

**CF ENERGY CORP.**  
(formerly “Changfeng Energy Inc.”)

**Management’s Discussion and Analysis  
for the three-month and nine-month periods ended  
September 30, 2020**

Dated November 30, 2020

## **Advisory**

This Management’s Discussion and Analysis (“MD&A”) provides an analysis to enable readers to understand the financial position and operations of CF Energy Corp., formerly “Changfeng Energy Inc.” (hereafter referred to as “CF Energy”, “we” or the “Company”) and its subsidiaries (collectively referred to as the “Group” or “our Group”) as at and for three-month and nine-month periods ended September 30, 2020. This information should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements and related notes for the three-month and nine-month periods ended September 30, 2020 and the audited consolidated financial statements and related notes for the year ended December 31, 2019. “CF Energy ” includes CF Energy Corp. and its subsidiaries, unless otherwise indicated. Additional information related to CF Energy is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on its website at <http://www.cfenergy.com>.

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

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

Amounts are stated in Renminbi (RMB), the official currency of the People’s Republic of China (the “PRC” or “China”) and the functional currency of the Company, and Canadian dollars (CAD) unless otherwise indicated.

## **Caution Regarding Forward-Looking Information**

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

## **Overview**

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

Our existing business model comprises three main segments: (i) Natural gas transmission and sales, including a) Pipeline natural gas (“PNG”) sales and liquified natural gas (“LNG”) supply distribution sales; b) Vehicle refueling; and c) Natural gas direct transmission; (ii) Electric vehicle (“EV”) battery swap station; and (iii) Renewable and smart energy/Integrated smart energy. Segment (i) has been operational and segment (ii) became operational since late July 2020, with the remaining segment (iii) currently under development. The PNG sales cover both PNG distribution and the service pipeline installation and connection sub-segments. For the purpose of presentation in the unaudited condensed interim consolidated financial statements of the Group for the three-month and nine-month periods ended September 30, 2020, sub-segments (a) and (c) are presented under the “Gas distribution utility” segment and sub-segment (b) and segment (ii) are presented under the “Vehicle refueling” segment as the EV battery swap station business is at its implementation stage, its revenue is included in the Vehicle refueling segment.

### **Pipeline PNG Sales and LNG Supply Distribution Sales**

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

LNG supply distribution sales commenced in 2018 with the signing of various LNG supply distribution contracts for the point-to-point supply of natural gas in the form of LNG to factories and industrial parks in Xingtai City, Hebei Province.

### **Vehicle Refueling**

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

### **Natural Gas Direct Transmission**

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

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## Growth Projects

The following table summarizes the status of the Group’s growth projects as of the date of this MD&A:

GROWTH PROJECTS	CF Energy Ownership Interest	Estimated Capital Cost		Expenditure to Date		Status	Expected In-Service Date
		RMB'000	CAD'000	RMB'000	CAD'000		
<b>RENEWABLE AND SMART ENERGY/ INTEGRATED SMART ENERGY</b>							
Haitang Bay (First Phase)	70.0%	387,000	75,968	89,052	17,481	Under construction. Station B completed 41%, pipeline network completed 90%	Q1-2021
Meishan (First Phase)	71.6%	80,000	15,704	8,560	1,680	Substantially completed. Station completed 90%, pipeline network completed 30%	Q4-2020
<b>EV BATTERY SWAP STATIONS</b>							
Sanya City Stations	70.0%	20,000	3,926	4,780	938	First station completed and in operation. The other three stations under pre-construction	Remaining three stations: Q4-2021
Haikou City Stations	100%	15,000	2,945	-	-	Three stations in pre-construction	First station:Q1-2021. Remaining three stations : Q4 2021
Zhuhai City Stations	100%	20,000	3,926	-	-	First station under-construction. The other three stations under pre-construction	First station:Q1-2021. Remaining three stations : Q4 2021

Note: Canadian dollars for information only

## Renewable and Smart Energy / Integrated Smart Energy

Currently there are two projects under development, namely the integrated smart energy project (the “Haitang Bay Smart Energy Project”) and the integrated district energy distribution project (the “Meishan Project”).

The Haitang Bay Smart Energy Project, which combines the use of multiple clean energy sources, including solar, hydro, electricity, and natural gas (CCHP/Co-Gen), is to supply cooling, heating, as well as hot water to the hotels, shopping centers, and households in the Haitang Bay area of Sanya City, Hainan Province, the PRC. This project is conducted through the Group’s 70% held (30% held by the EDF Group) subsidiary company, EDF CF with a 30-year concession right agreement (2017 to 2047) which gives EDF CF the right to build, own and operate in Haitang Bay, Hainan Province. In January 2020, EDF CF received the final approval for pipeline construction from the relevant regulatory authorities in Sanya City for the commencement of construction and laying of pipelines for the project. The project has since received the land rezoning approval for the construction of B energy station, the first cooling station from the Sanya City government, completed the bidding process for the land use right certification for the use of land in the construction and commenced phase one of the construction. Despite the COVID-19 pandemic resulting in slowing construction progress on the Haitang Bay project, by the end of September 2020, 36% of construction on the first energy station had been completed. Further, over 11,916m of pipeline has been welded and laid for the integrated smart energy network (6000m of pipeline laid through land reclamation bypassing a river), accounting for 90% of the total expected pipeline required for the network for the first phase operation. Based on the status of development as of the date of this MD&A, the initial operation of B energy station is expected to commence in the first quarter of 2021.

The Haitang Bay Smart Energy Project will have 4 central energy stations, 30 km of district cooling and heating distribution networks, and 38 end user stations by the end of 2023. Once fully implemented, the system will distribute cooling, heating and hot water to serve 4.7 million square meters of commercial space, including large scale hotels, shopping malls, entertainment parks and buildings, hospitals and other commercial complexes. The Haitang Bay Smart Energy Project uses optimized multi-energy integration program to distribute cooling, heating and hot water to customers. The system will apply many advanced technologies, i.e. multi-level compressed high-efficient refrigeration units, “ice battery” technology, hydro heat pump technology, distributed photovoltaic technology and AI data management to provide more efficient energy supply. A system of such a scale, which has been widely and successfully deployed in other parts of the world, including Canada, is new to China.

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The Meishan Project is the jointly invest, construct and operate of an integrated district energy distribution project in the New Economic Development Zone of Meishan City, Sichuan Province, the PRC (the “Meishan New Economic Development Zone”) to be operated by Meishan Hengtai Tianzhiyuan Energy Limited (“Meishan Hengtai”), a company which the Group holds an effective interest of 72%. The Meishan New Economic Development Zone, situated next to the central urban area of Meishan City, Sichuan Province, the PRC, with a planned development area of 50.5 square kilometers, is to be the hub for manufacturers of drugs, supplements, medical equipment, and other medical related supplies. The year-round constant demand for steam is necessary to produce drugs that makes the Meishan New Economic Development Zone an ideal platform for integrated district energy distribution. Sichuan provincial government has approved the construction plan for the first phase of the integrated district energy distribution project in Meishan City. The land for construction was obtained and the land transfer process was completed in 2019.

A one-year LNG supply contract was signed with the Meishan natural gas subsidiary of China National Petroleum Corporation (“CNPC”) to provide the Meishan Project network with LNG for the use of industrial steam powered heating. A letter of intent was also signed with CNPC to supply the Group’s energy distribution network with pipeline gas once its pipeline is completed, which is expected by July 2021. In long run, pipeline gas will replace the more expensive LNG, and help reduce the overall cost of gas supplied, which is expected to encourage more customers to tap into the Company’s system. The Meishan Project construction progress had suffered delays due to the COVID-19 pandemic, and the construction of the energy station is expected to be completed by the end of this year.

### **EV Battery Swap Station**

The EV battery swap station business is a newly created segment of the Group in May 2020 pursuant to the exclusive co-operating agreement (the “Exclusive Co-operating Agreement”) entered into by EDF Changfeng (Sanya) Energy Co., Ltd. (“EDF CF”) with BAIC Qingxiang Technology Co., Ltd. (“BAIC QX”) and Blue Valley Smart (Beijing) Energy Technology Co., Ltd. (“Blue Valley”). EDF CF is a subsidiary, established for the development of the Haitang Bay Smart Energy Project, which is currently owned as to 70% by CF Energy and 30% by the French EDF Group. Under the Exclusive Co-operating Agreement, EDF CF will initially invest, build and operate four EV battery swap stations in Sanya City to serve BAIC QX’s 200 swap-battery EVs for its network taxi hiring business (the “Network Taxis”) currently operating in Sanya City and its additional 200 EV Network Taxis planned for Hainan Province in the near term with Blue Valley to provide the equipment, assembly and maintenance service to EDF CF for the EV battery swap stations. First of the four planned stations located near the Sanya’s airport was built and launched its operation on July 24, 2020. This forms the initial phase of the EV battery swap station business which is aimed to identify and resolve and issues in the operating process and implement the Company’s business model as planned.

In September 2020, the Company and EDF (China) Holding Ltd. (“EDF (China)”), a wholly owned subsidiary of the EDF Group, signed an 8 year exclusive co-operating agreement with BAIC QX and Blue Valley to provide EV battery swap services in the city of Haikou, capital of Hainan Province. Concurrently, a memorandum of understanding was also signed among the Company, EDF (China) and Blue Valley to jointly develop the battery swap project in Zhuhai City, Guangdong Province.

Further to the commencement of operation of the first EV battery swap station in Sanya City, the Group has been preparing for the construction of the second EV battery swap station in Sanya and expects to have four operational battery swap stations in Zhuhai, Guangdong. One of which is expected to commence operation in first quarter of 2021 and other three stations in the last quarter of 2021.

## **Major Highlight for the three-month period ended September 30, 2020, and up to the date of this MD&A**

### **COVID-19 and Impact on the business of the Group**

Due to the outbreak of COVID-19 in China, including those cities in which the Company operates, the Company commenced taking measures to prevent the spread of the outbreak within the Company, especially for the front-line employees who cannot work from home and frequently contact the customers, in line with the government’s guideline, and provided one-time subsidy to all its front-line employees. COVID-19 has substantially reduced tourist numbers in Sanya City, one of the hottest tourist destinations in China during the Chinese New Year Holidays as well as one of the cities in which CF Energy operates, and negatively

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impacted CF Energy’s gas sale volume in Sanya City, one of the main contributors to the Group’s total revenue.

As a result of COVID-19 pandemic, for the nine-month period ended September 30, 2020 (“Nine Months in 2020”), the Group had reported a significant drop in its business across all business segments mainly due to quarantine and travel restrictions in China carried forward from previous quarter of the year. However, the negative impact of pandemic has been reduced quarter by quarter and evidenced a slowdown in the three-month period ended September 30, 2020 (the “Third Quarter in 2020”), please refer to the financial information contained in other sections of this MD&A.

### **EV Battery-Swap Services**

On May 20, 2020, EDF CF signed the Exclusive Co-operating Agreement with BAIC QX and Blue Valley. Under the Exclusive Co-operating Agreement, EDF CF will initially invest, build and operate four EV battery swap stations in Sanya City to serve BAIC QX’s 200 swap-battery EVs for its network taxi hiring business (the “Network Taxis”) currently operating in Sanya City and its additional 200 EV Network Taxis planned for Hainan Province in the near term with Blue Valley to provide the equipment, assembly and maintenance service to EDF CF for the EV battery swap stations. First of these stations located near the Sanya’s airport was built and launched its operation on July 24, 2020. The Group is preparing for the construction of the second EV battery swap station in Sanya City. Each of the stations is designed to complete each vehicle battery change within a three-minute time frame in a fully automated machinery process and serve around 100 registered EVs.

On September 15, 2020, the Company and EDF (China), a wholly owned subsidiary of the EDF Group, signed an 8 year exclusive co-operating agreement with BAIC QX and Blue Valley to provide EV battery swap services in the city of Haikou, capital of Hainan Province. Concurrently, a memorandum of understanding was also signed among the Company, EDF (China) and Blue Valley to jointly develop the battery swap project in Zhuhai City, Guangdong Province.

### **Green energy industry development in Hainan Province**

On June 15, 2020, the Company signed a memorandum of understanding (“MOU”) with the Hainan Provincial Bureau of International Economic Development (“Hainan IEDB”) and EDF (China) to co-operate for the joint promotion of green energy industry development in Hainan Province in support of the Hainan Free Trade Port (“Hainan FTP”) initiatives. Pursuant to the MOU, Hainan IEDB highly encourages the co-operating parties to explore the possibility of carrying out investment and cooperation in the field of comprehensive utilization of low-carbon energy and infrastructure of new energy electric vehicles, and to assist Hainan Province in industrial upgrading and energy transformation by providing efficient and clean energy products and solutions. In addition, the MOU also provides that Hainan IEDB will support EDF (China) and CF Energy to build integrated battery swap station and energy storage station network in Hainan Province and assist and coordinate with EDF (China) and CF Energy to participate in the drafting of the forthcoming Hainan “14th five-year plan” and specific guidelines for the construction of battery swap station and energy storage station network with relevant departments of Hainan Province.

### **Gas Selling Price Adjustment**

The Group’s natural gas business is a price regulated industry in China, where its business and operations are susceptible to risks associated with government pricing policy and regulation changes. The Group needs to enter into discussions and negotiations with local governments on pricing from time to time. Over the years, the Group has been able to increase the selling price several times.

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

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Effective from August 1, 2020, the Group’s New Gas Selling Price would be regulated by the Pricing Formula based on gas purchase price (the “Gas Purchasing Price”) plus gas distribution cost (the “Gas Distribution Cost”). The New Gas Selling Price are applicable to both residential and commercial customers. As a result, effectively from August 1, 2020, the New Gas Selling Price per m<sup>3</sup> to commercial customers in Sanya would be adjusted from RMB5.0735 to RMB4.00 while for social welfare units such as schools, government facilities, and other not-for-profit organizations which are classified under commercial customers from RMB3.46 to RMB3.23, and the New Gas Selling Price to residential customers in Sanya would be adjusted, based on 3 levels of consumption, from RMB3.15 to RMB2.94, RMB3.78 to RMB3.53 or RMB3.96 (remain unchanged). The New Gas Selling Price are to be reviewed and adjusted periodically (semi-annually) based on changes to the Gas Purchasing Price and the Gas Distribution Cost. The New Gas Selling Price applicable effectively from August 1, 2020 in Sanya for the distribution of gas to our customers will impact the Group’s Sanya natural gas distribution business segment and as such, the Company has filed a Material Change Report on SEDAR on July 23, 2020 on such policy changes to the regulated gas selling price. As the Price Formula uses historical Gas Purchasing Price and Gas Distribution Cost to determine future selling price, and the actual New Gas Purchase Price and Gas Distribution Cost will be different, therefore its impact on the Group’s net profit could not be readily quantified. Partly due to the new prices, for the Third Quarter in 2020 (covering 2 months of the new prices) the Group’s gas distribution business segment’s profit dropped during that period as compared to the Third Quarter in 2019. The actual Gas Purchasing Price for the period was lower than when determining the New Gas Selling Price so the actual impact on our profit was less severe. Going forward, the Group expects the New Gas Selling Price would continue to significantly and adversely impact the profitability of its natural gas distribution business segment.

The management has always been fully aware of this and, while continue to maintain close communications with local government to obtain further financial and policy support and provide timely market feedback to our shareholders, will also take all necessary steps to further optimize the operation model and spare no effort in maintaining stable long-term growth in the overall profitability of the Group.

## **Subsequent Events**

### **Share Option Scheme**

At the annual general meeting of the Company held on October 29, 2020 (the “2020 AGM”), the shareholders of the Company approved the resolution for the re-adoption of the Option Plan which was due to expire at the conclusion of the 2020 AGM.

### **Stock Award Plan**

At the 2020 AGM, the shareholders of the Company approved the resolution for the adoption of the 2020 Employee Stock Award Plan (the “Stock Award Plan”). Under the Stock Award Plan, 6,546,315 Common Shares has been reserved for issuance, representing 10% of the outstanding Common Shares at the date of adoption of the Stock Award Plan. Further details of the plan are set out in the Management Proxy Circular to the shareholders of the Company for the 2020 AGM.

### **Enhancement of existing gas distribution business**

As part of our natural gas distribution business and for the purpose of transmitting PNG from our gas stations to our customers in Sanya City, the Group is responsible for the installation of the gas pipeline networks and connecting them to the end-users. For enhancement of existing gas distribution business, in addition to our existing Nanshan Primary Station, a second gas station will be built. First instalment for the procurement of the land use right for the second gas station was paid during Nine Months in 2020. Construction of the second gas station is scheduled to commence after the land use right has been obtained.

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## **Outlook**

We are very pleased to note that the economy of China has continued to show encouraging signs of recovery. Such recovery has benefited our Group as we saw the returning of tourists to Sanya and the increase in our natural gas distribution volume reaching pre-COVID-19 levels. COVID-19 outbreak in China seems to be under firm control and, barring any unforeseen circumstances, we look forward to seeing continuing momentum on economic recovery, further lessening of the impact of COVID-19 and full recovery to pre-COVID-19 level being on the horizon.

Against the backdrop of the follow on negative impact of COVID-19 on the economy and the lowering of gas price imposed by the SYDRC in Sanya which became effective from August 1, 2020, management is pleased to deliver respectable results for Nine Months in 2020 with net profit, on a comparable basis after excluding non-recurring government subsidies in a form of financial assistance of RMB 5.1 million and the derivative gain of RMB 3.6 million (see “Related Party Transactions” section on page 21 and 22 of this MD&A), of RMB13.7 million, similar to that of RMB13.5 million reported for Nine Months in 2019.

As SYDRC continues to implement its natural gas price control policy, we expect more pressure on our revenue and profitability going forward. However, it is not all doom and gloom, as the aim of the policy is to increase the usage of natural gas as clean energy, hence making natural gas more affordable to end users. Management believes that lowering of natural gas prices has also created great opportunities for us to expand our customer base beyond the current areas we are serving within Sanya City, as in the past, high natural gas prices have precluded us from tapping into these markets. Furthermore, we see encouraging signs of increase gas distribution volume as with the lack of alternative overseas traveling destinations due to COVID-19 outside of China, recent number of returning tourists and local home owners to Sanya City have increased significantly to a level above that of pre-COVID-19 days. Despite SYDRC’s periodic gas price adjustment decision may not be totally predictable, management has proved that they can maintain a healthy profit via enhanced business operations.

On the renewable and integrated smart project development front, the Meishan Project and Haitang Bay Integrated Smart Energy Project are on track for commercial operation by end of the year and first quarter of 2021 respectively. First Sanya EV battery swap station commenced operation in late July this year with two more stations currently under development, one in Sanya City and one in Zhuhai city, Guangdong Province.

Moving forward, while bracing ourselves against the negative impact which the gas price control policy will bring to our natural gas business, we will leverage off lower gas prices to reach out to more gas users and further expand our market footprint in Hainan and continue with our cost control measures to ensure that our existing core businesses continue to operate profitably. We will also be looking at a plan for gradual trimming out of non-core businesses and placing more emphasis on the furtherance of the implementation of our strategic plan to develop the integrated smart energy projects and the EV battery swap station business for sustained future growth and enhancement of return to our shareholders.

**Management's Discussion and Analysis**

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**Selected Quarterly Financial Information**

The following table provide selected financial information for the three-month and nine-month periods ended September 30, 2020 and 2019 in Chinese RMB:

<i>In thousands of Chinese RMB except percentages and per share amounts</i>	Three months ended September 30,			%	Nine months ended September 30,			%
	2020	2019	Change		2020	2019	Change	
<b>Revenue</b>	<b>98,456</b>	<b>106,556</b>	<b>(8,100)</b>	<b>-8%</b>	<b>254,218</b>	<b>316,583</b>	<b>(62,365)</b>	<b>-20%</b>
<b>Gross profit</b>	<b>40,051</b>	<b>45,341</b>	<b>(5,290)</b>	<b>-12%</b>	<b>95,472</b>	<b>124,001</b>	<b>(28,529)</b>	<b>-23%</b>
% of revenue	40.7%	42.6%	-2%		37.6%	39.2%	-1%	
Other income	5,378	427	4,951	>999%	6,374	1,485	4,889	329%
Other losses	(195)	(1,834)	1,639	-89%	(1,157)	(2,241)	1,084	-48%
Impairment losses under expected credit loss model, net of reversal	(470)	383	(853)	-223%	432	656	(224)	-34%
Fair value change on derivative financial instrument	3,561	-	3,561	100%	5,113	-	5,113	100%
Selling and marketing expenses	(9,188)	(11,508)	2,320	-20%	(25,709)	(37,772)	12,063	-32%
% of revenue	9%	11%	-2%		10%	12%	-2%	
General and administrative expenses	(9,866)	(12,752)	2,886	-23%	(30,637)	(34,173)	3,536	-10%
% of revenue	10%	12%	-2%		12%	11%	1%	
Finance costs	(1,197)	(2,341)	1,144	-49%	(4,571)	(5,929)	1,358	-23%
Listing expenses	-	(442)	442	-100%	-	(2,045)	2,045	-100%
Share of profit of associates	1,920	1,461	459	31%	4,936	545	4,391	806%
Share of loss of a joint venture	-	(75)	75	-100%	-	(452)	452	-100%
Loss on disposal of an associate	-	-	-	-	-	(379)	379	-100%
<b>Profit before tax</b>	<b>29,994</b>	<b>18,660</b>	<b>11,334</b>	<b>61%</b>	<b>50,253</b>	<b>43,696</b>	<b>6,557</b>	<b>15%</b>
% of revenue	30%	18%	12%		20%	14%	6%	
Income tax expense	(7,365)	(5,164)	(2,201)	43%	(13,009)	(14,088)	1,079	-8%
% of revenue	7%	5%	2%		5%	4%	1%	
<b>Profit for the period</b>	<b>22,629</b>	<b>13,496</b>	<b>9,133</b>	<b>68%</b>	<b>37,244</b>	<b>29,608</b>	<b>7,636</b>	<b>26%</b>
% of revenue	23%	13%	10%		15%	9%	6%	
<b>Profit and total comprehensive income for the period</b>	<b>22,629</b>	<b>13,496</b>	<b>9,133</b>	<b>68%</b>	<b>37,244</b>	<b>29,608</b>	<b>7,636</b>	<b>26%</b>
-attributable to non-controlling interests	116	563	(447)	-79%	163	(195)	358	-184%
-attributable to owners of the Company	<b>22,513</b>	<b>12,933</b>	<b>9,580</b>	<b>74%</b>	<b>37,081</b>	<b>29,803</b>	<b>7,278</b>	<b>24%</b>
<b>EBITDA (note 1)</b>	<b>37,653</b>	<b>26,612</b>	<b>11,041</b>	<b>41%</b>	<b>72,216</b>	<b>65,642</b>	<b>6,574</b>	<b>10%</b>
% of revenue	38%	25%	13%		28%	21%	7%	
Basic EPS (RMB)	0.34	0.20			0.57	0.45		
Diluted EPS (RMB)	0.33	0.20			0.56	0.45		

Note 1: EBITDA is identified and defined under the section “Non-IFRS Financial Measures”.

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The following table provide selected financial information for the three-month and nine-month periods ended September 30, 2020 and 2019 in Canadian dollars for information only:

<i>In thousands of Canadian Dollars except percentages and per share amounts</i>	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change	%	2020	2019	Change	%
<b>Revenue</b>	<b>19,061</b>	<b>20,651</b>	<b>(1,590)</b>	<b>-8%</b>	<b>49,217</b>	<b>61,354</b>	<b>(12,137)</b>	<b>-20%</b>
<b>Gross profit</b>	<b>7,754</b>	<b>8,787</b>	<b>(1,033)</b>	<b>-12%</b>	<b>18,483</b>	<b>24,031</b>	<b>(5,548)</b>	<b>-23%</b>
% of revenue	41%	43%	-2%		38%	39%	-1%	
Other income	1,041	83	958	>999%	1,234	288	946	328%
Other losses	(38)	(355)	317	-89%	(224)	(434)	210	-48%
Impairment losses under expected credit loss model, net of reversal	(91)	74	(165)	-223%	84	127	(43)	-34%
Fair value change on derivative financial instrument	689	-	689	100%	990	-	990	100%
Selling and marketing expenses	(1,783)	(2,230)	447	-20%	(4,977)	(7,320)	2,343	-32%
% of revenue	9%	11%	-2%		10%	-	10%	
General and administrative expenses	(1,910)	(2,471)	561	-23%	(5,947)	(6,623)	676	-10%
% of revenue	10%	12%	-2%		12%	11%	1%	
Finance costs	(232)	(454)	222	-49%	(885)	(1,149)	264	-23%
Listing expenses	-	(86)	86	-100%	-	(396)	396	-100%
Share of profit of associates	372	283	89	31%	956	106	850	802%
Share of loss of a joint venture	-	(15)	15	-100%	-	(88)	88	-100%
Loss on disposal of an associate	-	-	-	-	-	(73)	73	-100%
<b>Profit before tax</b>	<b>5,802</b>	<b>3,616</b>	<b>2,186</b>	<b>60%</b>	<b>9,714</b>	<b>8,469</b>	<b>1,245</b>	<b>15%</b>
% of revenue	30%	18%	12%		20%	14%	6%	
Income tax expense	(1,426)	(1,001)	(425)	42%	(2,519)	(2,730)	211	-8%
% of revenue	7%	5%	2%		5%	4%	1%	
<b>Profit for the period</b>	<b>4,376</b>	<b>2,615</b>	<b>1,761</b>	<b>67%</b>	<b>7,195</b>	<b>5,739</b>	<b>1,456</b>	<b>25%</b>
% of revenue	23%	13%	10%		15%	9%	6%	
<b>Profit and total comprehensive income for the period</b>	<b>4,376</b>	<b>2,615</b>	<b>1,761</b>	<b>67%</b>	<b>7,195</b>	<b>5,739</b>	<b>1,456</b>	<b>25%</b>
-attributable to non-controlling interests	22	109	(87)	-80%	32	(38)	70	-184%
<b>-attributable to owners of the Company</b>	<b>4,354</b>	<b>2,506</b>	<b>1,848</b>	<b>74%</b>	<b>7,163</b>	<b>5,859</b>	<b>1,304</b>	<b>22%</b>
<b>EBITDA</b>	<b>7,308</b>	<b>5,232</b>	<b>2,076</b>	<b>40%</b>	<b>14,017</b>	<b>12,905</b>	<b>1,112</b>	<b>9%</b>
% of revenue	38%	25%	13%		28%	21%	7%	
Basic EPS (CAD)	0.07	0.04			0.11	0.09		
Diluted EPS (CAD)	0.07	0.04			0.11	0.09		

**Management's Discussion and Analysis**

For the three-month and nine-month periods ended September 30, 2020

**Result of Operations****Total Revenue and Sales Volume sold**

Revenue (Summary table)								
Total Revenue (in RMB'000)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
<b>Gas distribution utility</b>								
- Gas supply	51,889	57,729	(5,840)	-10%	143,590	180,321	(36,731)	-20%
- Pipeline installation and connection	32,965	31,330	1,635	5%	76,234	90,370	(14,136)	-16%
<b>Vehicles refueling stations</b>								
- CNG refueling and EV Battery Swap	13,602	17,497	(3,895)	-22%	34,394	45,892	(11,498)	-25%
<b>Total Revenue in RMB'000</b>	<b>98,456</b>	<b>106,556</b>	<b>(8,100)</b>	<b>-8%</b>	<b>254,218</b>	<b>316,583</b>	<b>(62,365)</b>	<b>-20%</b>
<b>Total Revenue in CAD'000</b>	<b>19,061</b>	<b>20,651</b>	<b>(1,590)</b>	<b>-8%</b>	<b>49,217</b>	<b>61,354</b>	<b>(12,137)</b>	<b>-20%</b>

Since the outbreak of COVID-19 pandemic in late January 2020, the Group experienced a drop in revenue across all its business segments in the six-month period ended June 30, 2020 (“1H 2020”) and this has continued to impact much of the Third Quarter in 2020. The economic damage caused by the COVID-19 pandemic is largely driven by a fall in gas demand due to the imposition of government protective and containment measures such as quarantine and travel restrictions and the temporary cessation of business activities in all the cities in China where the Group operate. In spite of this, with the easing off of such containment measures, noticeable improvement was noted in the latter part of the Third Quarter in 2020 which saw level of activities recovering to similar level as that for the corresponding period in 2019. Overall decrease in revenue for the Third Quarter in 2020 is primarily noted in commercial customers in the Sanya City with fewer large commercial projects undertaken during the period.

Total revenue for the Third Quarter in 2020 was RMB98.5 million, a decrease of RMB8.1 million, or 8%, from RMB106.6 million for the three-month period ended September 30, 2019 (the “Third Quarter in 2019”). Revenue from gas supply for the Third Quarter in 2020 was RMB51.9 million, a decrease of RMB5.8 million, or 10% from RMB57.7 million for the Third Quarter in 2019. Revenue from pipeline installation and connection for the Third Quarter in 2020 was RMB33.0 million, an increase of RMB1.7 million, or 5% from RMB31.3 million for the Third Quarter in 2019. Vehicle refueling revenue for the Third Quarter in 2020 was RMB13.6 million, a decrease of RMB3.9 million, or 22% as compared to RMB17.5 million for the Third Quarter in 2019.

Total revenue for Nine Months in 2020 was RMB254.2 million, a decrease of RMB62.4 million, or 20%, from RMB316.6 million for the nine-month period ended September 30, 2019 (“Nine Months in 2019”). Revenue from gas supply for Nine Months in 2020 was RMB143.6 million, a decrease of RMB36.7 million, or 20% from RMB180.3 million for Nine Months in 2019. Revenue from pipeline installation and connection for Nine Months in 2020 was RMB76.2 million, a decrease of RMB14.2 million, or 16% from RMB90.4 million for Nine Months in 2019. Vehicle refueling revenue for Nine Months in 2020 was RMB34.4 million, a decrease of RMB11.5 million, or 25% from RMB45.9 million for Nine Months in 2019.

Sales volume sold								
Gas sales	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
<b>Sales volume sold (m<sup>3</sup>)</b>								
Sanya City, Hainan Province	11,686,790	11,474,283	212,507	2%	31,667,506	36,852,197	(5,184,691)	-14%
Shijiazhuang City, Hebei Province	4,629,511	4,265,281	364,230	9%	11,464,643	10,641,619	823,024	8%
Other cities	20,093	31,477	(11,384)	-36%	20,093	292,185	(272,092)	-93%
<b>Total gas sales volume (m<sup>3</sup>)</b>	<b>16,336,394</b>	<b>15,771,041</b>	<b>565,353</b>	<b>4%</b>	<b>43,152,242</b>	<b>47,786,001</b>	<b>(4,633,759)</b>	<b>-10%</b>
<b>CNG refueling</b>								
Sanya CNG/LNG	2,893,796	2,998,987	(105,191)	-4%	7,043,614	8,578,673	(1,535,059)	-18%
Changsha CNG	1,019,147	1,429,316	(410,169)	-29%	2,423,662	3,032,236	(608,574)	-20%
<b>Total CNG/LNG volume (m<sup>3</sup>)</b>	<b>3,912,943</b>	<b>4,428,303</b>	<b>(515,360)</b>	<b>-12%</b>	<b>9,467,276</b>	<b>11,610,909</b>	<b>(2,143,633)</b>	<b>-18%</b>
<b>Total sales volume sold (m<sup>3</sup>)</b>	<b>20,249,337</b>	<b>20,199,344</b>	<b>49,993</b>	<b>0%</b>	<b>52,619,518</b>	<b>59,396,910</b>	<b>(6,777,392)</b>	<b>-11%</b>

Total sales volume for the Third Quarter in 2020 was 20.2 million m<sup>3</sup>, a marginal increase as compared to the Third Quarter in 2019. Total sales volume for Nine Months in 2020 was 52.6 million m<sup>3</sup>, a decrease of 6.8 million m<sup>3</sup>, or 11% from 59.4 million m<sup>3</sup> for Nine Months in 2019. The overall decrease was mainly attributable to the decrease in gas sales volume in Sanya City and Sanya vehicle refueling station due to the reduction in the consumption of gas caused by the outbreak of COVID-19 in the first quarter of 2020 which carried forward to the Third Quarter in 2020.

For the three-month and nine-month periods ended September 30, 2020

In the Third Quarter in 2020, the business direct sourcing and trading of LNG was explored in Shijiazhuang City resulting in a marginal increase in overall sales volume for Nine Months in 2020.

Gas sales in other cities includes gas supply to customers in Wenchang City, Hainan Province. Factories of those brick manufacturer customers in Wenchang City were under temporary suspension since the first quarter of 2020 due to the outbreak of COVID-19 and only resumed operation during the current period.

CNG sales volume from Sanya vehicle refueling station slightly decreased by 0.1 million m<sup>3</sup>, or 4% to 2.9 million m<sup>3</sup> for the Third Quarter in 2020 from 3.0 million m<sup>3</sup> for the Third Quarter in 2019. CNG sales volume from Changsha vehicle refueling station decreased by 0.4 million m<sup>3</sup>, or 29% to 1.0 million m<sup>3</sup> for the Third Quarter in 2020 from 1.4 million m<sup>3</sup> for the Third Quarter in 2019.

Further analysis sales volume for the Group’s two business segments: Gas Distribution Utility and Vehicles Refueling Stations is presented below.

Gas Sales volume by nature of customers

<b>Gas sales</b>									
<b>Sanya City, Hainan Province</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>				
<b>Gas volume sold (m<sup>3</sup>)</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>%</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>%</b>	
Residential customers	3,459,603	2,854,124	605,479	21%	11,894,167	9,924,544	1,969,623	20%	
Commercial customers	8,227,187	8,620,159	(392,972)	-5%	19,773,339	26,927,653	(7,154,314)	-27%	
	<b>11,686,790</b>	<b>11,474,283</b>	<b>212,507</b>	<b>2%</b>	<b>31,667,506</b>	<b>36,852,197</b>	<b>(5,184,691)</b>	<b>-14%</b>	
<b>Shijiazhuang City, Hebei Province</b>									
<b>Gas volume sold (m<sup>3</sup>)</b>									
Commercial customers	4,629,511	4,265,281	364,230	9%	11,464,643	10,641,619	823,024	8%	
<b>Other cities</b>									
<b>Gas volume sold (m<sup>3</sup>)</b>									
Commercial customers	20,093	31,477	(11,384)	-36%	20,093	292,185	(272,092)	-93%	
<b>Total</b>	<b>16,336,394</b>	<b>15,771,041</b>	<b>565,353</b>	<b>4%</b>	<b>43,152,242</b>	<b>47,786,001</b>	<b>(4,633,759)</b>	<b>-10%</b>	

Gas sales volume for residential customers in Sanya City recorded an increase of 0.6 million m<sup>3</sup>, or 21% from 2.9 million m<sup>3</sup> for the Third Quarter in 2019 to 3.5 million m<sup>3</sup> for the Third Quarter in 2020. Gas sales volume for residential customers in Sanya City recorded a significant increase of 2.0 million m<sup>3</sup>, or 20% to 11.9 million m<sup>3</sup> for Nine Months in 2020 from 9.9 million m<sup>3</sup> for Nine Months in 2019. The increase reflected more Sanya home owning customers returning and the continued increase in new customers, a trend which has not been affected by COVID-19, consistent with the trend experienced in 1H 2020.

Non-residential customers include commercial and industrial customers. Commercial customers in Sanya City include non-residential customers such as hotels, resorts and restaurants, and social welfare units such as schools, government facilities, and other not-for-profit organizations. Customers outside of Sanya City are all commercial customers which mainly come from ceramic/industrial manufacturers in Shijiazhuang City, Hebei Province and brick manufacturers in Wenchang City, Hainan Province.

The COVID-19 pandemic situation and the resultant protective measures undertaken by the Chinese government had substantially reduced tourist numbers to Hainan which saw cancellation of holidays and business trips to Hainan resulting in the significant drop in hotel occupancy rate during the traditional high holiday season in the first quarter of 2020 which continued to the Third Quarter in 2020. This had a significant negative impact on the Group’s gas sale volume from commercial customers, such as hotels, resorts and restaurants in Sanya City. However, such impact has noticeably reduced in the Third Quarter in 2020 as the pace of economic recovery continued to pick up which saw more business travels to Sanya City.

Gas sales volume for commercial customers in Sanya City recorded a slight decrease of 0.4 million m<sup>3</sup>, or 5% from 8.6 million m<sup>3</sup> for the Third Quarter in 2019 to 8.2 million m<sup>3</sup> for the Third Quarter in 2020 as such improvement in sales only marginally offset the drop in the first two months of the Third Quarter in 2020. Despite overall gas sales volume for commercial customers in Sanya City for Nine Months in 2020 continued to record significant decrease of 7.1 million m<sup>3</sup>, or 27% to 19.8 million m<sup>3</sup> from 26.9 million m<sup>3</sup> for Nine Months in 2019, the magnitude of reduction represented a significant improvement from the position at the end 1H 2020.

For the three-month and nine-month periods ended September 30, 2020

<b>Gas sales by number of customers</b>								
Sanya City, Hainan Province	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
<b>Customers newly started gas supply</b>								
Residential customers	3,630	4,836	(1,206)	-25%	11,600	15,893	(4,293)	-27%
Commercial customers	16	30	(14)	-47%	28	54	(26)	-48%
<b>Total customers</b>								
Residential customers	236,351	216,802	19,549	9%	236,351	216,802	19,549	9%
Commercial customers	1,147	1,093	54	5%	1,147	1,093	54	5%

There was a total of 3,630 new residential customers for the Third Quarter in 2020, a decrease of 1,206 new customers, or 25% from 4,836 new residential customers obtained from the Third Quarter in 2019. There were 16 new commercial customers for the Third Quarter in 2020, a decrease of 14 new commercial customers, or 47% from 30 new commercial customers obtained for the Third Quarter in 2019.

There was a total of 236,351 residential customers and 1,147 commercial customers as at September 30, 2020, as compared to 216,802 residential customers and 1,093 commercial customers as at September 30, 2019. Under the outbreak of COVID-19 pandemic, fewer new residential and commercial customers were gained for Nine Months in 2020 before the economy has full recovered as compared to Nine Months in 2019.

Gas sales revenue by customers

<b>Gas sales</b>								
Sanya City, Hainan Province								
Gas sales revenue (in RMB'000)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
Residential customers	10,324	8,587	1,737	20%	34,588	28,917	5,671	20%
Commercial customers	31,570	38,682	(7,112)	-18%	82,143	121,750	(39,607)	-33%
	41,894	47,269	(5,375)	-11%	116,731	150,667	(33,936)	-23%
Shijiazhuang City, Hebei Province								
Gas sales revenue (in RMB'000)								
Commercial customers	8,486	9,588	(1,102)	-11%	22,925	27,506	(4,581)	-17%
Other cities								
Gas sales revenue (in RMB'000)								
Commercial customers	1,509	872	637	73%	3,934	2,148	1,786	83%
<b>Total gas sales by customers</b>	<b>51,889</b>	<b>57,729</b>	<b>(5,840)</b>	<b>-10%</b>	<b>143,590</b>	<b>180,321</b>	<b>(36,731)</b>	<b>-20%</b>

Gas sales revenue from residential customers in Sanya City for the Third Quarter in 2020 was RMB10.3 million, an increase of RMB1.7 million, or 20%, from RMB8.6 million for the Third Quarter in 2019. Gas sales revenue from commercial customers in Sanya City for Nine Months in 2020 was RMB31.6 million, a significant decrease of RMB7.1 million, or 18%, from RMB38.7 million for Nine Months in 2019.

The increase in residential gas sales revenue in Sanya City was mainly driven by an increase in sales volume from residential customers as a result of increased consumption of gas as compared to the general consumption level in the same period of 2019 as more Sanya residential customers continued with the tendency to stay more at home after the containment of COVID-19 and the continued increase in new customers, a trend which has not been affected by COVID-19, consistent with the trend experienced in 1H 2020. Gradual economic recovery and increased commercial activities since the uplift of quarantine and travelling restrictions in March 2020 saw some rebound of gas sales volume for commercial customers in the second quarter of 2020 which continued into the Third Quarter in 2020. However, the increase in sales revenue from residential customers driven by the increase in sales volume was offset by the reduction in selling prices due to the New Gas Selling Price adjustments imposed by SYDRC on both residential and commercial customers which began on August 1, 2020. The combined effect of these resulted in the overall drop of 23% in sales revenue of Sanya City for Nine Months in 2020.

Gas sales revenue in Shijiazhuang City for the Third Quarter in 2020 was RMB8.4 million, a slight decrease of RMB1.2 million, or 11% from RMB9.6 million for the Third Quarter in 2019. Sales in Shijiazhuang City for Nine Months in 2020 was RMB22.9 million, a decrease of RMB4.6 million, or 17% from RMB27.5 million for Nine Months in 2019.

Gas sales revenue in other cities included gas transmission fee charged for natural gas transmitted to the Datang Gaoyao Plant in Zhaoqing City, Guangdong Province which amounted to RMB1.5 million for the Third Quarter in 2020 as compared to RMB0.9 million the Third Quarter in 2019. Production of Datang Gaoyao Plant has not been affected by the COVID-19 pandemic with steady gas volume being transmitted in 2020.

For the three-month and nine-month periods ended September 30, 2020

Pipeline installation and connection

<b>Sanya City, Hainan Province</b>								
Pipeline connection by number of customers	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
<b>Customers newly connected</b>								
Residential customers	7,289	3,030	4,259	141%	10,975	10,919	56	1%
Commercial customers	29	28	1	4%	50	56	(6)	-11%
<b>Total customers connected</b>								
Residential customers	296,862	269,287	27,575	10%	296,862	269,287	27,575	10%
Commercial customers	1,180	1,085	95	9%	1,180	1,085	95	9%
<b>Pipeline connection revenue (in RMB'000)</b>								
Residential customers	27,699	24,689	3,010	12%	67,993	67,459	534	1%
Commercial customers	5,266	6,641	(1,375)	-21%	8,241	22,911	(14,670)	-64%
<b>Total</b>	<b>32,965</b>	<b>31,330</b>	<b>1,635</b>	<b>5%</b>	<b>76,234</b>	<b>90,370</b>	<b>(14,136)</b>	<b>-16%</b>

Total pipeline installation and connection revenue for the Third Quarter in 2020 was RMB33.0 million, an increase of RMB1.7 million or 5%, from RMB31.3 million for the Third Quarter in 2019. Pipeline installation and connection revenue from residential customers for the Third Quarter in 2020 was RMB27.7 million, an increase of RMB3.0 million, or 12%, from RMB24.7 million for the Third Quarter in 2019, while pipeline installation and connection revenue from commercial customers for the Third Quarter in 2020 was RMB5.3 million, a decrease of RMB1.3 million, or 21 %, from RMB6.6 million for the Third Quarter in 2019.

Pipeline installation and connection activities for the Third Quarter in 2020 followed similar trend of recovery under COVID-19 pandemic where revenue from residential customers recovered faster than revenue from commercial customers. For the Third Quarter in 2020, the increase in sales revenue from residential customers was mainly attributed to the connection of gas supply to the temporary housing for relocating residences of certain old residential areas in Sanya city under the government policy of city planning, the plan which was temporarily affected by COVID-19 in the first quarter of this year but has since continued to pick up pace.

Total pipeline installation and connection revenue for Nine Months in 2020 was RMB76.2 million, a decrease of RMB14.2 million or 16%, from RMB90.4 million for Nine Months in 2019. The decrease in revenue was mainly attributed to the significant decrease of RMB14.7 million from commercial customers for Nine Months in 2020. Pipeline installation and connection revenue from residential customers for Nine Months in 2020 remained constant as compared to Nine Months in 2019.

There were 7,289 new residential customers for the Third Quarter in 2020, a significant increase of 4,259 new customers from 3,030 new customers for the Third Quarter in 2019. There were 296,862 residential customers and 1,180 commercial customers as at September 30, 2020, as compared to 269,287 residential customers and 1,085 commercial customers as at September 30, 2019. Pipeline installation and connection activities dropped significantly in January and February 2020 as compared to the same months last year due to the COVID-19 pandemic, but activities began to pick up since March 2020. Significant increase in residential customers are mainly attributed to the connection of gas supply from residential customers in temporary housing under city redevelopment plan.

**Vehicle refueling**

<b>Vehicles refueling stations</b>								
<b>CNG refueling</b>								
CNG Sales Volume (in m³)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
Sanya CNG/LNG	2,893,796	2,998,987	(105,191)	-4%	7,043,614	8,578,673	(1,535,059)	-18%
Changsha CNG	1,019,147	1,429,316	(410,169)	-29%	2,423,662	3,032,236	(608,574)	-20%
<b>Total Sales Volume (m³)</b>	<b>3,912,943</b>	<b>4,428,303</b>	<b>(515,360)</b>	<b>-12%</b>	<b>9,467,276</b>	<b>11,610,909</b>	<b>(2,143,633)</b>	<b>-18%</b>
Total Revenue (in RMB'000)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
<b>CNG Sales Revenue</b>								
Sanya CNG/LNG	9,180	10,985	(1,805)	-16%	23,887	32,485	(8,598)	-26%
Changsha CNG	4,415	6,512	(2,097)	-32%	10,500	13,407	(2,907)	-22%
<b>EV Battery Swap Revenue</b>								
Sanya City	7	-	7	100%	7	-	7	100%
<b>Total Revenue (RMB'000)</b>	<b>13,602</b>	<b>17,497</b>	<b>(3,895)</b>	<b>-22%</b>	<b>34,394</b>	<b>45,892</b>	<b>(11,498)</b>	<b>-25%</b>

For the three-month and nine-month periods ended September 30, 2020

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Due to the reduction of daily commutes and social events, total sales volume from vehicle refueling decreased 2.1 million m<sup>3</sup>, or 18%, from 11.6 million m<sup>3</sup> for Nine Months in 2019 to 9.5 million m<sup>3</sup> for Nine Months in 2020. Total sales volume from vehicle refueling for the Third Quarter in 2020 decreased 0.5 m<sup>3</sup>, or 12% as compared to the Third Quarter in 2019. The decrease was attributed to a nationwide trend of increasing popularity in usage of electrical vehicles which reduced the consumption of nature gas by CNG vehicles in both Sanya and Changsha City.

The EV battery swap station business is a newly established business of the Group since its operation in late July 2020. As the EV battery swap station business is in its implementation stage, its revenue is included in the vehicles refuelling segment for the Third Quarter and Nine Months in 2020.

### **Foreign exchange rates**

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

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

<b>One Chinese RMB to Canadian dollars</b>	<b>Q3 2020</b>	<b>Q3 2019</b>	<b>% change</b>
Spot rate at the end of the period	0.1963	0.1853	5.9%
Average rate for the period	0.1936	0.1938	-0.1%

### **Gross margin**

Gross profit for the Third Quarter in 2020 was RMB40.1 million, a decrease of RMB5.2 million, or 12%, from RMB45.3 million for the Third Quarter in 2019. Gross profit for Nine Months in 2020 was RMB95.5 million, a decrease of RMB28.5 million, or 23%, from RMB124.0 million for Nine Months in 2019. Gross margin for the Third Quarter in 2020 was 40.7%, a slight decrease of 1.9 percentage points as compared to 42.6% for the Third Quarter in 2019. Gross margin for Nine Months in 2020 was 37.6%, a slightly decrease of 1.6 percentage points as compared to 39.2% for Nine Months in 2019.

Lower gross profit and margin for the Third Quarter in 2020 were mainly attributable to the higher mix of revenue from residential customers with lower margin than commercial customers with higher margin for the Third Quarter in 2020 and the lowering of gas selling price as a result of New Gas Selling Price adjustments implemented by the government which commenced from August 1, 2020, which was offset by the decrease in consumption of LNG with relatively higher cost and the drop in LNG price in line market demand as compared to the Third Quarter in 2019. Composition of revenue from residential customers in Sanya City increased from 18% of total gas sales revenue for the Third Quarter in 2019 to 25% for the Third Quarter in 2020. The average gas selling price per m<sup>3</sup> is generally lower for residential customers than commercial customers while cost of gas purchased for both types of customers was the same which resulted a lower gross margin for the Third Quarter in 2020 compared to the Third Quarter in 2019.

Similarly, for pipeline connection, the composition of revenue from residential customers increased from 75% of total pipeline connection revenue in Sanya City for the Third Quarter in 2019 to 89% for the Third Quarter in 2020 where the gross profit margin for residential customers is lower as compared to the commercial customers as residential customers of pipeline connection are mainly from government redevelopment plan and generally the price for this type of customers is lower. These collective negative effects on gross profit margin were partially offset by the increase in gross margin due to the benefit from the new supply source of pipeline gas made available to the Group since late June 2019 with reduction in the Group’s reliance on more expensive LNG supplies and general drop in LNG purchase price for the Third Quarter in 2020. Although composition of pipeline natural gas for the Third Quarter in 2020 was 59% which remained constant at similar level as for the Third Quarter in 2019, the average purchase price of LNG was lower for the Third Quarter in 2020 as compared to the Third Quarter in 2019. For the Third Quarter in 2020, LNG were mainly consumed for the vehicle refueling stations located in the Sanya City and Changsha City.

For the same reason, the change in composition of revenue between residential and commercial customers offset by the consumption of new pipeline natural gas source also caused the slight decrease in gross margin for Nine Months in 2020. Composition of revenue from residential customers in Sanya City increased from

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19% of total gas sales revenue for Nine Months in 2019 to 30% for Nine Months in 2020. Similarly, for pipeline connection, composition of revenue from residential customers increased from 75% of total pipeline connection revenue in Sanya City for Nine Months in 2019 to 89% for Nine Months in 2020 where the gross margin for residential customers is lower than commercial customers. Composition of pipeline natural gas has a stronger impact for Nine Months in 2020 as compared to Nine Months in 2019. Consumption of pipeline natural gas was 59%, an increase of 20 percentage points from 39% for Nine Months in 2019.

**Other income**

Other income for the Third Quarter in 2020 included a non-recurring government subsidies in a form of financial assistance of RMB5.1 million received from the Sanya government. All entities located in the Sanya City are entitled to apply for such subsidies with no conditions attached. No such subsidies was received in 2019.

**Operating expenses**

**Selling and marketing expenses** for the Third Quarter in 2020 were RMB9.2 million, a decrease of RMB2.3 million, or 20%, from RMB11.5 million for the Third Quarter in 2019. Selling and marketing expenses as a percentage of sales for the Third Quarter in 2020 was 9%, a decrease of 2 percentage points from 11% for the Third Quarter in 2019. For Nine Months in 2020, selling and marketing expenses were RMB25.7 million, a decrease of RMB12.1 million, or 32%, from RMB37.8 million for Nine Months in 2019. Selling and marketing expenses as a percentage of sales for Nine Months in 2020 was 10%, a decrease of 2 percentage points from 12% for Nine Months in 2019. The decrease reflected reduction in costs associated with the continuing cost cutting initiatives and the slowing down of marketing activities during the COVID-19 pandemic affected periods. From the second quarter of 2020, the Sanya government introduced various policies to assist small and medium-sized enterprises to ease the financial burden they faced under COVID-19 pandemic by reducing part of their statutory social security provident fund payments on salaries during that period, as a result, contributed part of the drop in selling and marketing expenses. Such polices will continue to apply for the remainder of year 2020.

**General and administrative expenses** for the Third Quarter in 2020 were RMB9.9 million, a decrease of RMB2.9 million, or 23%, from RMB12.8 million for the Third Quarter in 2019. General and administrative expenses as a percentage of sales for the Third Quarter in 2020 was 10%, a decrease of 2 percentage points from 12% for the Third Quarter in 2019. The decrease reflected a continuing effective cost control of overall general and administration expenses embarked by the Company and savings as a result of the government relaxation policy on social security provident fund payments as mentioned in “Selling and marketing expenses” above. For Nine Months in 2020, general and administrative expenses were RMB30.6 million, a decrease of RMB3.6 million, or 10%, from RMB34.2 million for Nine Months in 2019. Despite a significant drop in revenue, general and administrative expenses expressed as a percentage to revenue increased slightly by 1 percentage point from 11% for Nine Months in 2019 to 12% for Nine Months in 2020, as by nature, such expenses, unlike sales and marketing expenses, will not always fluctuate in line with the level of sales activities.

**Finance Costs**

Finance costs for the Third Quarter in 2020 were RMB1.2 million, a decrease of RMB 1.1 million, or 49% from RMB2.3 million for the Third Quarter in 2019. Finance costs for the Nine Months in 2020 were RMB4.6 million, a decrease of RMB 1.3 million , or 23% from RMB5.9 million for Nine Months in 2019, reflected the application of long-term bank financing for the development of the Group’s projects under development and interest of lease liabilities and after capitalization of interest on project under development of RMB3.5 million.

**EBITDA**

EBITDA (non-IFRS measure as identified and defined under section “Non-IFRS Measures”) for the Third Quarter in 2020 was RMB37.7 million, an increase of RMB11.1 million, or 41%, from RMB26.6 million for the Third Quarter in 2019. EBITDA included a gain in fair value change on derivative financial instrument relating to the commitment of the estate of Mr. Huajun Lin to subscribe for the common shares of the Company in the amount of RMB 36.0 million (please refer to the section headed “Related Party Transactions” on page 21 and 22 of the MD&A for more details), which in line with IFRS, has been classified as a “derivative financial instrument”, subject to periodic fair value assessment and adjustment (as applicable). The derivative financial instrument in question was initially recognized at fair value at the date when the derivative contract was

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entered into and is subsequently remeasured to its fair value at the end of the reporting period. Based on the market price of the common shares of the Company as at September 30, 2020 of CAD0.57 and CAD0.64 as at June 30, 2020, a gain on fair value change on derivative financial instrument of RMB3.6 million and RMB5.1 million were recognized for the Third Quarter in 2020 and Nine months in 2020 respectively.

On a comparable basis, after excluding the effect of the above-mentioned fair value change on derivative financial instrument and the non-recurring government financial assistance of RMB5.1 million, adjusted EBITDA for the Third Quarter in 2020 was RMB28.9 million, an increase of RMB2.3 million, or 9%, from RMB26.6 million for the Third Quarter in 2019. EBITDA for Nine Months in 2020 was RMB72.2 million, an increase of RMB6.6 million, or 10% from RMB65.6 million for Nine Months in 2019. Adjusted EDITDA for Nine Months in 2020 was RMB61.9 million, a decrease of RMB3.7 million, or 6%, from RMB65.6 million for Nine Months in 2019.

### Profit for the period

In RMB thousands (except for % figures)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
Net profit for the period	22,629	13,496	9,133	68%	37,244	29,608	7,636	26%
Fair value change on derivative financial instrument	(3,561)	-	(3,561)	100%	(5,113)	-	(5,113)	100%
Government financial assistance	(5,160)	-	(5,160)	100%	(5,160)	-	(5,160)	100%
<b>Adjusted net profit for the period</b>	<b>13,908</b>	<b>13,496</b>	<b>412</b>	<b>3%</b>	<b>26,971</b>	<b>29,608</b>	<b>(2,637)</b>	<b>-9%</b>

Net profit for the Third Quarter in 2020 was RMB22.6 million, an increase of RMB9.1 million, or 68%, from the net profit of RMB13.5 million for the Third Quarter in 2019. Net profit for Nine Months in 2020 was RMB37.2 million, an increase of RMB7.6 million, or 26%, from RMB29.6 million for Nine Months in 2019.

On a comparable basis (please refer to the section headed “EBITDA” above for more details), after excluding the gain in fair value change on derivative financial instrument of RMB3.6 million and the non-recurring government financial assistance of RMB5.1 million, the Company reported a comparatively respectable adjusted net profit of RMB13.9 million for the Third Quarter in 2020, an increase of RMB0.4 million, or 3% from RMB13.5 million for the Third Quarter in 2019. The adjusted net profit for Nine Months in 2020 was a respectable RMB27.0 million, a decrease of RMB2.6 million, or 9% from RMB29.6 million for Nine Months in 2019.

Earnings per share was RMB0.34 and RMB0.33 per share (basic and diluted) for the Third Quarter in 2020 as compared to earnings per share of RMB0.20 per share (basic and diluted) for the Third Quarter in 2019. Earnings per share was RMB0.57 and RMB0.56 per share (basic and diluted) for Nine Months in 2020 as compared to RMB0.45 per share (basic and diluted) for Nine Months in 2019.

### Selected quarterly results

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

In thousands of RMB, except per share amounts

Quarterly data (RMB '000) except per share amounts	2020			2019			2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1 note 1
Foreign exchange rate one RMB to Canadian dollars	0.1936	0.1941	0.1927	0.1865	0.1938	0.1966	0.1970
Revenue	98,456	88,403	67,359	121,438	106,556	102,245	107,782
Gross profit	40,051	28,105	27,317	50,676	45,341	39,911	38,749
Profit (loss) for the period	22,629	(1,928)	16,543	17,550	13,496	11,288	4,824
EPS (loss)							
- basic (RMB)	0.34	(0.03)	0.25	0.26	0.20	0.17	0.08
- diluted (RMB)	0.33	(0.03)	0.25	0.29	0.20	0.17	0.08

note 1: Loss in the fourth quarter of 2018 was attributed to the recognition of listing expenses and share of loss of associates during the period.

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## **Selected Financial Data**

<b>(RMB000's)</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Bank balances and cash	138,244	127,990
Net current (liabilities) assets	(67,965)	11,201
Adjusted working capital (note1)	50,687	74,704
Property and equipment	520,614	433,200
Right-of-use of assets	27,227	21,353
Total assets	898,259	761,703
Non-current liabilities	211,560	211,913
Shareholders' equity	377,650	328,033

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

Bank balance and cash increased by RMB10.2 million to RMB138.2 million as at September 30, 2020 from RMB128.0 million as at December 31, 2019, primarily resulted from the net effect of the increase in net cash generated from operating activities of RMB51.9 million, cash used for acquisition of property and equipment of RMB53.8 million, deposit of RMB 31.8 million paid for acquisition of land use rights for the second gas station, additional capital contribution of RMB12.0 million received from non-controlling interest of a subsidiary, EDF CF and draw down of new short-term borrowings of RMB41.8 million raised in the Third Quarter in 2020.

### **Adjusted Working Capital**

The adjusted working capital (see “Non-IFRS Financial Measures”) was RMB50.7 million as at September 30, 2020. Adjusted working capital excludes the receipt in advance from customers included in the contract liabilities of RMB66.9 million related to receipts received in advance from customers from pipeline installation and connection project prior to commencement and natural gas sales and short-term bank borrowings of RMB51.8 million.

### **Liquidity and Capital Resources**

The Company’s principal sources of short-term funding are its existing bank and cash balances, operating cash flows and borrowings under its lines of credit. Its principal sources of long-term funding are four term loans entered by the Group in 2013, 2016, 2019 and 2020.

For the Third Quarter in 2020, EDF CF received the approval for a secured long-term banking facility of RMB230 million (the “Bank Facility”) from Bank of China Limited, Sanya Branch (“BOC”) for the Haitang Bay Integrated Smart Energy Project. According to the terms of the Bank Facility, the tenure of facility is 15 years, repayable by way of backend loaded yearly instalments commencing from the end of two years following initial drawdown and secured against, inter alia, certain assets and cash flows of the Haitang Bay Integrated Smart Energy Project and a corporate guarantee provided by a subsidiary of the Group.

The Company has secured a three-year credit facility for an aggregate amount of RMB20.0 million with the Industrial and Commercial Bank of China at an annual interest rate of 3.95%. This credit facility provides additional working capital to the Group.

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

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

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

In the short term, management does not expect to face any liquidity problems considering its current bank and cash position, available undrawn bank facilities and, despite the impact of COVID-19 pandemic, the expectation to continue to generate cash flows from operations in the short and long term. During Nine Months in 2020 and as at September 30, 2020, the Group was in compliance with all of its debt covenants.

## **Capital Commitments**

As at September 30, 2020, capital expenditure in respect of the acquisition of property and equipment and the construction of pipelines under development contracted for but not provided in the unaudited condensed interim consolidated financial statements amounted to RMB208.3 million, an increase of RMB25.5 million as compared to RMB182.8 million as at December 31, 2019. Capital commitments of the Group as at September 30, 2020 was mainly related to the commitments of EDF CF for the construction and laying of pipelines for the Haitang Bay Smart Energy Project which in aggregate amounted to RMB171.4 million and the final payment for the acquisition of land use rights for the second gas station of RMB20.0 million.

## **Share Capital**

As at September 30, 2020, the Company has 65,463,155 common shares and 3,550,000 stock options outstanding. During the Third Quarter in 2020, 20,000 stock options expired/were cancelled on 30 July 2020. The Company has no warrants outstanding as of the date of this MD&A.

## **Non-IFRS Financial Measures**

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

### **EBITDA**

EBITDA is defined herein as earnings before income tax expense, finance costs, depreciation and amortization. EBITDA does not have any standardized meaning prescribed by IFRS and therefore may not conform to the definition used by other companies or issuers. A reconciliation of net profit to EBITDA for the Third Quarter and Nine Months in 2020 and 2019 are presented in the MD&A as follows:

In RMB thousands (except for % figures)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2020	2019	Change	%	2020	2019	Change	%
Profit for the period	22,629	13,496	9,133	68%	37,244	29,608	7,636	26%
Add:								
Finance costs	1,197	2,341	(1,144)	-49%	4,571	5,929	(1,358)	-23%
Income tax expense	7,365	5,164	2,201	43%	13,009	14,088	(1,079)	-8%
Depreciation and amortization	6,462	5,611	851	15%	17,392	16,017	1,375	9%
<b>EBITDA</b>	<b>37,653</b>	<b>26,612</b>	11,041	41%	<b>72,216</b>	<b>65,642</b>	6,574	10%
Fair value change on derivative financial instrument	(3,561)	-	(3,561)	100%	(5,113)	-	(5,113)	100%
Government financial assistance	(5,160)	-	(5,160)	100%	(5,160)	-	(5,160)	100%
<b>Adjusted EBITDA</b>	<b>28,932</b>	<b>26,612</b>	2,320	9%	<b>61,943</b>	<b>65,642</b>	(3,699)	-6%

### **Adjusted working capital**

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

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

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

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<b>In RMB thousands</b>			
<b>As at</b>	<b>Note</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Current assets		241,084	232,958
Less: Current liabilities		(309,049)	(221,757)
<b>Net current (liabilities) assets</b>		<b>(67,965)</b>	<b>11,201</b>
Add: Receipts in advance from customers	1	66,878	53,503
Add: Short-term bank borrowings		51,774	10,000
<b>Adjusted working capital</b>		<b>50,687</b>	<b>74,704</b>

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

As at September 30, 2020, the Group’s current liabilities exceeded its current assets by RMB68.0 million. The reduction in net current assets to net current liabilities was mainly attributed to the new short-term bank loan of RMB41.8 million based on the negotiations with the bank which successfully raised the overall limit of existing facilities granted by the bank in 2019 and payable on property and equipment acquisition of RMB34.9 million which mainly attributed to the undergoing of construction and laying pipelines for the Haitang Bay Smart Energy Project of EDF CF.

In view of these circumstances, management of the Group has given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Management is satisfied that the Group will have sufficient financial resources to meet its financial obligations including capital commitments. Taking into account the Group’s cash flow projections, including the term facilities, unutilized bank facilities, the Group’s ability to renew or refinance existing banking facilities upon maturity and the Group’s future capital expenditure in respect of its non-cancellable capital commitments, management considers that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the unaudited consolidated financial statements have been prepared on a going concern basis.

### Free Cashflow

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

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

<b>In RMB thousands</b>	<b>Nine months ended Sept 30,</b>	
	<b>2020</b>	<b>2019</b>
Profit for the period	37,244	29,608
Add: Finance costs	4,571	5,929
Income tax expense	13,009	14,088
<b>EBIT</b>	<b>54,824</b>	<b>49,625</b>
<i>Effective tax rate</i>	<i>26%</i>	<i>32%</i>
<b>EBIT net of tax</b>	<b>40,632</b>	<b>33,625</b>
<i>Non-cash income and expense</i>		
Depreciation and amortization	17,392	16,017
Reversal of impairment loss under expected credit loss model	(432)	(656)
Share of profit or loss of associates	(4,936)	(545)
Share of loss of a joint venture	-	452
Loss on disposal of an associate	-	379
Loss on disposals of property and equipment	-	164
Fair value change on derivative financial instrument	(5,113)	-
Unrealized exchange difference on monetary items	(3)	(139)
Change in net current assets (liabilities)	79,166	(79,384)
Less: Capital expenditures	(57,234)	(31,124)
<b>Free Cash Flow</b>	<b>69,472</b>	<b>(61,211)</b>

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Free cash flow for Nine Months in 2020 amounted to RMB69.5 million, an increase of RMB130.7 million as compared to negative free cash flow of RMB61.2 million for Nine Months in 2019.

## **Related Party Transactions**

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

<u>Name of related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	For nine-month period ended September 30,	
			<u>2020</u>	<u>2019</u>
			RMB'000	RMB'000
<b><u>Transactions</u></b>				
Pingxiang Xiao Changfeng Gas Co., Ltd. (“Pingxiang Xiao CF”)	Associate	Interest income (note b)	N/A	119
		Service fee income (note a)	N/A	3,300
Sichuan Tianzhiyuan Energy Technology Limited (“Tianzhiyuan”)	Non-controlling interests of a subsidiary	Interest income	83	N/A

The following balances were outstanding from/(to) related parties at the end of the reporting period:

<u>Name of related party</u>	<u>Relationship</u>	<u>Terms</u>	Sept 30,	Dec 31,
			<u>2020</u>	<u>2019</u>
			RMB'000	RMB'000
Pingxiang Xiao CF	Associate	Non-trade, unsecured and interest bearing (note b)	12,423	12,852
		Trade, unsecured, non-interest bearing and repayable on demand (note a)	1,500	3,000
Tianzhiyuan	Non-controlling interests of a subsidiary	Non-trade, unsecured, interest bearing and repayable on demand (note c)	2,149	2,062

notes:

- (a) During the nine-month period ended September 30, 2020, RMB1.5 million was repaid by Pingxiang Xinao CF from the amount outstanding of RMB3.0 million after signing of the Concessionary Agreement with Xiangdong District Government of Pingxiang, Jiangxi Province and obtained the concessionary right for natural gas pipeline distribution.
- (b) The balance represented the loan to Pingxiang Xiao CF bearing interest at 4.35% per annum, amounted to RMB12,423,000 as at September 30, 2020 (December 31, 2019: RMB12,852,000). As a result of the mutual agreement between Pingxiang Xinao CF and the Company, interest on the loan was agreed to be waived with effect from October 16, 2019.
- (c) The balance represented the loan to Tianzhiyuan as unsettled capital injected into Meishan bearing interest at 5.88% per annum amounted to RMB2.0 million.

The loan discharge agreement (the “Loan Discharge Agreement”) dated May 25, 2017 entered among Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. (“CF China”) and Mr. Lin, provided that if the HKIPO of the Company's common shares on The Stock Exchange of Hong Kong Limited has not been completed on or

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prior to June 28, 2019, the Group shall have the right for a period of 90 days following June 28, 2019 to require Mr. Lin, directly or indirectly, to subscribe for common shares of the Company on the TSX Venture Exchange, in the amount of RMB36.0 million or its CAD equivalent.

On July 26, 2019, the Company announced that the Board of the Company has determined to exercise the Company’s option pursuant to the Loan Discharge Agreement dated May 25, 2017 among the Company, CF China and Mr. Lin to require the Estate to invest an aggregate amount of RMB 36.0 million (approximately CAD6,861,587) in common shares of the Company (the “Investment”). Accordingly, the Estate will make the Investment at a price of CAD0.68 per common share representing a premium of approximately 6.3% over the closing price of the common shares of the Company on July 24, 2019. Following the Investment, based on the prevailing exchange rate, the Estate will hold approximately 44,774,068 common shares or approximately 59.43% of the total outstanding common shares of the Company.

As at September 30, 2020 and up to the date of the MD&A, the Company has not achieved agreement with the beneficiaries of the Estate, other than Ms. Ann Siyin Lin, CEO and Chair of the Board, regarding completion of the Investment. The Company is in discussions with the remaining beneficiaries to achieve an agreement on a basis that all beneficiaries agree to. There can be no assurance that such an agreement will be achieved, and the Company has reserved its rights to take such action as it considers appropriate and in its best interests, including bringing court proceedings on or prior to September 5, 2021.

## **Use of Estimates and Judgements**

The preparation of unaudited condensed interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the audited consolidated financial statements for the year ended December 31, 2019.

## **Risks and Uncertainties**

The preparation of unaudited condensed interim consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the audited consolidated financial statements for the year ended December 31, 2019.

## **Application of new and amendments to IFRS**

In the nine-month period ended September 30, 2020, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s unaudited condensed interim consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to References to the Conceptual Framework in IFRS Standards	

Except for the new and amendments to IFRSs mentioned below, the management of the Group anticipates that the application of all new and amendments to IFRSs and Interpretations has no material impact on the condensed interim consolidated financial statements.

### **Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and

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- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs. The application of the amendments does not have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the condensed interim consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Other than specific standards which still refer to the previous versions of the framework, the Group relied on the New Framework in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.