of shares which may be reserved for issuance to any one individual under the Award Plan within any one-year period shall not exceed 5% of the issued and outstanding shares and the total number of shares which may be reserved for issuance to any consultant within any one year period shall not exceed 2% of the issued and outstanding shares.

Upon the Award Scheme, the Company may grant share awards to eligible employees provided that the employees have satisfied any performance conditions set by the Board, the Company may issue and deliver to each eligible employee an award of a number of shares equal to (i) the value of the compensation determined by the Board to be earned by such eligible employee on the date of approval of an Award (the "Compensation"), divided by (ii) the Average Market Price of the shares on the date of approval of the Share Award less the maximum allowable discount to the Average Market Price permitted by the securities exchange upon which the shares are listed.

There were no additional share awards granted during the year ended December 31, 2021.

2020 Awards

On December 18, 2020, a total of 2,090,000 share awards were granted to employees and management.

	First Batch	Second Batch	Third Batch
Share price at the date of grant	CAD0.43	CAD0.43	CAD0.43
No of awards	522,500	522,500	1,045,000
Lock-up period	Nil	1 year	3 years
Performance condition	Nil	Meeting one-year development goals set by the Company. A completion level of 80% or lower of such goals will result in the Award Shares being forfeited for no consideration.	Meeting three-year development goals set by the Company. A completion level of 80% or lower of such goals will result in the Award Shares being forfeited for no consideration.

39. SHARE-BASED COMPENSATION - continued

Equity-settled share-based sward scheme of the Company: - continued

The following table discloses details of the specific category of share awards and the movements of the Award Scheme during the respective financial years.

For the year ended December 31, 2021

					Number of share awards				
Category of grantees	Date of grant	Vesting conditions	Exercisable period	Grant-date price per share	Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Outstanding at 12.31.2021
Employees	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.43	522,500	-	(522,500)	-	-
		One year lockup & meeting of performance target	18.12.2021 to 17.12.2024	CAD0.43	522,500	-	-	(522,500)	-
		Three years lockup & meeting of performance target	18.12.2022 to 17.12.2025	CAD0.43	1,045,000	-	-	(25,000)	1,020,000
					2,090,000	-	(522,500)	(547,500)	1,020,000

For the year ended December 31, 2020

					Number of share awards				
Category of grantees	Date of grant	Vesting conditions	Exercisable period	Gant-date price per share	Outstanding at 1.1.2020	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Outstanding at 12.31.2020
Employees	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.43	-	522,500	-	-	522,500
		One year lockup & meeting of performance target	18.12.2021 to 17.12.2024	CAD0.43	-	522,500	-	-	522,500
		Three years lockup & meeting of performance target	18.12.2022 to 17.12.2025	CAD0.43	-	1,045,000	-	-	1,045,000
					-	2,090,000	-	-	2,090,000

During current year, 547,500 shares (2020: nil) were forfeited as the participants failed to satisfy the agreed performance condition and service condition.

The fair value of the share awards is estimated based on the Company's share price of CAD0.43 on the date of grant and amounted to RMB781,000 that has been recognised as share-based payment expenses during the year ended December 31, 2021 (2020: RMB1,150,000).

41. CAPITAL COMMITMENTS

	2021 RMB'000	2020 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 financial statements	140,816	254,569
Capital injection in respect of the investment in Hainan Shanglian Investment Co., Ltd. contracted for but not provided in the financial statements	950	1,500
Capital injection in respect of the investment in EDF CF contracted for but not provided in the financial statements	23,900	-

42. CAPITAL RISK MANAGEMENT

The Group considers its capital structure to consist of share capital, contributed surplus, retained earnings, short-term bank borrowings, long-term debts and convertible debentures. The Group's objectives are to maintain an effective structure that supports its ability to explore strategic business development opportunities in the PRC 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 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 credit lines. Gas supply revenue, gas connection revenue, available cash balances, drawdowns on credit lines and long-term bank debts 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 lines and bank loans, as applicable. As at December 31, 2021, 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, 2021.

During the year ended December 31, 2021, no dividend was declared to the shareholders (2020: nil).

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortized cost	209,371	226,788
Equity instruments at FVTOCI	12,926	500
Derivative financial instrument	7,081	11,908
Financial liabilities		
Liabilities measured at amortized cost	596,070	422,115

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, pipeline relocation receivables, receivables on disposal of Pingxiang Xinao CF, other receivables and deposits, amounts due from an associate and non-controlling interests of subsidiaries, restricted cash, fixed bank deposits, bank balances and cash, equity instruments at FVTOCI, derivative financial instrument, trade and other payables, dividend payable to non-controlling interest of a subsidiary, short-term bank borrowings, long-term debts, convertible debentures and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign exchange 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 its subsidiaries.

The Company and its subsidiaries have foreign currencies included in bank balances and cash and other payables which expose them to foreign currency risk.

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Market risk - continued

Foreign exchange risk - continued

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	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars ("US$")	-	-	149	1,619
CAD	(3,686)	(132)	3,428	1,448
Hong Kong Dollars ("HKD")	(107)	-	513	100

Sensitivity analysis

The management of the Company considers that the exposure to fluctuations in exchange rate of US$, CAD and HKD against RMB are not significant and thus no sensitivity analysis is presented.

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, restricted cash, fixed bank deposits, long-term debts, short-term bank borrowings and lease liabilities. The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term bank borrowings (see notes 33 and 34 for details of these borrowings). The Group's interest rate on its long-term debts are based upon the prescribed lending rate of the PBOC, 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 interest rate would have had the following impact on the Group's profit for the year:

	Impact on profit for the year	
	2021	2020
	RMB'000	RMB'000
Interest rate + 1%	2,106	909
Interest rate - 1%	(2,106)	(909)

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables and deposits, restricted cash, fixed bank deposits, bank balances and amounts due from an associate and non-controlling interests of a subsidiaries. Other than the security deposits collected from certain customers from gas sales, the Group does not hold any other collateral or other credit enhancements to cover its credit risks associated with its financial assets.

As at December 31, 2021 and 2020, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at December 31, 2021 and 2020, in relation to each class of recognized financial assets is the carrying amount of those financial assets as stated in the consolidated statement of financial position.

Other than concentration of credit risk on bank balances which are deposited with several banks in the PRC and Canada with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, and spread across diverse industries and geographical areas.

Trade receivables and contract assets arising from contracts with customers

In order to minimize the credit risk of trade receivables and contract assets, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group performs impairment assessment under ECL model based on provision matrix. Trade receivables and contract assets are grouped under different provision matrix by nature of products and services based on credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers, impairment loss, net of reversal of RMB1,301,000 (2020: impairment loss of RMB282,000) is recognized for the year ended December 31, 2021. Details of the quantitative disclosures are set out below in this note.

Bank balances/fixed bank deposits/restricted cash

The credit risks on bank balances, fixed bank deposits and restricted cash are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances, fixed bank deposits and restricted cash by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances, fixed bank deposits and restricted cash is considered to be insignificant. No expected credit loss was recognized as the amount involved is insignificant.

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Amounts due from an associate and non-controlling interests of a subsidiary

The Group regularly monitors the business performance of the associates and joint venture. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company consider that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. No expected credit loss was recognized as the amount involved is insignificant.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended December 31, 2021 and 2020, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognized.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Normal risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount			
					2021		2020	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortized cost								
Trade receivables - Gas sales	25	N/A	(note)	Lifetime ECL (Provision Matrix)				
				- Current (not past due)	17,329		16,066	
				- 1 - 90 days past due	1,795		1,341	
				- More than 90 days past due	76		392	
					19,200		17,799	
			Loss	Credit-impaired	481	19,681	481	18,280
Trade receivables - Pipeline installation and connection	25	N/A	(note)	Lifetime ECL (Provision Matrix)				
				- Low risk	11,618		13,300	
				- Normal risk	9,469		7,261	
				- High risk	4,091	25,178	4,221	24,782
Pipeline relocation receivables	26	N/A	N/A	12m ECL		21,592		21,631
Receivables on disposal of Pingxiang Xinao CF	26	N/A	Loss	Credit-impaired		126		415
Bank balances	28	N/A	N/A	12m ECL		127,595		138,602
Fixed bank deposits	28	N/A	N/A	12m ECL		-		6,000
Restricted cash	28	N/A	N/A	12m ECL		3,234		5,327
Amount due from an associate	30	N/A	N/A	12m ECL		12,423		13,833
Amounts due from non-controlling interests of subsidiaries	30	N/A	N/A	12m ECL		2,296		2,178
Other items								
Contract assets	24	N/A	(note)	Lifetime ECL (Provision Matrix)				
				- Low risk	19,467		19,148	
				- Normal risk	137	19,604	-	19,148

Note: For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired amounting to RMB481,000 (2020: RMB481,000) for the year ended December 31, 2021, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status and internal credit rating.

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables and contract assets

Note (a): collective assessment - debtors' aging (gas sales)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to natural gas sales and CNG vehicles refuelling station operation, because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group received security deposits from certain customers before the supply of natural gas. The following table provides information about the exposure to credit risk for trade receivables as at December 31, 2021 and 2020 within lifetime ECL (not credit impaired).

Gross carrying amount

	Average loss rate	Trade receivables 2021 RMB'000	Trade receivables 2020 RMB'000
Current (not past due)	0.5%	17,329	16,066
1 - 90 days past due	0.5%	1,795	1,822
More than 90 days past due	15.7%	557	392
		19,681	18,280

Note(b): Provision matrix - internal credit rating (pipeline installation and connection)

The Group applies internal credit rating for its customers in relation to its pipeline connection and construction operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at December 31, 2021 and 2020 within lifetime ECL (not credit impaired).

Gross carrying amount

Internal credit rating	Loss rate range	Trade receivables 2021 RMB'000	Trade receivables 2020 RMB'000	Contract assets 2021 RMB'000	Contract assets 2020 RMB'000
A++ to A-: Low risk	0-10%	11,618	13,300	19,467	19,011
B to B-: Normal risk	20-30%	9,469	7,261	137	137
Lower than B-: High risk	50-100%	4,091	4,221	-	-
		25,178	24,782	19,604	19,148

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables and contract assets - continued

Note(b): Provision matrix - internal credit rating (pipeline installation and connection) - continued

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

Trade receivables

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	3,098	481	3,579
Impairment losses recognized	293	-	293
Impairment losses reversed	(27)	-	(27)
As at December 31, 2020	3,364	481	3,845
Impairment losses recognized	1,388	-	1,388
Impairment losses reversed	(254)	-	(254)
As at December 31, 2021	4,498	481	4,979

Contract assets

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	26	-	26
Impairment losses recognized	40	-	40
Impairment losses reversed	(25)	-	(25)
As at December 31, 2020	41	-	41
Impairment losses recognized	65	-	65
As at December 31, 2021	106	-	106

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Trade receivables and contract assets - continued

Note(b): Provision matrix - internal credit rating (pipeline installation and connection) - continued

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group has given considerations to its future performance and cash flow projection through monitoring the utilisation of bank borrowings and ensuring its ability to renew or refinance the banking facilities upon maturity, to meet its financial obligations including the capital commitments.

The contractual maturities of the Group's long-term debts, convertible debentures and non-current portion of lease liability are described in note 34, 35 and 36, respectively. The remaining financial liabilities, consisting of trade and other payables, amounts due to non-controlling interest of a subsidiary, dividend payable to non-controlling interest of a subsidiary and short-term bank borrowings, the current portion of the long-term debts and lease liability are expected to be realized within one year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease 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 RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2021							
Trade and other payables	-	114,633	-	-	-	114,633	114,633
Dividend payable to non-controlling interest of a subsidiary	-	299	-	-	-	299	299
Amounts due to non-controlling interest of a subsidiary	-	100	-	-	-	100	100
Bank borrowings							
- fixed rate	4.4%	668	62,865	-	-	63,533	60,860
- variable rate	4.7%	9,745	70,672	220,546	213,774	514,737	409,734
Convertible debentures	10.7%	-	302	3,135	-	3,437	2,877
Lease liabilities	4.8%	634	2,267	5,445	1,300	9,646	7,567
At December 31, 2021		126,079	136,106	229,126	215,074	706,385	596,070

42. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Liquidity risk - continued

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	1 - 5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2020							
Trade and other payables	-	113,684	-	-	-	113,684	113,684
Dividend payable to non-controlling interest of a subsidiary	-	299	-	-	-	299	299
Bank borrowings							
- fixed rate	4.4%	440	41,320	-	-	41,760	40,000
- variable rate	4.8%	7,396	39,935	234,669	23,006	305,006	268,132
Lease liabilities	4.8%	332	1,725	4,930	870	7,857	7,131
At December 31, 2020		122,151	82,980	239,599	23,876	468,606	429,246

(c) Fair value measurements of financial instruments

The Group's derivative financial instrument are measured 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 categorized (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).

There was no transfers between different levels during both years.

Financial assets/ financial liabilities	Fair value as at 31/12/2021	Fair value as at 31/12/2020	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial instruments	Asset - RMB7,081,000	Asset - RMB11,908,000	Level 2	The fair value is calculated by multiplying the change in the price of the Company’s common shares with the number of shares initially required to subscribe.
Equity instrument	Asset - RMB11,921,000	nil	Level 3	Market approach – in this approach, the appraisal value of an asset was based on the transaction price of similar items, whether from recent transactions or using market multiples and guideline public company method.

42. FINANCIAL INSTRUMENTS - continued

(c) Fair value measurements of financial instruments - continued

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2021	31/12/2020		
Equity instrument	Asset – RMB1,005,000	Asset - RMB500,000	Level 3	Income approach - in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of its investee, based on a appropriate discount rate.

Fair value measurements and valuation processes

Derivative financial instruments

As disclosed in note 27, the Group owns a right to require the estate of Mr. Lin to subscribe an aggregate amount of RMB36,000,000 (approximately CAD6,862,000 based on the prevailing exchange rate) in common shares of the Company at a price of CAD0.68 per share. The management of the Group considered that the share subscription is a derivative financial instrument. As at December 31, 2021, the market price of the common share is CAD0.54 (2020: CAD0.45) and the closing exchange rate for RMB1.0000 to CAD0.1995 (2020: RMB1.0000 to CAD0.1949) for the year ended December 31, 2021. The derivative financial instrument is classified as financial assets at FVTPL and is measured at fair value at reporting date.

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

In estimating the fair value of derivative financial instrument, the Group multiplies the change in the price of the Company's common shares from the initial subscription price to the closing market price as of December 31, 2021 with the number of shares calculated using the initial subscription price.

44. 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.

	Convertibel debentures RMB'000	Dividend payable to non-controlling interest of subsidiaries RMB'000	Short-term bank borrowings RMB'000	Long-term debts RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2020	-	1,827	10,000	202,000	7,523	221,350
Financing cash flows	-	(1,919)	30,000	66,132	(2,540)	91,673
Non-cash transactions:						
Dividend declared to non-controlling interests of subsidiaries	-	391	-	-	-	391
New leases entered	-	-	-	-	2,148	2,148
Interest expenses	-	-	-	-	-	-
At December 31, 2020 and January 1, 2021	-	299	40,000	268,132	7,131	315,562
Financing cash flows	3,127	-	20,860	141,602	(2,708)	162,881
Non-cash transactions:						
New leases entered		-	-	-	3,144	3,144
Interest expenses	51	-	-	-	-	51
Exchange adjustments	(113)	-	-	-	-	(113)
Allocation of equity component and deferred tax	(188)	-	-	-	-	(188)
At December 31, 2021	2,877	299	60,860	409,734	7,567	481,337

45. PLEDGE OF OR RESTRICTIONS OF ASSETS

Pledge of assets

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Property, plant and equipment	239,382	216,722
Trade receivables and contract assets	58,707	60,112
Right-of-use assets	5,779	5,899
	303,868	282,733

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

45a. General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of Subsidiary	Place of incorporation/ operations	Registered capital	Issued and fully paid	Proportion ownership interest held by the Company 2021	2020	Proportion of voting power held by the Company 2021	2020	Principal activities
Hainan Energy Ltd. ("HEL")	British Virgin Islands	US$910,001	US$910,001		100%		100%	Investment holding
Indirectly owned by the Company:								
CF China	The PRC	US$10,481,120	US$10,481,120	100%	100%	100%	100%	Gas sales and distribution
CF Engineering	The PRC	RMB20,000,000	RMB20,000,000	100%	100%	100%	100%	Gas pipeline installation and connection
Sanya CF NEI	The PRC	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	Investment holding
Sanya Changfeng Offshore Natural Gas Design Co., Ltd. ("CF Design")	The PRC	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	Pipeline connection design
Human CNPC Energy Co., Ltd ("Hunan CF CNPC")	The PRC	RMB10,000,000	RMB5,000,000	58%	58%	58%	58%	CNG refuelling station
Hunan CNPC NEI	The PRC	RMB5,000,000	RMB5,000,000	60%	60%	60%	60%	Investment holding
Zhaoqing Gaoyao Hengtai Natural Gas Co., Ltd.	The PRC	RMB10,000,000	RMB10,000,000	61%	61%	61%	61%	Gas sales and distribution and pipeline installation and connection
Sanya Changfeng Clean Energy Co., Ltd.	The PRC	RMB10,000,000	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 Energy Forum Co., Ltd.	The PRC	RMB10,000,000	RMB3,000,000	100%	100%	100%	100%	Management service
Sanya Changfeng International Natural Gas Trading Co., Ltd.	The PRC	RMB50,000,000	RMB1,000,000	100%	100%	100%	100%	Gas-related technology development
Zhaoqing Gaoyao Changheng Xinmingzhu Energy Co., Ltd.	The PRC	RMB50,000,000	-	98%	98%	98%	98%	Gas and CNG distribution
Riheng	The PRC	RMB10,000,000	RMB10,000,000	60%	60%	60%	60%	Gas distribution
Zhuhai Henghui Energy Co., Ltd.	The PRC	RMB10,000,000	RMB7,500,000	61%	61%	61%	61%	Gas sales and distribution and pipeline installation and construction
Meishan	The PRC	RMB10,000,000	RMB10,000,000	71.6%	71.6%	71.6%	71.6%	Gas sales and distribution and pipeline installation and construction
Hainan Hengtai Energy Co., Ltd.	The PRC	RMB5,000,000	RMB4,000,000	100%	80%	100%	80%	Gas sales and distribution and pipeline installation and construction
Hainan Huapu Energy Co., Ltd.	The PRC	RMB100,000,000	-	100%	100%	100%	100&	Inactive
CF Energy Group (Hainan) Co., Ltd.	The PRC	RMB100,000,000	-	100%	100%	100%	100%	Inactive
CF Energy (Hong Kong) Limited	Hong Kong	HKD1	HKD1	100%	100%	100%	100%	Investment holding and trading
EDF CF	The PRC	RMB119,100,000	RMB119,100,000	70%	70%	70%	70%	Design, construction and operation of a net work of cooling and hot water supply
Hainan Huapu Engineering Services Co., Ltd. ("Huapu ENG")	The PRC	RMB10,000,000	-	100%	100%	100%	100%	Construction and warehousing
Huapu Green Energy	The PRC	RMB100,000,000	-	100%	100%	100%	100%	Inactive
Hainan Huapu Natural Gas Investment Co., Ltd. ("Huapu NG")	The PRC	RMB100,000,000	-	100%	100%	100%	100%	Investment holding
Hainan Huapu Smart Energy Co., Ltd.	The PRC	RMB100,000,000	RMB2,000,000	100%	100%	100%	100%	Investment holding
("EDF Huapu SM") (note 14)	The PRC	RMB10,000,000	RMB2,800,000	70%	100%	70%	100%	Investment holding
Zhuhai Huapu New Energy Co., Ltd. ("Zhuhai Huapu")	The PRC	RMB10,000,000	RMB2,200,000	100%	100%	100%	100%	Provision of EV battery swap service
Hainan Changfeng Charitable Donation ("CF Charitable Donation")	The PRC	RMB2,000,000	RMB2,000,000	100%	100%	100%	100%	Provision of charity activities
Yunnan Huapu New Energy Co., Ltd.	The PRC	RMB10,000,000	-	100%	n/a	100%	n/a	Inactive
Haikou Huapu New Energy Co., Ltd. ("Haikou Huapu")	The PRC	RMB10,000,000	RMB5,100,000	100%	n/a	100%	n/a	Provision of EV battery swap service

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

45a. General information of subsidiaries - continued

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

45b. 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		Profit and total comprehensive income for the year allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021 RMB'000	2020 RMB'000	31.12.2021 RMB'000	31.12.2020 RMB'000
EDF CF	The PRC	30%	30%	(1,964)	(941)	39,995	30,859
Hunan CF CNPC	The PRC	42%	42%	741	984	12,157	11,416
Individual immaterial subsidiaries with non-controlling interests				(994)	(3,019)	(1,796)	(687)
				(2,217)	(2,976)	50,356	41,588

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

Hunan CF CNPC

	2021 RMB'000	2020 RMB'000
Current assets	25,791	24,551
Non-current assets	7,368	7,806
Current liabilities	1,211	1,563
Non-current liabilities	3,134	3,613
Equity attributed to the owners of the Hunan CF CNPC	16,657	15,765
Non-controlling interests of Hunan CF CNPC	12,157	11,416
Revenue	14,522	14,789
Expenses	(12,758)	(12,447)
Profit and total comprehensive income for the year	1,764	2,342
Profit and total comprehensive income for the year attributable to the owners of Hunan CF CNPC	1,023	1,358
Profit and total comprehensive income for the year attributable to non-controlling interests of Hunan CF CNPC	741	984

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

45b. Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Hunan CF CNPC - continued

	2021 RMB'000	2020 RMB'000
Net cash inflow from operating activities	2,037	4,757
Net cash inflow (outflow) from investing activities	6,050	(1,781)
Net cash outflow from financing activities	(186)	-
Net cash inflow	7,901	2,976

EDF CF

	2021 RMB'000	2020 RMB'000
Current assets	48,360	48,543
Non-current assets	334,990	164,192
Current liabilities	60,985	48,740
Non-current liabilities	216,458	61,132
Equity attributed to the owners of EDF CF	65,911	72,004
Non-controlling interests of EDF CF	39,995	30,859
Revenue	6,696	78
Expenses	(13,244)	(3,214)
Loss and total comprehensive expense for the year	(6,548)	(3,136)
Loss and total comprehensive expense attributable to owners of EDF CF	(4,584)	(2,195)
Loss and total comprehensive expense attributable to non-controlling interests of EDF CF	(1,964)	(941)
Net cash outflow from operating activities	(6,652)	(1,759)
Net cash outflow from investing activities	(175,778)	(76,045)
Net cash inflow from financing activities	172,565	101,469
Net cash (outflow) inflow	(9,865)	23,665

47. MAJOR NON-CASH TRANSACTIONS

On November 12, 2020, Huapu NG acquired 0.6% equity interest from the non-controlling interest of CF Engineering for consideration of RMB 120,000, the unsettled consideration was included in other payable.

On January 7, 2021, Sanya Changfeng Clean Energy Co., Ltd., a wholly-owned subsidiary of the Group acquired a 20% equity interest in the non-controlling interest of Hainan Hengtai Energy Co., Ltd. with no consideration.

In August 2021, Hainan Huapu Green Energy Investment Co., Ltd., a wholly-owned subsidiary of the Group entered into a share transfer agreement with EDF China to transfer 30% equity interest in Hainan Huapu Smart Mobility Co., Ltd ("Huapu SM") with no consideration.

On March 10, 2021, 522,500 shares were issued as awards to the management and employees of the Group under the Award Scheme.