

CF ENERGY CORP.
(FORMERLY "CHANGFENG ENERGY INC.")

Condensed Interim Consolidated Financial Statements
Three-month and Nine-month periods ended September 30, 2020
and 2019 (Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

	NOTES	Three-month period ended		Nine-month period ended	
		September 30		September 30	
		2020	2019	2020	2019
		RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	5	98,456	106,556	254,218	316,583
Cost of sales		(58,405)	(61,215)	(158,746)	(192,582)
Gross profit		40,051	45,341	95,472	124,001
Other income		5,378	427	6,374	1,485
Other losses		(195)	(1,834)	(1,157)	(2,241)
Impairment losses under expected credit loss model, net of reversal		(470)	383	432	656
Fair value change on derivative financial instrument	12	3,561	-	5,113	-
Selling and marketing expenses		(9,188)	(11,508)	(25,709)	(37,772)
General and administrative expenses		(9,866)	(12,752)	(30,637)	(34,173)
Finance costs		(1,197)	(2,341)	(4,571)	(5,929)
Listing expenses		-	(442)	-	(2,045)
Share of profit of associates	11	1,920	1,461	4,936	545
Share of loss of a joint venture		-	(75)	-	(452)
Loss on disposal of an associate		-	-	-	(379)
Profit before tax		29,994	18,660	50,253	43,696
Income tax expense	6	(7,365)	(5,164)	(13,009)	(14,088)
Profit for the period		22,629	13,496	37,244	29,608
Profit and total comprehensive income for the period		22,629	13,496	37,244	29,608
Profit (loss) for the period attributable to					
- Owners of the Company		22,513	12,933	37,081	29,803
- Non-controlling interests		116	563	163	(195)
		22,629	13,496	37,244	29,608
Total comprehensive income (expenses) attributable to					
- Owners of the Company		22,513	12,933	37,081	29,803
- Non-controlling interests		116	563	163	(195)
		22,629	13,496	37,244	29,608
Earnings per share					
- Basic (RMB)		0.34	0.20	0.57	0.45
- Diluted (RMB)		0.33	0.20	0.56	0.45

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION
AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

	<u>NOTES</u>	September 30, December 31,	
		<u>2020</u>	<u>2019</u>
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment	9	520,614	433,200
Right-of-use assets	10	27,227	21,353
Long-term lease prepayments	10	123	406
Goodwill		1,635	1,635
Intangible assets		9,568	10,000
Interests in associates	11	33,165	28,229
Amount due from an associate	17	13,923	15,802
Amounts due from non-controlling interests of subsidiaries	17	2,149	2,062
Long-term deposits and advances	15	48,771	16,058
		<u>657,175</u>	<u>528,745</u>
CURRENT ASSETS			
Current portion of long-term lease prepayments	10	692	879
Inventories		3,949	5,293
Contract assets	13	13,151	7,659
Trade receivables	14	31,770	46,302
Other receivables, prepaid expenses and deposits	15	41,366	37,994
Derivative financial instrument	12	5,654	541
Restricted cash		258	300
Fixed bank deposits		6,000	6,000
Bank balances and cash		138,244	127,990
		<u>241,084</u>	<u>232,958</u>
CURRENT LIABILITIES			
Trade and other payables	16	97,977	71,677
Dividend payable to non-controlling interest of a subsidiary		120	1,827
Contract liabilities		115,847	110,505
Lease liabilities		2,074	1,651
Income tax payable		13,257	11,097
Short-term borrowings	18	51,774	10,000
Current portion of long-term debts	18	28,000	15,000
		<u>309,049</u>	<u>221,757</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(67,965)</u>	<u>11,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>589,210</u>	<u>539,946</u>

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION
AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

	<u>NOTES</u>	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
NON-CURRENT LIABILITIES			
Long-term debts	18	173,218	187,000
Lease liabilities		6,411	5,872
Deferred income - government grants	19	18,921	6,981
Deferred tax liabilities		13,010	12,060
		<u>211,560</u>	<u>211,913</u>
NET ASSETS			
		<u>377,650</u>	<u>328,033</u>
CAPITAL AND RESERVES			
Share capital	20	70,425	69,861
Reserves		263,793	226,903
Equity attributable to owners of the Company		334,218	296,764
Non-controlling interests		43,432	31,269
TOTAL EQUITY		<u>377,650</u>	<u>328,033</u>

The unaudited condensed interim consolidated financial statements on pages 1 to 26 were approved and authorized for issue by the Board of Directors on November 30, 2020 and are signed on its behalf by:

YongBiao Ding

YONGBIAO DING
DIRECTOR

WengCheng Zhang

WENCHENG ZHANG
DIRECTOR

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**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**

	Attributable to owners of the Company					Subtotal RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Contributed surplus RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Other reserves RMB'000 (Note c)	Retained earnings RMB'000 (Note c)			
As at December 31, 2018	69,818	20,920	44,756	79	138,579	274,152	12,843	286,995
Impact of first application of IFRS 16	-	-	-	-	(579)	(579)	(387)	(966)
As at January 1, 2019 (restated)	69,818	20,920	44,756	79	138,000	273,573	12,456	286,029
Profit and total comprehensive income (expense) for the period	-	-	-	-	29,803	29,803	(195)	29,608
Options surrendered (note e)	-	(3,326)	-	-	3,326	-	-	-
Acquisition of remaining equity interest of a subsidiary (note d)	-	-	-	(416)	-	(416)	(484)	(900)
Dissolution of a subsidiary (note f)	-	-	-	-	(135)	(135)	135	-
Dividend declared to non-controlling interests of a subsidiary	-	-	-	-	-	-	(390)	(390)
Dividend declared (note 7)	-	-	-	-	(19,900)	(19,900)	-	(19,900)
As at September 30, 2019	69,818	17,594	44,756	(337)	151,094	282,925	11,522	294,447
As at January 1, 2020	69,861	17,580	53,258	(531)	156,596	296,764	31,269	328,033
Profit and total comprehensive income for the period	-	-	-	-	37,081	37,081	163	37,244
Options exercised	564	(191)	-	-	-	373	-	373
Options expired/forfeited	-	(19)	-	-	19	-	-	-
Capital injection by non-controlling interests of a subsidiary (note g)	-	-	-	-	-	-	12,000	12,000
As at September 30, 2020	70,425	17,370	53,258	(531)	193,696	334,218	43,432	377,650

Notes:

- (a) Contributed surplus comprises capital contribution from shareholders and share-based compensation reserve.
- (b) Statutory surplus reserve represents the statutory surplus reserve fund attributable to the Group set up by the subsidiaries in the People's Republic of China (the "PRC"). According to the relevant PRC regulations, the subsidiaries in the PRC are required to appropriate 10% of net profit as reported in the statutory financial statements to the statutory surplus reserve fund, and the statutory surplus reserve fund may be used for making up losses, if any, and increasing registered capital. The maximum amount appropriate to the statutory surplus reserve fund is 50% of the registered capital of the respective PRC subsidiaries. The statutory surplus reserve is not distributable.
- (c) Other reserve as of December 31, 2018 represents the surplus between the consideration and the carrying amount attributable to the disposal of 5.4% equity interest in Hebei Riheng Clean Energy Co., Ltd. ("Riheng"), a non wholly-owned subsidiary of the Group, to an independent third party during the year ended December 31, 2018. On September 20, 2019, the Group acquired the remaining 5.4% equity interest in Riheng from the independent third party by waiving the unpaid consideration of RMB900,000 in the acquisition occurred in 2018.
- (d) During the nine-month period ended September 30, 2019, Hunan CNPC New Energy Investment Co., Ltd. ("Hunan CNPC NEI") re-acquired the 9% equity interest in Riheng previously disposed to Riheng in 2018 by waiving the consideration amount of RMB900,000 and related interests, totaling RMB938,000. As a result, the Group's effective interest in Riheng increased to 60%.
- (e) During the nine-month period ended September 30, 2019, all holders of stock options of 2,440,000 granted on April 13, 2018 voluntarily surrendered their options for cancellation and their options were duly cancelled.
- (f) During the nine-month period ended September 30, 2019, the Group completed the dissolution of Xiangtan Changfeng Natural Gas Co., Ltd., a non-wholly owned subsidiary.
- (g) On August 10, 2020, EDF (China) Holding Ltd, the non-controlling interests of EDF Changfeng (Sanya) Energy Co., Ltd. ("EDF CF"), a subsidiary of the Company completed the share capital injection of RMB12,000,000.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

	Nine-month period ended September 30,	
	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Increase in contract liabilities	5,342	12,322
Increase in contract assets	(5,642)	(10,271)
Other operating cash inflow	69,182	46,980
Interest received	797	1,283
Interest paid	(7,845)	(5,868)
Income tax paid	(9,900)	(22,061)
NET CASH FROM OPERATING ACTIVITIES	<u>51,934</u>	<u>22,385</u>
INVESTING ACTIVITIES		
Deposit paid for acquisition of property and equipment	(9,945)	(1,777)
Deposit paid for acquisition of land use right	(31,751)	-
Acquisition of property and equipment	(53,753)	(30,225)
Proceeds from disposal of property and equipment	-	41
Acquisition of intangible assets	(792)	(467)
Acquisition of pipelines for relocation projects	(2,690)	(432)
Receipt of compensation on pipeline relocation projects	586	13,285
Withdrawal of restricted cash	42	200
Withdraw of fixed bank deposit	6,000	16,000
Placement of fixed bank deposit	(6,000)	(10,000)
Increase in amount due from non-controlling interest of a subsidiary	-	(42)
Receipt of government grants relating to assets (note 19)	12,110	-
Prepayment of investment in a joint venture	-	(24,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(86,193)</u>	<u>(37,417)</u>
FINANCING ACTIVITIES		
Dividend paid	-	(13,450)
Dividend paid to non-controlling interests of subsidiaries	(1,707)	(390)
Proceeds on exercised share options	373	-
New short-term borrowings raised	41,774	10,000
Repayment of short-term bank borrowings	-	(20,000)
New long-term debt raised	7,718	88,540
Repayment of long-term debt	(8,500)	(13,000)
Repayment of lease liabilities	(7,148)	(769)
Additional capital contribution received from non-controlling interest of a subsidiary	12,000	-
NET CASH FROM FINANCING ACTIVITIES	<u>44,510</u>	<u>50,931</u>
INCREASE IN CASH AND CASH EQUIVALENTS	10,251	35,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	127,990	80,494
Effect of foreign exchange rate changes	3	139
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>138,244</u>	<u>116,532</u>
Represented by:		
Bank balances and cash	<u>138,244</u>	<u>116,532</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

1A. GENERAL

CF Energy Corp. (formerly known as "Changfeng Energy Inc.") (the "Company") is a public limited company originally incorporated under the Canada Business Corporations Act on May 4, 2006 until it changed its incorporation jurisdiction to British Columbia on June 18, 2018 under the Business Corporations Act (British Columbia). Its shares are listed on the TSX Venture Exchange. Following the approval of TSX Venture Exchange for the change of name, the Company changed its name from Changfeng Energy Inc. to CF Energy Corp. effective on April 12, 2019. The registered office of the Company is located at Suite 2600, Three Bentall Center, P.O. BOX 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, Canada and the head office of the Company is located at 3100 Steeles Ave East, Suite 3008, Markham, Ontario, L3R 8T3, Canada. The principal operations of the Company's business are in the PRC. Its ultimate controlling party is the estate of Mr. Huajun Lin ("Mr. Lin"), who was also an officer and director of the Company until he resigned from such positions with effect from February 22, 2019.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are engaged in the distribution of natural gas for industrial, commercial and residential users and the provision of electric vehicle battery swap services in the PRC.

The condensed interim consolidated financial statements are presented in Renminbi ("RMB"), which is the official currency of the PRC and the functional currency of the Company.

1B. GAS 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.

1B. GAS PRICE ADJUSTMENT – continued

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 m³ to commercial customers in Sanya would be adjusted from RM5.0735 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.

2. BASIS OF PREPARATION

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information required for full annual financial statements required by IAS 1 Presentation of Financial Statements as issued by the IASB. Therefore, the condensed interim consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2019, which include information necessary to understand the Group's business and financial statement presentation.

2. BASIS OF PREPARATION – continued

At September 30, 2020, the Group's current liabilities exceeded its current assets by RMB67,965,000. In view of this circumstance, management of the Group has given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Management is satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitments. Taking into account the Group's cash flow projection, including the Group's ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, management considers that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the condensed interim consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed interim consolidated financial statements for the nine-month period ended September 30, 2020 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019.

New and amendments to IFRSs that are mandatorily effective for the current period

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 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.

3. PRINCIPAL ACCOUNTING POLICIES – continued

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
- 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.

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4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the nine-month periods ended September 30, 2020 and 2019 are as follows:

	Nine-month period ended September 30,	
	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000
Gas distribution utility		
- Gas sales	143,590	180,321
- Pipeline installation and connection	76,234	90,370
Vehicle refuelling station	34,394	45,892
	<u>254,218</u>	<u>316,583</u>
Timing of revenue recognition		
A point of time	177,984	226,213
Over time	76,234	90,370
Total	<u>254,218</u>	<u>316,583</u>

Information is reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of each segment performance.

The CODM reviews operating results and financial information for each sub-group of operating companies separately. Accordingly, each sub-group of operating companies in the PRC is identified as an operating segment. Those operating segments are aggregated into gas distribution utility segment and vehicle refuelling segment respectively for segment reporting purpose after taking into account that those operating segments are operating in similar business model with similar target group of customers, similar products and services and similar methods used to distribute their products and under the similar regulatory environment.

5. REVENUE AND SEGMENT INFORMATION - continued

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

- (a) Gas distribution utility which includes gas sales and pipeline installation and connection; and
- (b) Vehicles refueling.

The gas distribution utility segment:

- (i) provides gas pipeline installation and connection services and delivers natural gas to residential, commercial and industrial customers through its pipeline networks and associated facilities in Sanya City, Hainan Province in the PRC;
- (ii) delivers natural gas to industrial customers through storage facilities in Shijiazhuang City, Hebei Province in the PRC; and
- (iii) transmits of natural gas via the Group's pipeline networks for its customer in Zhaoqing City, Guangdong Province in the PRC.

The Group's other reportable segment is vehicles refuelling, which operates vehicle refueling stations to supply gas for taxicabs and public transportation vehicles in the PRC.

The electric vehicle ("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 three-month and nine-month periods ended September 30, 2020.

Segments revenues and results

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

For the nine-month period ended September 30, 2020

	Gas distribution utility RMB'000	Vehicle refuelling RMB'000	<u>Consolidated</u> RMB'000
Segment revenue	254,353	34,752	289,105
Inter-segment revenue	(34,529)	(358)	(34,887)
Revenue from external customers	<u>219,824</u>	<u>34,394</u>	<u>254,218</u>
Segment profit	<u>45,932</u>	<u>6,638</u>	52,570
Share of profit of associates			4,936
Fair value change on derivative financial instrument			5,113
Unallocated income			112
Unallocated expenses			(12,478)
Profit before tax			<u>50,253</u>

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5. REVENUE AND SEGMENT INFORMATION - continued

For the nine-month period ended September 30, 2019

	Gas distribution utility RMB'000	Vehicles refueling RMB'000	<u>Consolidated</u> RMB'000
Segment revenue	286,909	46,805	333,714
Intra-segment revenue	(16,218)	(913)	(17,131)
Revenue from external customers	<u>270,691</u>	<u>45,892</u>	<u>316,583</u>
Segment profit	<u>50,377</u>	<u>7,037</u>	<u>57,414</u>
Share of profit of associates			545
Share of loss on a joint venture			(452)
Loss on disposal of an associate			(379)
Listing expenses			(2,045)
Unallocated income			427
Unallocated expenses			(11,814)
Profit before tax			<u>43,696</u>

Geographical information

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

6. INCOME TAX EXPENSE

	Nine-month period ended September 30,	
	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	11,731	12,914
PRC withholding EIT	<u>330</u>	<u>2,490</u>
	12,061	15,404
Deferred tax expense (credit)	<u>948</u>	<u>(1,316)</u>
	<u>13,009</u>	<u>14,088</u>

The Company was incorporated in Canada and is therefore subject to Canadian federal and Ontario statutory income tax at a rate of 26.5% (2019: 26.5%) on assessable profits in Canada during the reporting period.

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

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6. INCOME TAX EXPENSE - continued

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the reporting period (2019: 25%).

7. DIVIDENDS

During the current nine-month period, no dividends were approved, declared or paid by the Company.

For the nine-month period ended September 30, 2019, dividends approved and declared by the Board of Directors of the Company are set out below:

- (1) the second instalment of the interim dividend in respect of the year ended December 31, 2018 in an aggregate amount of RMB3,500,000 (equivalent to CAD691,000 and approximately CAD0.01 per common share based on the exchange rate for RMB1.0000 to CAD0.1974 at the date of dividend declaration);
- (2) the first instalment of the interim dividend in respect of the year ended December 31, 2019 in an aggregate amount of RMB3,500,000 (equivalent to CAD691,000 and approximately CAD0.01 per common share based on the exchange rate for RMB1.0000 to CAD0.1974 at the date of dividend declaration); and
- (3) a special dividend in an aggregate amount of RMB12,900,000 (equivalent to CAD2,547,000 and approximately CAD0.04 per common share based on the exchange rate for RMB1.0000 to CAD0.1974 at the date of dividend declaration), payable in two equal instalments.

For the nine-month period ended September 30, 2019, (1) and (2) above and the first instalment of the one-time special dividend in an aggregate amount of RMB6,450,000 (equivalent to CAD1,273,000) were paid to owners of the Company.

8. EARNINGS PER SHARE

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Earnings</u>				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>22,513</u>	<u>12,933</u>	<u>37,081</u>	<u>29,803</u>

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8. EARNINGS PER SHARE - continued

	Three-month period ended September 30,		Nine-month period ended September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<i>Number of shares</i>				
Weighted average number of shares for the purpose of basic earnings per share	65,463,155	65,248,155	65,334,688	65,248,155
Effect of dilutive potential shares:				
Share options issued by the Company	<u>391,466</u>	<u>711,172</u>	<u>1,041,033</u>	<u>1,179,725</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>65,854,621</u>	<u>65,959,327</u>	<u>66,375,721</u>	<u>66,427,880</u>
Basic earnings per share (Note)	<u>RMB0.34</u>	<u>RMB0.20</u>	<u>RMB0.57</u>	<u>RMB0.45</u>
	<u>CAD0.07</u>	<u>CAD0.04</u>	<u>CAD0.11</u>	<u>CAD0.09</u>
Diluted earnings per share (Note)	<u>RMB0.33</u>	<u>RMB0.20</u>	<u>RMB0.56</u>	<u>RMB0.45</u>
	<u>CAD0.07</u>	<u>CAD0.04</u>	<u>CAD0.11</u>	<u>CAD0.09</u>

Note: The CAD figures presented above are shown for reference only and have been arrived at based on the exchange rate for RMB1.0000 to CAD0.1926 and RMB1.0000 to CAD0.1936 for three-month and nine-month ended September 30, 2020, respectively, and RMB1.0000 to 0.1882 and RMB1.0000 to CAD0.1938 for three-month and nine-month ended September 30, 2019, respectively, being the average exchange rate that prevailed during the respective periods.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the current nine-month period, the Group incurred approximately RMB 96,938,000 (September 30, 2019: RMB27,864,000) for construction in progress of which RMB42,302,000 (September 30, 2019: RMB19,032,000) was for pipelines. Construction in progress of approximately RMB10,173,000 (September 30, 2019: RMB23,696,000) have been transferred to property and equipment during the nine-month period.

10. RIGHT-OF-USE ASSETS AND LONG-TERM LEASE PREPAYMENTS

	<u>Leasehold properties</u> RMB'000	<u>Leased lands</u> RMB'000	<u>Total</u> RMB'000
As at January 1, 2019			
Carrying amount	3,008	14,344	17,352
As at December 31, 2019			
Carrying amount	4,221	17,132	21,353
As at September 30, 2020			
Carrying amount	4,066	23,161	27,227
For the period ended September 30, 2020			
Depreciation charge	(1,069)	(896)	(1,965)
For the period ended September 30, 2019			
Depreciation charge	(1,218)	(740)	(1,958)

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

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

The Group regularly enters short-term leases for staff quarters and such leases are exempted from being classified as right-to-use assets. As at September 30, 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases as of December 31, 2019.

Variable lease payments

Lease of a land for a CNG vehicle refueling station contains both fixed lease payments and variable lease payments that are based on the volume of gas refueled by customers. Variable lease payments not included in the measurement of lease liabilities for the period ended September 30, 2020 amounting to RMB815,000 (December 31, 2019: RMB1,285,000).

11. INTERESTS IN ASSOCIATES

	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
Cost of investments in associates - unlisted	32,710	32,710
Share of post-acquisition gains (losses) and other comprehensive income (expenses)	455	(4,481)
	<u>33,165</u>	<u>28,229</u>

11. INTERESTS IN ASSOCIATES - continued

Details of the Group's associates as at September 30, 2020 and December 31, 2019 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Paid-up capital		Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			30/9/2020	31/12/2019	30/9/2020	31/12/2019	30/9/2020	31/12/2019	
			RMB'000	RMB'000					
Pingxiang Xinao Changfeng Gas Co., Ltd 萍乡新奥长丰燃气有限公司 ("Pingxiang Xinao CF")	The PRC	The PRC	32,460	32,460	40%	40%	40%	40%	Gas sales and distribution and pipeline installation and connection
Sichuan Xiangshu Petrochemical Co., Ltd 四川湘蜀石油化工有限公司 ("Xiangshu") (note)	The PRC	The PRC	250	-	23.2%	23.2%	23.2%	23.2%	Refined oil sales and distribution

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

Note: On August 26, 2019, Hunan CNPC Energy Co., Ltd ("Hunan CF CNPC"), a non-wholly owned subsidiary of the Group entered into an agreement with two independent third parties to establish Xiangshu, which sells and distributes refined oil in the PRC. The registered share capital of Xiangshu is RMB10,000,000. Hunan CF CNPC has a 40% ownership with the right to appoint two out of five members to the board of directors according to the agreement. As a result, the effective interest held by the Group is 23.2%, management of the Group considers that the Group has significant influence over Xiangshu and therefore it is classified as an associate of the Group.

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

12. DERIVATIVE FINANCIAL INSTRUMENT

	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
Derivative financial assets	<u>5,654</u>	<u>541</u>

In 2007, Mr. Lin, advanced loans in the aggregate amount of RMB40,000,000 to the Group pursuant to a subordination and forbearance agreement dated April 27, 2007 (the "Subordination and Forbearance Agreement"). On May 25, 2017, the Group entered into a loan discharge agreement with Mr. Lin ("Loan Discharge Agreement") to repay an aggregate amount of RMB36,000,000 and the Group's obligation stated in the Subordination and Forbearance Agreement, has been fully discharged. Accordingly, the remaining RMB4,000,000 was recognized as shareholder's contribution.

12. DERIVATIVE FINANCIAL INSTRUMENT - continued

As the IPO was not completed on or prior to June 28, 2019. On July 26, 2019, the Company announced that the Board determined to exercise the Company's option pursuant to the Loan Discharge Agreement to require the estate of Mr. Lin (the "Estate") to subscribe for an aggregate amount of CAD6,862,000 (approximately RMB36,000,000) in common shares of the Company at a price of CAD0.68 per common share. Following the subscription, based on the prevailing exchange rate of June 28, 2019, the number of shares to be issued is 10,090,568. The management of the Group considered that the share subscription is a forward contract. As at September 30, 2020, the market price of the common shares of the Company was CAD0.57 (December 31, 2019: CAD0.67) and the closing exchange rate of RMB to CAD as at September 30, 2020 was RMB1.0000 to CAD0.1963 (December 31, 2019: RMB1.0000 to CAD0.1865). Changes in market prices at period ends are accounted for as "fair value change on derivative financial instrument" in the consolidated statements of profit or loss and other comprehensive income.

13. CONTRACT ASSETS

	September 30, <u>2020</u>	December 31, <u>2019</u>
	RMB'000	RMB'000
Contract assets from pipeline construction works	13,327	7,685
Less: Allowance for credit losses	(176)	(26)
	<u>13,151</u>	<u>7,659</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

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

Construction contracts of pipeline construction works

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

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

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14. TRADE RECEIVABLES

	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
Trade receivables		
- Gas sales	17,190	24,089
- Pipeline installation and connection	17,577	25,792
	<u>34,767</u>	<u>49,881</u>
Less: Allowance for credit losses	(2,997)	(3,579)
	<u>31,770</u>	<u>46,302</u>

15. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
Pipeline relocation receivables (note)	14,260	12,157
Deposits paid for acquisition of property and equipment	13,149	12,303
Deposits paid for acquisition of land use right	31,751	-
Prepayments for gas purchase	3,977	8,286
Rental deposits	1,183	1,288
VAT recoverable	22,345	14,519
Receivables from Xinao Gas on disposal of Pingxiang Xinao CF	415	3,243
Other prepayments and deposits	3,057	2,256
	<u>90,137</u>	<u>54,052</u>
Analyzed for reporting purposes as follows:		
- Current assets	41,366	37,994
- Non-current assets	48,771	16,058
	<u>90,137</u>	<u>54,052</u>

Note: Due to the change in city planning, local government notified the Group to relocate its gas pipelines for complying with the revised city plan and agreed that the local government would compensate part of the costs incurred by the Group as a result of the notified relocation. As at September 30, 2020, the balances incurred are approximately RMB14,260,000 (December 31, 2019: RMB12,157,000) on construction of new pipelines as a result of the relocation notices. The Group expected RMB11,037,000 (December 31, 2019: RMB9,100,000) would be refunded by the local government in twelve-month period with the remaining balance of RMB3,223,000 (December 31, 2019: RMB3,057,000) to be refunded beyond a twelve-month period.

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16. TRADE AND OTHER PAYABLES

	September 30, December 31,	
	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000
Trade and construction payables	23,792	24,581
Security deposit received from customers for natural gas supplies	5,592	5,241
Payable on property and equipment acquisition	52,177	17,265
Accrued wages and staff benefits	9,039	16,210
Compensation payable for land acquisition	2,906	2,906
Other tax payables	533	1,008
Other payables and accrued expenses	3,938	4,466
	<u>97,977</u>	<u>71,677</u>

The average credit period on purchase of natural gas and construction payable to construct pipeline ranges from 5 to 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

17. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE

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

Name of related party	Relationship	Nature of transactions	For nine-month period ended September 30,	
			<u>2020</u>	<u>2019</u>
			RMB'000	RMB'000
<u>Transactions</u>				
Pingxiang Xinao CF	Associate	Interest income (note b)	<u>N/A</u>	<u>339</u>
		Service fee income (note a)	<u>N/A</u>	<u>3,300</u>
Sichuan Tianzhiyuan Energy Technology Limited ("Tianzhiyuan")	Non-controlling interest of a subsidiary	Interest income	<u>83</u>	<u>N/A</u>

17. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE - continued

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

<u>Name of related party</u>	<u>Relationship</u>	<u>Terms</u>	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
<u>Balances</u>				
Pingxiang Xinao CF	Associate	Non-trade, unsecured and interest bearing (note b)	12,423	12,802
		Trade, unsecured, non-interest bearing (note a)	1,500	3,000
Tianzhiyuan	Non-controlling interest 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, RMB1,500,000 was repaid by Pingxiang Xinao CF from the amount outstanding of RMB3,000,000 after signing of the Concessionary Agreement with Xiangdong District Government of Pingxiang, Jiangxi Province and obtained the concessionary right for natural gas pipeline distribution. In the opinion of the management of the Company, the remaining balance of RMB1,500,000 is not expected to be repaid within 12 months after the end of reporting period and therefore the amount is classified as non-current asset.
- (b) The balance represented loan to Pingxiang Xinao CF bearing interest at 4.35% per annum, amounted to RMB12,423,000 as at September 30, 2020 (December 31, 2019: RMB12,802,000). 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 Hengtai Tianzhiyuan Energy Co., Ltd. bearing interest at 5.88% per annum amounted to RMB2,000,000.

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

During the nine-month period ended September 30, 2020, the Group obtained new short-term borrowings with total amount of RMB41,774,000. In addition, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan facility in the amount of RMB230,000,000. The loan is for a term 15 years commencing from the date of first withdrawal. RMB7,718,000 was withdrawn under the loan during the current nine-month period.

During the nine-month period ended September 30, 2019, the Group obtained an additional short-term bank borrowing of RMB10,000,000 and a new long-term debt of RMB100,000,000. RMB88,540,000 was withdrawn under the loan during the nine-month period ended September 30, 2019.

Long-term debts of RMB8,500,000 was repaid during the nine-month period ended September 30, 2020 (September 30, 2019: RMB13,000,000).

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19. DEFERRED INCOME - GOVERNMENT GRANTS

The Group received RMB5,269,000, RMB2,553,000 and RMB12,110,000 in government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City in 2012, 2019 and 2020. These government grants were recognized as a long-term liability and will be recognized in the consolidated statement of profit or loss over the expected useful lives of these property and equipment when these property and equipment are ready for use. As of September 30, 2020, part of the property and equipment are ready for use and RMB170,000 (September 30, 2019: RMB180,000) is recognized as other income. As at September 30, 2020, the government grants of RMB18,921,000 was recognized as a non-current liability (December 31, 2019: RMB6,981,000).

20. SHARE CAPITAL

	Number of <u>shares</u>	<u>Amount</u> RMB'000
Common shares		
Issued and fully paid:		
At January 1, 2019	65,248,155	69,818
Exercised options	15,000	43
	<hr/>	<hr/>
At December 31, 2019	65,263,155	69,861
Exercised options	200,000	564
	<hr/>	<hr/>
At September 30, 2020	<u>65,463,155</u>	<u>70,425</u>

21. SHARE-BASED COMPENSATION

Share option scheme

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

Under the Option Scheme, the Company may grant share options to directors, senior officers, employees and consultant, and is authorized to issue options to subscribe for up to a maximum of 6,600,000 common shares of the Company, which represented 10% of the issued and outstanding common shares of the Company at the date of adoption of the Share Option. The Board or such other persons designated by the Board, administers the option scheme and determines the vesting and terms of each award.

21. SHARE-BASED COMPENSATION - continued

At the annual general meeting of the Company held on July 26, 2019, the shareholders of the Company approved the resolution for the amendments to the existing Option Scheme from the "fixed" option plan to a "rolling" option plan whereby (i) options can be granted to subscribe for up to a maximum number of common shares of the Company equal to 10% of the issued and outstanding common shares of the Company from time to time; and (ii) subject to the maximum referred to in (i) above, options granted and exercised can be re-granted under the scheme.

	<u>Number of share options</u>
Outstanding as at January 1, 2020	3,770,000
Expired during the period	(20,000)
Exercised during the period	<u>(200,000)</u>
Outstanding as at September 30, 2020	<u>3,550,000</u>

The Option Scheme was due to expire at the conclusion of the next annual general meeting of the Company and the resolution for its re-adoption was approved by the shareholders of the Company on October 29, 2020 (the "2020 AGM") (note 25).

22. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	September 30, December 31,	
	<u>2020</u>	<u>2019</u>
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost	207,020	213,856
Derivative financial instrument	5,654	541
	<u>212,674</u>	<u>214,397</u>
Financial liabilities		
Liabilities measured at amortized cost	<u>334,220</u>	<u>260,988</u>

(b) Fair value measurements of financial instruments

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

22. FINANCIAL INSTRUMENTS - continued

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There was no transfers between different levels during both period.

<u>Financial assets/ financial liabilities</u>	<u>Fair value as at</u>		<u>Fair value hierarchy</u>	<u>Valuation technique(s) and key input(s)</u>
	30/9/2020	31/12/2019		
Derivative financial instruments value	Asset – RMB5,654,000	Asset - RMB541,000	Level 2	Discounted cash flow The fair value is calculated by subtracting the present of the initial forward price from the spot rate.

Fair value measurements and valuation processes

Derivative financial instruments

The Group owns a right to require the estate of Mr. Lin to subscribe an aggregate amount of RMB36,000,000 (approximately CAD6,862,000 based on the prevailing exchange rate) in common shares of the Company at a price of CAD0.68 per share. The IPO has not been completed on or prior to June 28, 2019. The management of the Group considered that the share subscription is a derivative financial instrument. As at September 30, 2020, the market price of the common share was CAD0.57 (December 31, 2019: CAD0.67) and the closing exchange rate was RMB1.0000 to CAD0.1963 (December 31, 2019: RMB1.0000 to CAD0.1865). The derivative financial instrument is classified as financial assets at FVTPL and is measured at fair value at reporting date.

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

In estimating the fair value of derivative financial instrument, the Group uses discounted cash flow method by subtracting the present value of the initial forward price from the spot rate.

23. SEASONALITY OF OPERATIONS

Seasonality can impact the Group's natural gas distribution sales. The Group's current operations are primarily located in Sanya City, an international tourist destination in the PRC's only tropical province. Sanya City attracts more tourists from December to February in the subsequent year than the rest of the year.

The Group's natural gas sales are higher during this high tourism season, as a large portion of the Group's natural gas sales are made to hotels and restaurants. Seasonality can also impact the Group's CNG retail station sales due to vehicles being in need of more gas during the peak seasons for air-conditioning.

24. CAPITAL COMMITMENTS

	September 30, <u>2020</u> RMB'000	December 31, <u>2019</u> RMB'000
Capital expenditure in respect of the acquisition of property and equipment and the construction of pipelines under development contracted for but not provided in the unaudited condensed interim consolidated financial statements/audited consolidated financial statements	<u>208,282</u>	<u>182,810</u>

25. EVENT AFTER THE REPORTING PERIOD

Share Option Scheme

At 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 of the land use right for the second gas station was paid during the nine-month period ended September 2020. Construction of the second gas station is scheduled to commence after the land use right has been obtained.