YANGCHENG HUIYANG NEW ENERGY DEVELOPMENT COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2022

KTC PARTNERS CPA LIMITED
和信會計師事務所有限公司
Certified Public Accountants (Practising)
HONG KONG

YANGCHENG HUIYANG NEW ENERGY DEVELOPMENT COMPANY LIMITED

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CBM GROUP COMPANY LIMITED

Introduction

We report on the historical financial information of Yangcheng Huiyang New Energy Development Company Limited (the "Huiyang New Energy") set out on pages 3 to 37, which comprises the company statement of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, and the income statements, the statements of changes in equity and the cash flow statements for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 3 to 37 forms an integral part of this report, which has been prepared for inclusion in the circular of China CBM Group Company Limited (the "Company") dated 12 December 2022 (the "Circular") in connection with the (1) major and connected transaction: proposed acquisition involving issue of consideration shares and convertible bonds under specific mandate; (2) proposed share consideration; (3) proposed change in board lot size; and (4) notice of SGM.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Huiyang New Energy for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Huiyang New Energy for the Track Record Period. The directors of Huiyang New Energy are responsible for the preparation of the previously issued financial statements and management accounts of Huiyang New Energy that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Directors' responsibility for the Historical Financial Information

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CBM GROUP COMPANY LIMITED

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Huiyang New Energy as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Huiyang New Energy which comprises the income statement, the statement of changes in equity and the cash flow statement for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The GEM of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Hong Kong, 12 December 2022

I HISTORICAL FINANCIAL INFORMATION OF HUIYANG NEW ENERGY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by KTC Partners CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND
THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Note	Year ended 31 December			Six months ended 30 June	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Revenue	5	68,487	55,732	49,769	26,307	26,392
Cost of sales		(45,216)	(45,580)	(49,294)	(21,600)	(20,505)
Gross profit		23,271	10,152	475	4,707	5,887
Other income and gains or losses	6	3,896	19,373	4,957	225	2
Selling and distribution costs		(5,849)	(5,849)	(5,849)	(2,870)	(1,666)
Administrative and other expenses		(6,499)	(5,406)	(7,448)	(1,997)	(4,017)
Impairment loss on property, plant and equipment		(8,242)	-	(26,376)	-	-
Reversal of impairment under expected credit loss model	7	598	1,436	96	-	-
Finance costs	8	(18,847)	(8,800)	(8,000)	(4,000)	-
(Loss)/Profit before taxation	9	(11,672)	10,906	(42,145)	(3,935)	206
Income tax expense	10	-	-	-	-	-
(Loss)/Profit for the year/period		(11,672)	10,906	(42,145)	(3,935)	206

The notes on pages 3 to 37 are an integral part of this Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019, 2020 AND 2021 AND 30 JUNE 2022

	Note	As at 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	As at 30 June 2022 RMB'000
Non-current asset					
Property, plant and equipment	14	314,515	272,437	207,165	191,389
Right-of-use assets	15	-	698	712	705
Investment in an associate	16	200	200	200	200
Deposits and prepayments	17	8,587	9,258	9,671	13,613
		323,302	282,593	217,748	205,907
Current assets					
Inventories	18	2,617	2,613	3,033	3,352
Trade and other receivables	19	9,385	17,277	15,747	17,599
Amounts due from fellow subsidiaries	20	136,942	133,612	134,345	128,769
Bank balances and cash	21	4,622	965	334	1,380
		153,566	154,467	153,459	151,100
Current liabilities					
Trade and other payables	22	(128,726)	(104,614)	(97,621)	(89,272)
Amount due to intermediate holding company	20	(24,264)	(24,264)	(24,264)	(24,264)
Amount due to immediate holding company	20	(67,301)	(66,984)	(67,375)	(66,351)
Amounts due to fellow subsidiaries	20	(327,234)	(302,119)	(285,013)	(279,980)
Amount due to an associate	16	(1,170)	-	-	-
		(548,695)	(497,981)	(474,273)	(459,867)
Net current liabilities		(395,129)	(343,514)	(320,814)	(308,767)
Net liabilities		(71,827)	(60,921)	(103,066)	(102,860)
Capital and reserves					
Paid-up capital	23	30,000	30,000	30,000	30,000
Reserves		(101,827)	(90,921)	(133,066)	(132,860)
Total equity		(71,827)	(60,921)	(103,066)	(102,860)

The notes on pages 3 to 37 are an integral part of this Historical Financial Information.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES						
(Loss)/Profit before taxation		(11,672)	10,906	(42,145)	(3,935)	206
Adjustments for:						
Depreciation of property, plant and equipment		38,867	38,814	38,900	19,523	18,283
Depreciation of right-of-use assets		-	2	14	7	7
Impairment loss on property, plant and equipment		8,242	-	26,376	-	-
Written off of property, plant and equipment		9,012	3,538	-	-	-
Interest income		-	(1)	(1)	(1)	(2)
Net loss on disposal of property, plant and equipment		-	-	18	-	-
Net gain on disposal of property, plant and equipment		(80)	-	-	-	-
Reversal of impairment of other receivables		(155)	(25)	-	-	-
Reversal of impairment of prepayment		(443)	(1,410)	(96)	-	-
Finance costs		18,847	8,800	8,000	4,000	-
Operating cash flows before movements in working capital		62,618	60,624	31,066	19,594	18,494
Decrease (increase) in inventories		308	4	(420)	(8)	(319)
Decrease (increase) in trade and other receivables		926	(7,128)	1,213	3,606	(5,794)
Decrease in trade and other payables		(18,086)	(24,112)	(6,993)	(8,624)	(8,349)
Cash generated from operations		45,766	29,388	24,866	14,568	4,032
Net cash generated from operating activities		45,766	29,388	24,866	14,568	4,032
Investment activities						
Payment for purchase of property, plant and equipment		(1,693)	(274)	(87)	-	(2,507)
Payment for purchase of right-of-use assets		-	(700)	(28)	-	-
Proceeds from disposal of property, plant and equipment		80	-	65	-	-
Interest received		-	1	1	1	2
(Advance to)/Repayment from fellow subsidiaries		6,025	3,330	(733)	1,765	5,576
Net cash generated from (used in) investing activities		4,412	2,357	(782)	1,766	3,071
Financing activities						
Interest expenses		(18,847)	(8,800)	(8,000)	(4,000)	-
Repayment to fellow subsidiaries		(24,874)	(25,115)	(17,106)	(13,120)	(5,033)
(Repayment to)/Advance from immediate holding company		(1,851)	(317)	391	(117)	(1,024)
Repayment to an associate		-	(1,170)	-	-	-
Net cash used in financing activities		(45,572)	(35,402)	(24,715)	(17,237)	(6,057)
Net increase/(decrease) in cash and cash equivalents		4,606	(3,657)	(631)	(903)	1,046
Cash and cash equivalents at beginning of year/period		16	4,622	965	965	334
Cash and cash equivalents at end of year/period		4,622	965	334	62	1,380

The notes on pages 3 to 37 are an integral part of this Historical Financial Information.

I HISTORICAL FINANCIAL INFORMATION OF HUIYANG NEW ENERGY (continued)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND
THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Paid-up capital RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	30,000	(90,155)	(60,155)
Loss for the year	-	(11,672)	(11,672)
Balance at 31 December 2019	30,000	(101,827)	(71,827)
Profit for the year	-	10,906	10,906
Balance at 31 December 2020	30,000	(90,921)	(60,921)
Loss for the year	-	(42,145)	(42,145)
Balance at 31 December 2021	30,000	(133,066)	(103,066)
Balance at 1 January 2021	30,000	(90,921)	(60,921)
Loss for the period (unaudited)	-	(3,935)	(3,935)
Balance at 30 June 2021 (unaudited)	30,000	(94,856)	(64,856)
Balance at 1 January 2022	30,000	(133,066)	(103,066)
Profit for the period	-	206	206
Balance at 30 June 2022	30,000	(132,860)	(102,860)

The notes on pages 3 to 37 are an integral part of this Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Yangcheng Huiyang New Energy Development Company Limited (the "Huiyang New Energy") is a private company incorporated and domiciled in the People's Republic of China (the "PRC") with limited liability and has its registered office and principal place of business at Qin Chi Village, Qin Chi Town, Yangcheng County, Jincheng City, Shanxi Province, PRC* (中國山西省晉城市陽城縣芹池鎮芹池村). Its immediate holding company is Shanxi Yangcheng Shuntai Energy Development Company Limited, a company incorporated in the PRC, its intermediate holding company is China CBM Group Company Limited, a company incorporated in the Cayman Islands whose shares are listed on The Stock Exchange of Hong Kong Limited and its ultimate holding company is Jumbo Lane Investments Limited, a company incorporated in the British Virgin Islands.

The principal activity of Huiyang New Energy is exploration, development and production of coalbed methane.

2 Summary of significant accounting policies

(a) Basis of preparation of the unaudited financial information

The Historical Financial Information has been prepared in accordance with paragraph 19.68(2)(a)(i) of the GEM Listing Rules, and is solely for the purposes of inclusion in this circular issued by the Company in connection with the Proposed Acquisition.

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Huiyang New Energy's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(b) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Except as described below, the application of the amendments to HKFRSs in the Track Record Period has had no material impact on the Huiyang New Energy's financial positions and performance for the current and prior years and/or on the disclosures set out in these Historical Financial Information.

Impacts of application on HKFRS 16 "Leases"

The Huiyang New Energy has applied HKFRS 16 for the first time in 2019. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease
The Huiyang New Energy has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Huiyang New Energy has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Huiyang New Energy applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee
The Huiyang New Energy has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Huiyang New Energy applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-ofuse assets at the date of initial application.

The Huiyang New Energy do not recognised any lease liabilities or right-of-use assets at 1 January 2019.

Impact on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Huiyang New Energy has applied the Amendments to HKAS 1 and HKAS 8 for the first time in 2020. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the Historical Financial Information.

Impact on application of Amendments to HKFRS 3 Definition of a Business

The Huiyang New Energy has applied the amendments for the first time in 2020. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by transaction basis.

The amendments had no impact on the Historical Financial Information of the Huiyang New Energy but may impact future periods should the Huiyang New Energy make any acquisition.

Impact on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Huiyang New Energy has applied the amendments for the first time in 2020. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reform. The amendments are relevant to the Huiyang New Energy given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the Historical Financial Information of the Huiyang New Energy.

(b) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Impact on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Huiyang New Energy has applied the amendment for the first time in 2020. The amendment introduces 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 occurring as a direct consequence of the Covid-19 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 30 June 2021; and
- there is no substantive change o 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 HKFRS 16 Leases 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 of the amendment had no impact to the opening retained profits at 1 January 2020.

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

The Huiyang New Energy has applied the amendments for the first time in 2021. 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 HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

The amendments have had no impact on the Historical Financial Information as none of the relevant contracts has been transitioned to the relevant replacement rates during the Track Record Period.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 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 Huiyang New Energy'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 Huiyang New Energy changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary 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 Huiyang New Energy's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective
The Huiyang New Energy has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(b) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation.*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Huiyang New Energy's outstanding liabilities as at 30 June 2022, and the related terms and conditions stipulated in the agreements between the Huiyang New Energy and the relevant lenders, the application of the amendments will not result in reclassification of the Huiyang New Energy's liabilities as at 30 June 2022.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 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.

HKFRS 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 Huiyang New Energy but may affect the disclosures of the Huiyang New Energy's significant accounting policies.

Amendments to HKAS 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 HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Huiyang New Energy's Historical Financial Information.

(b) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in the Historical Financial Information, the Huiyang New Energy applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Huiyang New Energy will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 30 June 2022, the carrying amounts of right-of-use assets which are subject to the amendments amounted RMB705,000. The Huiyang New Energy is still in the process of assessing the full impact of the application of the amendments.

(c) Significant accounting policies

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 Huiyang New Energy 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 Huiyang New Energy will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Huiyang New Energy is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Huiyang New Energy discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for 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.

Revenue from contracts with customers

The Huiyang New Energy recognises 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 recognised 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 Huiyang New Energy's performance as the Huiyang New Energy performs;
- the Huiyang New Energy's performance creates and enhances an asset that the customer controls as the Huiyang New Energy performs; or
- the Huiyang New Energy's performance does not create an asset with an alternative use to the Huiyang New Energy and the Huiyang New Energy has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Huiyang New Energy's right to consideration in exchange for goods or services that the Huiyang New Energy has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Huiyang New Energy'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 Huiyang New Energy's obligation to transfer goods or services to a customer for which the Huiyang New Energy has received consideration (or an amount of consideration is due) from the customer.

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

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

Output method
The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Huiyang New Energy's performance in transferring control of goods or services.

As a practical expedient, if the Huiyang New Energy has a right to consideration in an amount that corresponds directly with the value of the Huiyang New Energy's performance completed to date, the Huiyang New Energy recognises revenue in the amount to which the Huiyang New Energy has the right to invoice.

(ii) Existence of significant financing component

In determining the transaction price, the Huiyang New Energy adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Huiyang New Energy with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Huiyang New Energy applies the practical expedient of not adjusting the transaction price for any significant financing component.

(c) Significant accounting policies (continued)

Revenue from contracts with customers (continued)

(ii) Existence of significant financing component (continued)

For advance payments received from customers before the transfer of the associated goods or services in which the Huiyang New Energy adjusts for the promised amount of consideration for a significant financing component, the Huiyang New Energy applies a discount rate that would be reflected in a separate financing transaction between the Huiyang New Energy and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Leases

(a) 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 on or after the date of initial application or modified or arising from business combinations, the Huiyang New Energy assesses whether a contract is or contains a lease based on the definition under HKFRS 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.

(b) The Huiyang New Energy as a lessee
(i) Short-term leases and leases of low-value assets
The Huiyang New Energy applies the short-term lease recognition exemption to leases of buildings or other underlying assets 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 recognised as expense on a straight- line basis or another systematic basis over the lease term.

(ii) 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 Huiyang New Energy; and

- an estimate of costs to be incurred by the Huiyang New Energy 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.

Right-of-use assets in which the Huiyang New Energy 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 Huiyang New Energy presents right-of-use assets as a separate line item on the statement of financial position.

(iii) Refundable rental deposits
Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 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.

(iv) Lease liabilities
At the commencement date of a lease, the Huiyang New Energy recognises 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 Huiyang New Energy 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 Huiyang New Energy under residual value guarantees;

- the exercise price of a purchase option if the Huiyang New Energy is reasonably certain to exercise the option; and

- payments of penalties for terminating a lease, if the lease term reflects the Huiyang New Energy exercising an option to terminate the lease.

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

The Huiyang New Energy 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.

(c) Significant accounting policies (continued)

Leases (continued)

(b) The Huiyang New Energy as a lessee (continued)

(iv) Lease liabilities (continued)

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Huiyang New Energy presents lease liabilities as a separate line item on the statement of financial position.

(v) Lease modifications
Except for Covid-19-related rent concessions in which the Huiyang New Energy applied the practical expedient, the Huiyang New Energy 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.

For a lease modification that is not accounted for as a separate lease, the Huiyang New Energy 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 Huiyang New Energy 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 Huiyang New Energy 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.

(vi) Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform
For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Huiyang New Energy applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

(vii) Covid-19-related rent concessions
In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Huiyang New Energy 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 30 June 2021/2022; 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 HKFRS 16 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.

(viii) Sale and leaseback transactions
The Huiyang New Energy applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Huiyang New Energy.

The Huiyang New Energy as a seller-lessee
For a transfer that does not satisfy the requirements as a sale, the Huiyang New Energy as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as lease liabilities within the scope of HKFRS 9.

(c) Significant accounting policies (continued)

Financial instruments

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

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 HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised 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.

(a) Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised 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.

(ii) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 recognised by applying the effective interest rate to the amortised 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 recognised 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.

(iii) Impairment of financial assets

The Huiyang New Energy performs impairment assessment under expected credit loss ("ECL") model on financial assets at amortised cost which are subject to impairment under HKFRS 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. Assessment are done based on the Huiyang New Energy'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 Huiyang New Energy always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balance or collectively using a provision matrix with similar credit risk characteristics based primarily on the debtors' aging profiles.

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Huiyang New Energy 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 Huiyang New Energy considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(c) Significant accounting policies (continued)

Financial instruments (continued)

(a) Financial assets (continued)

Significant increase in credit risk (continued)

The Huiyang New Energy 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.

Definition of default
For internal credit risk management, the Huiyang New Energy 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 Huiyang New Energy, in full (without taking into account any collaterals held by the Huiyang New Energy).

Irrespective of the above, the Huiyang New Energy considers that default has occurred when a financial asset is more than 90 days past due unless the Huiyang New Energy has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy
The Huiyang New Energy 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 Huiyang New Energy's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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 Huiyang New Energy 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 Huiyang New Energy in accordance with the contract and the cash flows that the Huiyang New Energy expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables 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 Huiyang New Energy 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 amortised cost of the financial asset.

The Huiyang New Energy recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

(iv) Derecognition of financial assets
The Huiyang New Energy derecognises a financial asset only when the contractual rights to the cash flows from the assets 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 amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(c) Significant accounting policies (continued)

Financial instruments (continued)

(b) Financial liabilities and equity

(i) Classification as debt or equity

Debt and equity instruments 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.

(ii) Equity instruments

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

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss ("FVTPL").

(iv) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Huiyang New Energy manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recogni t i on inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Huiyang New Energy's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

(v) Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

(vi) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed. If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to accumulated losses.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(c) Significant accounting policies (continued)

Financial instruments (continued)

(b) Financial liabilities and equity (continued)

(vii) Derecognition/Substantial modification of financial liabilities

The Huiyang New Energy derecognises financial liabilities when, and only when, the Huiyang New Energy's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Huiyang New Energy accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Huiyang New Energy) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Huiyang New Energy considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

(viii) Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

(ix) Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Huiyang New Energy applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Huiyang New Energy's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

When the Huiyang New Energy makes payments for a property interest which includes both leasehold land and building elements, the entire consideration (including any lump-sum upfront payments) are 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 is presented as "right-of-use assets" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to accumulated losses and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

(c) Significant accounting policies (continued)

Property, plant and equipment (continued)

- Buildings held for own use — Over the shorter of unexpired term of the leases or 20 to 30 years
- Leasehold improvements — 2–5 years
- Pipelines — 5–20 years
- Plant and machinery — 3–15 years
- Computer equipment — 3–5 years
- Furniture and equipment — 3–10 years
- Transportation and motor vehicles — 4–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of the buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and are available for their intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells but do not include geological and geophysical costs which are expensed directly to profit or loss as they are incurred, is capitalised as coalbed methane development costs within construction in progress. Coalbed methane development costs are stated at cost less any identified impairment loss. Coalbed methane development costs are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation on these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

Tangible assets acquired for use in well drilling works of ground drainage activities are classified as property, plant and equipment.

Intangible assets (other than goodwill)

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised 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 are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other intangible assets that are acquired by the Huiyang New Energy are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Intangible assets with finite useful lives are amortised from the date they are available for use over their estimated useful lives.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Impairment of tangible and intangible assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(c) Significant accounting policies (continued)

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represented 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 Huiyang New Energy must incur to make the sale.

Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and mandatory central pension schemes organised by the local government of the PRC government are recognised as an expense in the statement of profit or loss as incurred.

(ii) Share-based payments

Share options granted by the Company to employees of the Huiyang New Energy in an equity-settled share-based payment arrangement.

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to the accumulated losses).

Share options granted to consultant in an equity-settled share-based payment transactions.

Share options issued in exchange for goods or services are measured at fair values of the goods or services rendered, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Huiyang New Energy is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (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 Huiyang New Energy expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(c) Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Huiyang New Energy recognises the right-of-use assets and the related lease liabilities, the Huiyang New Energy 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 Huiyang New Energy applies HKAS 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.

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 by the same taxation authority and the Huiyang New Energy intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where 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.

Provisions

Provisions are recognised when the Huiyang New Energy has a present obligation (legal or constructive) as a result of a past event, it is probable that the Huiyang New Energy will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(a) Provision for production safety

Provision for the Huiyang New Energy's production safety are based on certain percentage of the Huiyang New Energy's revenue in accordance with PRC rules and regulations.

Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Huiyang New Energy will comply with the conditions attaching to them. Grants that compensate the Huiyang New Energy for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Huiyang New Energy for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

A government grant that becomes receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Foreign currencies

The functional currency of the Huiyang New Energy is Renminbi ("RMB") and the presentation currency is RMB. The reason for using RMB as a presentation currency is that the functional currency of Huiyang New Energy is RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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 capitalisation 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 capitalisation.

(c) Significant accounting policies (continued)

Borrowing costs (continued)

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Huiyang New Energy's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Huiyang New Energy's lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

(a) A person, or a close member of that person's family, is related to the Huiyang New Energy if that person:

(i) has control or joint control over the Huiyang New Energy;

(ii) has significant influence over the Huiyang New Energy; or

(iii) is a member of the key management personnel of the Huiyang New Energy or the Huiyang New Energy's parent.

(b) An entity is related to the Huiyang New Energy if any of the following conditions applies:

(i) The entity and the Huiyang New Energy are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Huiyang New Energy or an entity related to the Huiyang New Energy;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Huiyang New Energy or to the Huiyang New Energy's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3 Critical accounting estimates and judgements

Huiyang New Energy makes estimates, assumptions and judgements as appropriate in the preparation of the Historical Financial Information. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(i) Provision of ECL for trade receivables

Huiyang New Energy uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables as groupings of various debtors that have similar loss patterns. The provision matrix is based on the historical default rates taking into consideration forward-looking information that is reasonable and supportable and 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. In addition, trade receivables with significant balances and credit impaired receivables are assessed for ECL individually.

(ii) Impairment of property, plant and equipment and right-of-use assets

Huiyang New Energy assessed whether property, plant and equipment and right-of-use assets have suffered any impairment in accordance with relevant accounting policies. The recoverable amounts have been determined based on value-in-use calculations. The value-in-use calculations require the use of estimates such as the profit forecast, cash flows projections and pre-tax discount rates.

(iii) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Huiyang New Energy carefully evaluates tax implications of transactions and tax provisions are set-up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4 Segment information

The Huiyang New Energy is principally engaged in exploration, development and production of coalbed methane in the PRC. The director of the Huiyang New Energy is identified as the chief operating decision maker for the purposes of resource allocation and performance assessment and considered the exploration, development and production of coalbed methane to be a single operating segment. Accordingly, no segment information is reported. For the Track Record Period, all non-current non-financial assets of the Huiyang New Energy were located in the PRC.

No geographical segment information of the Huiyang New Energy is shown as all the assets are located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Huiyang New Energy are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A	33,741	32,250	22,761	14,745	12,947
Customer B	N/A[1]	7,428	10,548	4,847	4,687
Customer C	N/A[1]	6,038	6,050	3,694	4,071
Customer D	10,539	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer E	7,557	N/A[1]	N/A[1]	N/A[1]	N/A[1]

[1] The corresponding revenue did not contribute 10% or more of the total revenue of the Huiyang New Energy.

5 Revenue

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Type of goods or services					
Sales of piped natural gas	68,487	55,732	49,769	26,307	26,392
Timing of revenue recognition					
On point in time basis	68,487	55,732	49,769	26,307	26,392

Revenue from sales of piped natural gas is recognised when customers obtain control of the piped natural gas, which is when the gas is delivered to customers' specific location. Invoices are usually payable within 30 days.

6 Other income and gains or losses

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Other income					
Interest income from bank deposits	-	1	1	1	2
Service income	8,461	16,492	-	-	-
Value-added tax refund	4,335	6,394	4,406	-	-
Sundry income	33	24	568	224	-
	12,829	22,911	4,975	225	2
Other gains or losses					
Gain on disposal of property, plant and equipment	80	-	-	-	-
Written-off of property, plant and equipment	(9,013)	(3,538)	(18)	-	-
	3,896	19,373	4,957	225	2

7 Reversal of impairment under expected credit loss model

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Impairment losses reversed on:					
Other receivables	598	1,436	96	-	-

8 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Interest expenses on other borrowings	18,847	8,800	8,000	4,000	-

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9 (Loss)/Profit before taxation

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories recognised as expense	8,657	9,712	13,749	3,531	2,337
Depreciation of property, plant and equipment included in					
- Cost of sales	32,793	32,754	32,754	16,484	16,452
- Selling and distribution costs	5,849	5,849	5,849	2,870	1,666
- Administration and other expenses	225	211	297	169	165
Depreciation of right-of-use assets included in					
- Cost of sales	-	2	14	7	7
Staff costs					
- Salaries and other benefits	3,413	2,817	2,967	915	756
- Directors' emoluments (Note 11)	-	-	-	-	-
- Retirement benefits schemes contributions	543	113	229	149	870

10 Income tax expenses

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax – PRC Enterprise Income Tax ("EIT")					
Provision for the year	-	-	-	-	-

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Reconciliation between income tax credit and accounting loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss)/Profit before taxation	(11,672)	10,906	(42,145)	(3,935)	206
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(2,918)	2,727	(10,536)	(984)	52
Tax effect of non-deductible expenses	4,314	885	6,594	-	-
Tax effect of non-taxable income	(150)	(359)	(24)	-	-
Tax effect of tax losses not recognised	-	-	3,966	984	-
Utilisation of tax losses previously not recognised	(1,246)	(3,253)	-	-	(52)
Income tax expenses	-	-	-	-	-

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11 Information about the benefits of directors and senior executives

(a) Directors' and supervisors' remunerations

The emoluments paid or payable to each of the directors and the senior executive of the Huiyang New Energy were as follows:

	Director fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement benefits schemes contributions RMB'000	Total RMB'000
Six months ended 30 June 2022					
Directors					
Wang Zhong Sheng	-	-	-	-	-
Zhang Qing Lin	-	-	-	-	-
Fan Lin	-	-	-	-	-
Guo Zhi Xiong	-	-	-	-	-
Fu Shou Gang	-	-	-	-	-
Supervisor					
Chang Jian	-	-	-	-	-
Senior executive					
Wang Fei	-	-	-	-	-
Six months ended 30 June 2021 (unaudited)					
Directors					
Wang Zhong Sheng	-	-	-	-	-
Zhang Qing Lin	-	-	-	-	-
Fan Lin	-	-	-	-	-
Guo Zhi Xiong	-	-	-	-	-
Fu Shou Gang	-	-	-	-	-
Supervisor					
Chang Jian	-	-	-	-	-
Senior executive					
Wang Fei	-	-	-	-	-
Year ended 31 December 2021					
Directors					
Wang Zhong Sheng	-	-	-	-	-
Zhang Qing Lin	-	-	-	-	-
Fan Lin	-	-	-	-	-
Guo Zhi Xiong	-	-	-	-	-
Fu Shou Gang	-	-	-	-	-
Supervisor					
Chang Jian	-	-	-	-	-
Senior executive					
Wang Fei	-	-	-	-	-
Year ended 31 December 2020					
Directors					
Wang Zhong Sheng	-	-	-	-	-
Zhang Qing Lin	-	-	-	-	-
Fan Lin	-	-	-	-	-
Guo Zhi Xiong	-	-	-	-	-
Fu Shou Gang	-	-	-	-	-
Supervisor					
Chang Jian	-	-	-	-	-
Senior executive					
Wang Fei	-	-	-	-	-

11 Information about the benefits of directors and senior executives

(a) Directors' and supervisors' remunerations (continued)

	Director fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement benefits schemes contributions RMB'000	Total RMB'000
Year ended 31 December 2019					
Directors					
Wang Zhong Sheng	-	-	-	-	-
Zhang Qing Lin	-	-	-	-	-
Fan Lin	-	-	-	-	-
Guo Zhi Xiong	-	-	-	-	-
Fu Shou Gang	-	-	-	-	-
Supervisor					
Chang Jian	-	-	-	-	-
Senior executive					
Wang Fei	-	-	-	-	-

There were no arrangements under which a director waived or agreed to waive any emoluments for the Track Record Period. In addition, no emoluments were paid by the Huiyang New Energy to any of the directors as an inducement to join, or upon joining the Huiyang New Energy or as a compensation for loss of office for the Track Record Period.

Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Huiyang New Energy, or bodies corporate controlled by such directors, or entities connected with such directors that were entered into or subsisted during the Track Record Period.

Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Huiyang New Energy's business to which the Huiyang New Energy was a party and in which a director of the Huiyang New Energy, or a entities connected with the directors had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

(b) Individuals with highest emoluments

The five highest paid individuals of the Huiyang New Energy during the Track Record Period are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 Number of individuals	2020 Number of individuals	2021 Number of individuals	2021 Number of individuals (unaudited)	2022 Number of individuals
Directors	-	-	-	-	-
Non-director highest paid individuals	5	5	5	5	5
	5	5	5	5	5

Details of the emoluments of the above non-director individuals during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Salaries and other emoluments	574	470	529	265	265
Contributions to defined retirement scheme	49	17	65	32	46
	623	487	594	297	311

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11 Information about the benefits of directors and senior executives (continued)

(b) Individuals with highest emoluments (continued)

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021 (unaudited)	2022
Nil to RMB1,000,000	5	5	5	5	5

12 Dividends

No dividend was paid or proposed for ordinary shareholders of the Huiyang New Energy during the year ended31 December 2019, 2020 and 2021 and the period ended 30 June 2021 and 2022, nor has any dividend been proposed since the end of the reporting period.

13 (Loss)/Earnings per share

No earnings per share information is presented, for the purpose of this report as its inclusion, is not considered meaningful.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14 Property, plant and equipment

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Pipelines RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Transportation and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2019	817	-	123,301	352,455	364	990	87,326	565,253
Additions	-	215	-	-	25	170	1,283	1,693
Disposals	-	-	-	-	-	(88)	-	(88)
Written off	-	-	-	(10,092)	-	-	(2,232)	(12,324)
At 31 December 2019	817	215	123,301	342,363	389	1,072	86,377	554,534
Additions	-	-	-	-	3	271	-	274
Written off	-	-	-	(9,404)	-	-	-	(9,404)
At 31 December 2020	817	215	123,301	332,959	392	1,343	86,377	545,404
Additions	-	-	-	-	34	-	53	87
Disposals	-	-	-	(426)	-	(250)	-	(676)
At 31 December 2021	817	215	123,301	332,533	426	1,093	86,430	544,815
Additions	-	-	-	2,484	23	-	-	2,507
At 30 June 2022	817	215	123,301	335,017	449	1,093	86,430	547,322
Accumulated depreciation and impairment								
At 1 January 2019	(158)	-	(33,967)	(161,131)	(317)	(737)	-	(196,310)
Depreciation charged	(50)	(30)	(5,849)	(32,793)	(15)	(130)	-	(38,867)
Impairment	-	-	(2,131)	(3,903)	-	-	(2,208)	(8,242)
Written back on disposals	-	-	-	-	-	88	-	88
Written off	-	-	-	3,312	-	-	-	3,312
At 31 December 2019	(208)	(30)	(41,947)	(194,515)	(332)	(779)	(2,208)	(240,019)
Depreciation charged	(50)	(72)	(5,849)	(32,754)	(16)	(73)	-	(38,814)
Written off	-	-	-	5,866	-	-	-	5,866
At 31 December 2020	(258)	(102)	(47,796)	(221,403)	(348)	(852)	(2,208)	(272,967)
Depreciation charged	(50)	(72)	(5,849)	(32,754)	(21)	(154)	-	(38,900)
Impairment	-	-	(7,899)	(8,927)	-	-	(9,550)	(26,376)
Written back on disposals	-	-	-	355	-	238	-	593
At 31 December 2021	(308)	(174)	(61,544)	(262,729)	(369)	(768)	(11,758)	(337,650)
Depreciation charged	(25)	(36)	(2,924)	(15,209)	(12)	(77)	-	(18,283)
At 30 June 2022	(333)	(210)	(64,468)	(277,938)	(381)	(845)	(11,758)	(355,933)
Carrying amount								
At 30 June 2022	484	5	58,833	57,079	68	248	74,672	191,389
At 31 December 2021	509	41	61,757	69,804	57	325	74,672	207,165
At 31 December 2020	559	113	75,505	111,556	44	491	84,169	272,437
At 31 December 2019	609	185	81,354	147,848	57	293	84,169	314,515
At 31 December 2018	659	-	89,334	191,324	47	253	87,326	368,943
Cost								
At 31 December 2020	817	215	123,301	332,959	392	1,343	86,377	545,404
At 30 June 2021 (unaudited)	817	215	123,301	332,959	392	1,343	86,377	545,404
Accumulated depreciation and impairment								
At 31 December 2020	(258)	(102)	(47,796)	(221,403)	(348)	(852)	(2,208)	(272,967)
Depreciation charged (unaudited)	(25)	(36)	(2,924)	(16,449)	(12)	(77)	-	(19,523)
At 30 June 2021 (unaudited)	(283)	(138)	(50,720)	(237,852)	(360)	(929)	(2,208)	(292,490)
Carrying amount								
At 30 June 2021 (unaudited)	534	77	72,581	95,107	32	414	84,169	252,914

Notes:

(i) The buildings held for own use are situated on land held under medium-term leases in the PRC.

(ii) The pipelines are located in the PRC.

(iii) The pipelines with carrying amounts of approximately RMB61,758,000 as at 31 December 2021 (2020: RMB75,506,000; 2019: RMB81,355,000) and RMB58,831,000 as at 30 June 2022 (30 June 2021: RMB72,579,000) were pledged for fellow subsidiary as security under 2019 Finance Lease Arrangement with CIMC.

(iv) Included coalbed methane development costs capitalised with carrying amount of approximately RMB53,802,000 as at 31 December 2021 (2020: RMB63,299,000; 2019: RMB65,507,000) and RMB53,801,000 as at 30 June 2022 (30 June 2021: RMB63,351,000) .

14 Property, plant and equipment (continued)

Impairment test on property, plant and equipment and right-of-use assets

Based on the management's investigation on construction in progress, certain construction in progress has been ceased for construction and its future economic benefits for the Huiyang New Energy are uncertain, and hence an impairment loss of approximately RMB9,550,000 was recognised for certain construction in progress for the year ended 31 December 2021 (2020: Nil; 2019: RMB2,208,000) to fully write down the costs incurred in respect of the construction in progress.

During the year ended 31 December 2020, certain property, plant and equipment amounted to approximately RMB3,538,000 (2019: RMB9,012,000) was written off due to wear and tear.

In view of the continuing operating losses of certain subsidiaries operating in the PRC during the year ended 31 December 2019, 2020 and 2021, the directors of the Company have performed impairment assessment on property, plant and equipment and right-of-use assets based on cash-generating units ("CGU") as at 31 December 2019, 2020 and 2021. The recoverable amounts of CGU have been determined by an independent professional valuer, Asset Appraisal Limited ("Asset Appraisal") based on value-in-use calculations as at 31 December 2019, 2020 and 2021.

The recoverable amounts of the CGU were determined based on certain similar key assumptions. The management of the Group prepared cash flow forecasts for the CGU derived from the most recent available financial budgets approved by management. The key assumptions used in the calculation of value-in-use were discount rate, growth rate, budgeted revenue, budgeted gross margins and net profit margins. The budgeted revenue, gross margins and net profit margins were based on past performance and the management's expectation of market development.

There has been no change from the valuation technique used in prior year. As a result of the impairment assessment of the CGU, management of the Group determined that impairment loss of approximately RMB26,376,000 (2020: Nil; 2019: RMB8,242,000) had been recognised in respect of property, plant and equipment under CGU for the year ended 31 December 2021. Under the prolonged unfavourable impact of COVID-19 pandemic in the PRC, the revenue of the CGU has been dropped significantly and incurred loss during the year ended 31 December 2021. Therefore the directors of the Huiyang New Energy expected that the revenue and net profit of the CGU will be decreased in the near future. As a result, the recoverable amount of the CGU decreased and impairment loss was recognised for the year ended 31 December 2021.

15 Right-of-use assets

	Land use right certificate RMB'000
Cost	
At 1 January 2019	-
At 31 December 2019	-
Additions	700
At 31 December 2020	700
Additions	28
At 31 December 2021	728
At 30 June 2022	728
Accumulated depreciation and impairment	
At 1 January 2019	-
At 31 December 2019	-
Depreciation charged	(2)
At 31 December 2020	(2)
Depreciation charged	(14)
At 31 December 2021	(16)
Depreciation charged	(7)
At 30 June 2022	(23)
Carrying amount	
At 30 June 2022	705
At 31 December 2021	712
At 31 December 2020	698
At 31 December 2019	-
At 31 December 2018	-

15 Right-of-use assets (continued)

	Land use right certificate RMB'000
Cost	
At 1 January 2021	700
At 30 June 2021 (unaudited)	700
Accumulated depreciation and impairment	
At 1 January 2021	(2)
Depreciation charged	(7)
At 30 June 2021 (unaudited)	(9)
Carrying amount	
At 30 June 2021 (unaudited)	691

Notes:

(i) The Company is still in the process of obtaining the land use right certificates for the leasehold lands except for leasehold lands.

(ii) The right-of-use assets are depreciated on a straight-line basis at the estimated useful lives based on the periods of the land use rights which is 50 years.

16 Investment in an associate

	As at 31 December			As at 30 June
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Unlisted investments:				
Share of net assets	200	200	200	200
Amount due to an associate (note (i))	1,170	-	-	-

Note:

(i) The amount due is unsecured, interest-free and repayable on demand.

Name	Beijing Liansheng Jiaye Energy Technology Company Limited* (北京聯盛嘉業能源技術有限公司)
Principal place of business/country of incorporation	PRC
Principal activities	Technology development, consultation and management

In the opinion of the directors, Beijing Liansheng Jiaye Energy Technology Company Limited* (北京聯盛嘉業能源技術有限公司) did not have a material effect on the results or assets of the Huiyang New Energy.

* For identification purposes only

17 Deposits and prepayments

	As at 31 December			As at 30 June
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Prepayment relating to construction expenses	8,587	9,258	9,671	13,613

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	2,610	2,598	3,018	3,337
Finished goods	7	15	15	15
	2,617	2,613	3,033	3,352

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold	8,657	9,712	13,749	2,337

19 Trade and other receivables

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - contract with customers	-	606	183	-
Bills receivables	-	500	-	-
Other receivables and deposits	7,030	6,913	8,029	9,582
Other prepayments	2,355	2,864	3,371	3,611
Value-added tax recoverable	-	6,394	4,164	4,406
	9,385	17,277	15,747	17,599

As of the end of the reporting period, the ageing analysis of the trade receivables, based on invoice date and net of allowance for cresit losses, is as follows:

Within 1 month	-	500	183	-
More than 1 month but less than 3 months	-	-	-	-
More than 3 months but less than 6 months	-	40	-	-
More than 6 months but less than 12 months	-	66	-	-
More than 12 months	-	-	-	-
	-	606	183	-

The Huiyang New Energy generally allows credit period of 30 to 180 days to its customers. The Huiyang New Energy may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' requests.

The ageing analysis of trade receivables that were past due but not impaired are as follows:

Neither past due nor impaired	-	500	183	-
Less than 1 month past due	-	-	-	-
1 to 3 months past due	-	40	-	-
Over 3 months past due	-	66	-	-
	-	106	-	-
	-	606	183	-

20 Amount(s) due from/(to) fellow subsidiaries/intermediate holding company/immediate holding company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from fellow subsidiaries				
Yangcheng Shun An Gathering Pipeline Company Limited*	35,348	37,330	39,658	41,332
Beijing Liansheng Jiaye Energy Technology Company Limited*	6,826	6,826	6,826	6,826
China CBM Group Company Limited (Beijing representative office)	8	8	8	8
Nuoxin (Xian County) Engineering Materials Company Limited*	8,400	8,400	8,400	8,400
Tianjin Shunxin International Energy Company Limited*	86,360	81,048	79,253	71,253
Jinguan (Tianjin) Energy Technology Company Limited*	-	-	200	950
	136,942	133,612	134,345	128,769
Amount due to intermediate holding company				
China CBM Group Company Limited	24,264	24,264	24,264	24,264
Amount due to immediate holding company				
Shanxi Yangcheng Shuntai Energy Development Company Limited*	67,301	66,984	67,375	66,351
Amounts due to fellow subsidiaries				
Shanxi Qinshui Shuntai Energy Development Company Limited*	132,531	114,551	97,941	89,458
Luoyang Shunhe Energy Company Limited*	98,803	90,498	-	-
Hong Kong Chung Wo Energy Investments Limited	-	-	90,002	90,002
Hebei Shuntai Energy Company Limited*	94,324	94,324	94,324	94,324
Shanxi Allied Rich Services Limited*	25	1,195	1,195	4,645
Shanxi Wanzhi Logistics Limited*	1,551	1,551	1,551	1,551
	327,234	302,119	285,013	279,980

The amounts due are unsecured, interest-free and repayable on demand.

* For identification purposes only

21 Bank balances and cash

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	4,614	965	327	1,379
Cash in hand	8	-	7	1
	4,622	965	334	1,380

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

For the years ended 31 December 2019, 2020 and 2021, and the period ended 30 June 2022, the Huiyang New Energy performed impairment assessment on the bank balances and consluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

At the end of the Track Record Period, all the cash and cash equivalents of the Huiyang New Energy denominated in RMB. RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Huiyang New Energy is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22 Trade and other payables

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to a director (note (i))	18,757	21,432	21,432	17,382
Amount due to non-controlling shareholder (note (i))	4,150	2,500	1,103	3
Accrued expenses and other payables (note (ii))	26,598	9,653	9,468	8,923
Payables for acquisition of property, plany and equipmen	78,456	70,767	65,552	62,220
Value-added and other taxes payables	765	262	66	744
	128,726	104,614	97,621	89,272

Notes:

(i) The amount due is unsecured, interest-free and repayable on demand.

(ii) Accrued expenses and other payables included the estimated costs of dismantling and removing the items of property, plant and equipment and restoring the site on which they are located, amounting to approximately RMB3,302,000 as at 31 December 2019, 2020 and 2021, and the period ended 30 June 2022.

23 Paid-up capital

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Paid-up capital	30,000	30,000	30,000	30,000

24 Capital commitments

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of property, plant and equipment (including construction in progress)	1,072	9,262	7,563	7,034

25 Changes in liabilities arising from financing activities

	Amount due to fellow subsidiaries RMB'000	Amount due to intermediate holding company RMB'000	Amount due to immediate holding company RMB'000	Amount due to an associate RMB'000	Total RMB'000
At 1 January 2019	352,108	24,264	69,152	1,170	446,694
Interest expense recognised	18,847	-	-	-	18,847
Changes in cash flows	(43,721)	-	(1,851)	-	(45,572)
At 31 December 2019	327,234	24,264	67,301	1,170	419,969
Interest expense recognised	8,800	-	-	-	8,800
Changes in cash flows	(33,915)	-	(317)	(1,170)	(35,402)
At 31 December 2020	302,119	24,264	66,984	-	393,367
Interest expense recognised	8,000	-	-	-	8,000
Changes in cash flows	(25,106)	-	391	-	(24,715)
At 31 December 2021	285,013	24,264	67,375	-	376,652
Changes in cash flows	(5,033)	-	(1,024)	-	(6,057)
At 30 June 2022	279,980	24,264	66,351	-	370,595
At 31 December 2020	302,119	24,264	66,984	-	393,367
Interest expense recognised (unaudited)	4,000	-	-	-	4,000
Changes in cash flows (unaudited)	(17,120)	-	(117)	-	(17,237)
At 30 June 2021 (unaudited)	288,999	24,264	66,867	-	380,130

26 Pledge of assets

As at 31 December 2019, 2020 and 2021, 30 June 2021 and 2022, the Huiyang New Energy's certain pipelines were pledged as security for lease liabilities of the fellow subsidiary. Details of the pledge assets are included in Note 14.

27 Material related party transactions

(a) Transactions with related party

Name of related party and relationship	Nature of transaction	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Six months ended 30 June 2021 RMB'000 (unaudited)	2022 RMB'000
Shanxi Qinshui Shuntai Energy Development Company Limited* (Fellow subsidiary)	Sales of goods	33,741	32,250	22,761	14,745	12,947
Shanxi Qinshui Shuntai Energy Development Company Limited' (Fellow subsidiary)	Loan interet expense	8,800	8,800	8,000	4,000	-
Luoyang Shunhe Energy Company Limited* (Fellow subsidiary)	Loan interet expense	10,047	-	-	-	-

* For identification purposes only

(b) As at the ending Track Record Period, the Huiyang New Energy's balances with related parties are set out in Note 20.

(c) Remuneration for key management personnel (including directors) of the Huiyang New Energy:

	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Six months ended 30 June 2021 RMB'000 (unaudited)	2022 RMB'000
Salaries and other emoluments	574	471	529	265	265
Contributions to defined retirement scheme	49	17	65	32	46
	623	488	594	297	311

28 Capital risk management

The directors of the Huiyang New Energy manage its capital to ensure that the Huiyang New Energy will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The Huiyang New Energy's overall strategy remains during the Track Record Period.

The capital structure of the Huiyang New Energy consists of debt balance and equity balance. Equity balance consists of equity attributable to owner of the Huiyang New Energy, comprising registered capital and reserves.

The directors of the Huiyang New Energy review the capital structure on an on-going annual basis. As part of this review, the directors of the Huiyang New Energy consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Huiyang New Energy, the Huiyang New Energy will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29 Financial instruments

(a) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments of the Huiyang New Energy as at the end of the reporting period are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
At amortised cost:				
Trade and other receivables	7,030	8,019	8,212	9,582
Cash and cash equivalents	4,622	965	334	1,380
Amounts due from fellow subsidiaries	136,942	133,612	134,345	128,769
Financial liabilities				
At amortised cost:				
Trade and other payables	127,961	104,352	97,555	88,528
Amounts due to fellow subsidiaries	327,234	302,119	285,013	279,980
Amount due to intermediate holding company	24,264	24,264	24,264	24,264
Amount due to immediate holding company	67,301	66,984	67,375	66,351
Amount due to an associate	1,170	-	-	-

(b) Financial risk management objectives and policies

The Huiyang New Energy's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and amount(s) due from/to subsidiaries/intermediate holding company/immediate holding company/an associate. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and other price risk arises in the normal course of the Huiyang New Energy's business. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Huiyang New Energy's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Credit risk and impairment assessment

Credit risk refers to the risk that the Huiyang New Energy's counterparties default on their contractual obligations resulting in financial losses to the Huiyang New Energy. The Huiyang New Energy's credit risk exposures are primarily attributable to trade receivables, bills receivables, other receivables, amounts due from fellow subsidiaries and bank balances. The Huiyang New Energy does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(i) Trade receivables

The Huiyang New Energy has no significant concentration of credit risk with respect to trade receivables as no one customer is responsible for more than 10% of trade receivables.

The Huiyang New Energy has concentration of credit risk by geographical location as the entire balance of its trade receivable as at 31 December 2019, 2020 and 2021 and 30 June 2022 were in the PRC.

In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each major customer periodically. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. The Huiyang New Energy does not require collateral in respect of its financial assets. Trade debtors are usually due within 30 to 180 days from the date of billing.

The Huiyang New Energy also performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure. No impairment is recognised during the Track Record Period.

(ii) Bills receivables

The credit risk associated with bills receivables, which are all bank acceptance drafts, is limited because the accepting bank will cash the bills unconditionally when the entity presents these bills.

(iii) Bank balances

The credit risk of the Huiyang New Energy on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29 **Financial instruments (continued)**

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(iv) Other receivables and amounts due from fellow subsidiaries

Apart from the credit-impaired other receivables as disclosed in the note below, the credit risk on other receivables and amounts due from fellow subsidiaries is also limited because of the natures of these balances, credit quality of the counterparties and the historical settlement record.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Huiyang New Energy assessed the ECL for trade receivables, bills receivables, other receivables and amounts due from fellow subsidiaries was insignificant as the exposure of such receivables is insignificant.

Liquidity risk

Individual operating entities within the Huiyang New Energy are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board of directors' approval. The Huiyang New Energy's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the weighted average effective interest rate and the remaining contractual maturities at the end of the reporting period of the Huiyang New Energy's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Huiyang New Energy can be required to pay:

	Effective interest rate	On demand or within one year RMB'000	Over one year RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019					
Non-derivative Financial liabilities					
Amount due to a director	N/A	18,757	-	18,757	18,757
Amount due to non-controlling shareholder	N/A	4,150	-	4,150	4,150
Accrued expenses and other payables	N/A	26,598	-	26,598	26,598
Payables for acquisition of property, plany and eq	N/A	78,456	-	78,456	78,456
Amounts due to fellow subsidiaries	N/A	327,234	-	327,234	327,234
Amount due to intermediate holding company	N/A	24,264	-	24,264	24,264
Amount due to immediate holding company	N/A	67,301	-	67,301	67,301
Amount due to an associate	N/A	1,170	-	1,170	1,170
		547,930	-	547,930	547,930
At 31 December 2020					
Non-derivative Financial liabilities					
Amount due to a director	N/A	21,432	-	21,432	21,432
Amount due to non-controlling shareholder	N/A	2,500	-	2,500	2,500
Accrued expenses and other payables	N/A	9,653	-	9,653	9,653
Payables for acquisition of property, plany and eq	N/A	70,767	-	70,767	70,767
Amounts due to fellow subsidiaries	N/A	302,119	-	302,119	302,119
Amount due to intermediate holding company	N/A	24,264	-	24,264	24,264
Amount due to immediate holding company	N/A	66,984	-	66,984	66,984
		497,719	-	497,719	497,719
At 31 December 2021					
Non-derivative Financial liabilities					
Amount due to a director	N/A	21,432	-	21,432	21,432
Amount due to non-controlling shareholder	N/A	1,103	-	1,103	1,103
Accrued expenses and other payables	N/A	9,468	-	9,468	9,468
Payables for acquisition of property, plany and eq	N/A	65,552	-	65,552	65,552
Amounts due to fellow subsidiaries	N/A	285,013	-	285,013	285,013
Amount due to intermediate holding company	N/A	24,264	-	24,264	24,264
Amount due to immediate holding company	N/A	67,375	-	67,375	67,375
		474,207	-	474,207	474,207

29 Financial instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Effective interest rate	On demand or within one year RMB'000	Over one year RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
At 30 June 2022					
Non-derivative Financial liabilities					
Amount due to a director	N/A	17,382	-	17,382	17,382
Amount due to non-controlling shareholder	N/A	3	-	3	3
Accrued expenses and other payables	N/A	8,923	-	8,923	8,923
Payables for acquisition of property, plany and eq	N/A	62,220	-	62,220	62,220
Amounts due to fellow subsidiaries	N/A	279,980	-	279,980	279,980
Amount due to intermediate holding company	N/A	24,264	-	24,264	24,264
Amount due to immediate holding company	N/A	66,351	-	66,351	66,351
		459,123	-	459,123	459,123

Interest rate risk

The Huiyang New Energy is not exposed to significant interest rate risk. The Huiyang New Energy currently does not have interest rate hedging policy. However, the management of the Huiyang New Energy closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Currency risk

The functional currency of the Huiyang New Energy is RMB in which most of the transactions are denominated. The Huiyang New Energy currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Huiyang New Energy does not hold significant foreign currencies financial assets and liabilities, in the opinion of the directors of the Huiyang New Energy, foreign currency risks are not significant to the Historical Financial Information.

Other price risk

Oil and gas price risk
Apart from the financial instruments disclosed above, the Huiyang New Energy's activities expose it to market risk relating to oil and gas price risks.

The Huiyang New Energy is engaged in a wide range of gas related activities. The global oil and gas market is affected by international political, economic and global demand for and supply of oil and gas. A decrease in the world prices of cruel oil and gas could adversely affect the Huiyang New Energy's financial position. The Huiyang New Energy has not used any derivative instruments to hedge against potential price fluctuations of crude oil and refined and gas products. The management will consider hedging oil and gas exposure should the need arise.

(c) Fair value measurement of financial instruments

The carrying amounts of the Huiyang New Energy's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021 and 30 June 2022 due to their short term maturities.

30 Contingent liabilities

As at 30 June 2022, the Huiyang New Energy did not have any significant contingent liabilities.

31 Events after the reporting period

There is no significant events taken place subsequent to 30 June 2022.

32 Subsequent financial statements

No audited financial statements have been prepared by the Huiyang New Energy in respect of any period subsequent to 30 June 2022 and up to the date of this report.