

**CF ENERGY CORP.**  
**Management's Discussion and Analysis**  
**for the three-month and nine-month periods ended**  
**September 30, 2021**

Dated November 29, 2021

## **Advisory**

This Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to understand the financial position and operations of CF Energy Corp., (hereafter referred to as "CF Energy", "we" or the "Company") and its subsidiaries (collectively referred to as the "Group" or "our Group") as at and for the three-month and nine-month periods ended September 30, 2021. 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, 2021 and 2020 and the audited consolidated financial statements and related notes for the year ended December 31, 2020. "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 the 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) Gas distribution utility segment, which comprises of natural gas transmission and sales, including (a) Pipeline natural gas ("PNG") sales and liquefied natural gas ("LNG") supply distribution sales and related service pipeline installation and connection sub-segments; (b) CNG Vehicle refueling stations; and (c) Natural gas direct transmission; (ii) Integrated smart energy segment, which comprises of renewable and smart energy and Integrated smart energy projects; and (iii) Smart mobility segment, which comprises of the operation of electric vehicle ("EV") battery swap stations. This segment presentation is first adopted in the unaudited condensed interim consolidated financial statements of the Group for the three-month and nine-month periods ended September 30, 2021 for the purpose of resource allocation and assessment of each segment performance.

### **Gas Distribution Utility Segment**

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

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

#### ***CNG Vehicle Refueling***

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

#### ***Natural Gas Direct Transmission***

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

### **Integrated Smart Energy Segment**

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

#### **The Haitang Bay Integrated Smart Energy Project**

The Haitang Bay Integrated Smart Energy Project (the "Project"), which combines the use of multiple clean energy sources, including solar, hydro, electricity, and natural gas (CCHP/Co-Gen), is to supply cooling, heating, as well as hot water to the hotels, shopping centers, and households in the Haitang Bay area of Sanya City, Hainan Province, the PRC. This project is conducted through the Group's 70% held (30% held by the EDF Group) subsidiary company, EDF Changfeng (Sanya) Energy Co., Ltd. ("EDF CF") with authorized capital of RMB106.0 million fully paid up in 2020. Under a 30-year concession right agreement (2017 to 2047), EDF CF has the right to build, own and operate the project in Haitang Bay, Hainan Province.

The Project has been recognized as a low carbon energy utilization project in the tropical resort city of Sanya, in south China's Hainan Province, to provide air-conditioning with reduced emissions for public facilities in the Haitang Bay area. The Project will have 4 central energy stations, 30km of district cooling and heating

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distribution networks, and 38 end user stations by the end of 2023. Once fully implemented, the system will distribute cooling, heating and hot water to serve 4.7 million square meters of commercial space, including large scale hotels, shopping malls, entertainment parks and buildings, hospitals and other commercial complexes. The Project uses optimized multi-energy integration program to distribute cooling, heating and hot water to customers. The system will apply many advanced technologies, i.e. multi-level compressed high-efficient refrigeration units, "ice battery" technology, hydro heat pump technology, distributed photovoltaic technology and AI data management to provide more efficient energy supply. The project integrates advanced energy-saving technologies, such as ice storage, water-source heating pumping. It is expected to save about 30,000 tones of standard coal and reduce about 100,000 tones of carbon dioxide, sulfur dioxide and nitrogen oxide emissions every year.

Construction of the first energy station and the 18,900m of pipeline for the integrated smart energy network (6,000m of pipeline laid through land reclamation bypassing a river) has been completed and commercial operation commenced in September 2021. The first group of commercial customers, which include The Sanya Edition Hotel, Fairmont Sanya Haitang Bay and Westin Sanya Haitang Bay Resort, received the district cooling supply service for a collective cooling space of approximately 195,040 square meters. The DoubleTree Resort by Hilton is also expected to be connected upon its completion of renovations. The Company has signed up nine commercial customers in Haitang Bay as of the date of this MD&A with a total expected supplied cooling space of 350,052 square meters.

**The Meishan Project**

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

The project commenced commercial operation officially in mid-May 2021 following successful test run and preparation work in March 2021. The project is expected to significantly improve the district's energy consumption efficiency and reduce local air pollution in line with state policy as more customers connect to the program.

**Smart Mobility Segment*****EV Battery Swap Station***

The EV battery swap station business is a segment of the Group established in May 2020 pursuant to the exclusive co-operating agreement (the "Exclusive Co-operating Agreement") entered into by 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 Integrated Smart Energy Project, which is currently owned as to 70% by CF Energy and 30% by the 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. 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. Currently there are four stations operating, three in Hainan and the remaining one in Zhuhai.

**Results for three-month and nine-month periods ended September 30, 2021**

For the three-month period ended September 30, 2021, the Group reported net profit from continuing operations of RMB9.5 million, a decrease of RMB13.4 million, or 59%, from RMB22.9 million (restated) in 2020. On a comparable basis after excluding fair value gain on derivative financial instrument of RMB2.9 million (2020: RMB3.5 million) (see "Related Party Transactions" section on pages 22 and 23 of this MD&A), recognition of share-based payments of RMB0.4 million (2020: Nil) and non-recurring government financial assistance of RMB Nil (2020:RMB5.2 million), the adjusted net profit from continuing operations in the three-month period ended September 30, 2021 was RMB7.0 million, a decrease of RMB7.2 million, or 51% from RMB14.2 million as reported for the three-month period ended September 30, 2020.

For the nine-month period ended September 30, 2021, the Group reported net profit from continuing operations of RMB27.4 million, a decrease of RMB10.4 million, or 28%, from the net profit of RMB37.8 million (restated) in 2020. On a comparable basis, after excluding fair value change on derivative financial instrument of RMB Nil (2020: a gain of RMB5.1 million) (see "Related Party Transactions" section on pages [22 and 23] of this MD&A), share-based payments of RMB1.5 million (2020: Nil) and non-recurring government financial assistance of RMB Nil (2020:RMB5.2 million), the adjusted net profit from continuing operations in the nine-month period ended September 30, 2021 was RMB28.9 million, an increase of RMB1.3 million, or 5% from RMB27.6 million as reported for the nine-month period ended September 30, 2020.

**Major Highlight for the three-month period ended September 30, 2021 and up to the date of this MD&A****Abolishment of Certain Pipeline Connection Related Services Charges to Customers in Sanya**

The Company was notified by the Sanya City Development and Reform Commission ("SYDRC") that, with retroactive effective to March 1, 2021, certain service charges relating to the connection services for the distribution of natural gas to customers in Sanya will be abolished. The new rules will impact certain of the Company's pipeline connection fees and meter upgrade fees chargeable to our customers going forward. The Company estimates a reduction of around 2% to the revenue of the Group for the 2021 year as a result of this regulatory change.

**Gas Selling Price Adjustment**

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

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

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

**COVID-19 impact on our business in the Hainan Province**

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

As a result of these restrictions, the demand for natural gas for the month of August 2021 experienced significant drop from the daily average consumption and an overall drop in revenue in the gas distribution utility segment of the Group.

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

**Outlook**

Due to the re-instatement of certain travel restrictions to combat the resurgence of the outbreak of COVID-19 in China around the end of July 2021 which affected the number of visitors to Hainan during the August and September 2021 period and the selling price adjustments imposed by the SYDRC which took effect from September 1, 2021, the continuing recovery trend of our business from COVID-19 has been affected. However, we are pleased to note that such travel restrictions have since been lifted and we have seen progressive recovery since October 2021.

Despite the unforeseen setback resulted from COVID-19 in this quarter, we are pleased to note that the adjusted net profit achieved up to September 30, 2021 has already reached the target of RMB28.9 million set for the whole of the 2021 year.

September 2021 was a major milestone month for us as we commemorated the commencement of commercial operation of our Haitang Bay Integrated Smart Energy Project with several hotel users began using our system and others in the pipeline committed to tap into our system to reap the benefits of cost savings while, as good corporate citizens, contributing towards a greener Hainan! For the EV battery swap station business, thus far, development of our network has not progressed as planned and, despite overall market sentiment and appetite for such business for the whole of China have been gathering further momentum, we have yet to amass a sizeable share of the market to create synergy and meaningful return.

Going forward, we will continue to do our best to leverage off lower gas prices to reach out to more gas users and further expand our market footprint in Sanya and place more emphasis on the furtherance of our integrated smart energy projects and the EV battery swap station business for sustained future growth and enhancement of return to our Shareholders.

For the three-month and nine-month periods ended September 30, 2021

## **Selected Quarterly Financial Information**

The following tables provide selected financial information for the three-month and nine month periods ended September 30, 2021 and 2020 in Chinese RMB

<i>In thousands of Chinese RMB except percentages and per share amounts</i>	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020 (Restated)	Change	%	2021	2020 (Restated)	Change	%
<b>Continuing Operations</b>								
Revenue	82,612	89,970	(7,358)	-8%	249,994	231,293	18,701	8%
Gross profit	33,757	39,907	(6,150)	-15%	101,850	94,414	7,436	8%
% of revenue	40.9%	44.4%	-3.5%		40.7%	40.8%	-0.1%	
Other income	227	5,363	(5,136)	-96%	1,374	6,358	(4,984)	-78%
Other losses, net	(1,113)	(194)	(919)	474%	(1,177)	(1,156)	(21)	2%
Reversal of impairment losses recognised under expected loss model, net	(146)	(470)	324	-69%	162	432	(270)	-63%
Fair value change on derivative financial instrument	2,969	3,561	(592)	-17%	-	5,113	(5,113)	-100%
Selling and marketing expenses	(9,493)	(8,892)	(601)	7%	(27,012)	(24,657)	(2,355)	10%
% of revenue	11.5%	9.9%	1.6%		10.8%	10.7%	0.1%	
General and administrative expenses	(11,530)	(9,694)	(1,836)	19%	(33,252)	(30,054)	(3,198)	11%
% of revenue	14.0%	10.8%	3.2%		13.3%	13.0%	0.3%	
Share-based compensation expense	(469)	-	(469)	100%	(1,493)	-	(1,493)	100%
Finance costs	(2,194)	(1,181)	(1,013)	86%	(6,104)	(4,538)	(1,566)	35%
Share of profit of associates	1,181	1,920	(739)	-38%	4,918	4,936	(18)	0%
<b>Profit before tax from continuing operations</b>	<b>13,189</b>	<b>30,320</b>	<b>(17,131)</b>	<b>-57%</b>	<b>39,266</b>	<b>50,848</b>	<b>(11,582)</b>	<b>-23%</b>
% of revenue	16.0%	33.7%			15.7%	22.0%		
Income tax expense	(3,668)	(7,365)	3,697	-50%	(11,896)	(13,009)	1,113	-9%
% of revenue	4.4%	8.2%			4.8%	5.6%		
<b>Profit (loss) for the period from continuing operations</b>	<b>9,521</b>	<b>22,955</b>	<b>(13,434)</b>	<b>-59%</b>	<b>27,370</b>	<b>37,839</b>	<b>(10,469)</b>	<b>-28%</b>
% of revenue	11.5%	25.5%			10.9%	16.4%		
<b>Discontinued operation (note 1)</b>								
Profit (loss) for the period from discontinued operation	2	(326)	328	-101%	(1,480)	(595)	(885)	149%
<b>Profit for the period</b>	<b>9,523</b>	<b>22,629</b>	<b>(13,106)</b>	<b>-58%</b>	<b>25,890</b>	<b>37,244</b>	<b>(11,354)</b>	<b>-30%</b>
<b>Profit (loss) for the period attributed to owner of the Company</b>								
- From continuing operations	9,664	22,709	(13,045)	-57%	27,162	37,438	(10,276)	-27%
- From discontinued operation	1	(196)	197	-101%	(888)	(357)	(531)	149%
	9,665	22,513	(12,848)	-57%	26,274	37,081	(10,807)	-29%
<b>Profit (loss) for the period attributed to non-controlling interests</b>								
- From continuing operations	(143)	246	(389)	-158%	208	401	(193)	-48%
- From discontinued operation	1	(130)	131	-101%	(592)	(238)	(354)	149%
	(142)	116	(258)	-222%	(384)	163	(547)	-336%
	9,523	22,629	(13,106)	-58%	25,890	37,244	(11,354)	-30%
<b>Total comprehensive income attributable to</b>								
- Owners of the Company	9,665	22,513	(12,848)	-57%	26,274	37,081	(10,807)	-29%
- Non-controlling interests	(142)	116	(258)	-222%	(384)	163	(547)	-336%
	9,523	22,629	(13,106)	-58%	25,890	37,244	(11,354)	-30%
<b>EBITDA from continuing operations (note 2)</b>								
	29,082	43,449	(14,366)	-33%	64,754	72,478	(7,723)	-11%
<b>From continuing and discontinued operations</b>								
Basic EPS (RMB)	0.15	0.34			0.40	0.57		
Diluted EPS (RMB)	0.14	0.34			0.39	0.56		
<b>From continuing operations</b>								
Basic EPS (RMB)	0.15	0.35			0.41	0.57		
Diluted EPS (RMB)	0.14	0.34			0.40	0.56		

Note 1: Discontinued operation is in respect of the termination of the operation of Riheng (Please refer to page 6 of this MD&A for more details).

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

For the three-month and nine-month periods ended September 30, 2021

## **Selected Quarterly Financial Information**

The following tables provide selected financial information for the three-month and nine-month periods ended September 30, 2021 and 2020 in Canadian dollars and for information only:

<i>In thousands of of Canadian Dollars except percentages and per share amounts</i>	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020 (Restated)	Change	%	2021	2020 (Restated)	Change	%
<b>Continuing Operations</b>								
Revenue	15,977	17,418	(1,441)	-8%	48,349	44,778	3,571	8%
Gross profit	6,529	7,726	(1,197)	-15%	19,698	18,279	1,419	8%
% of revenue	40.9%	44.4%	-3.5%		40.7%	40.8%	-0.1%	
Other income	44	1,038	(994)	-96%	266	1,231	(965)	-78%
Other losses, net	(215)	(38)	(177)	466%	(228)	(224)	(4)	2%
Reversal of impairment losses recognised under expected loss model, net	(28)	(91)	63	-69%	31	84	(53)	-63%
Fair value change on derivative financial instrument	574	689	(115)	-17%	-	990	(990)	-100%
Selling and marketing expenses	(1,836)	(1,721)	(115)	7%	(5,224)	(4,774)	(450)	9%
% of revenue	11.5%	9.9%	1.6%		10.8%	10.7%	0.1%	
General and administrative expenses	(2,230)	(1,877)	(353)	19%	(6,431)	(5,818)	(613)	11%
% of revenue	14.0%	10.8%	3.2%		13%	13.0%	0.3%	
Share-based compensation expense	(91)	-	(91)	100%	(289)	-	(289)	100%
Finance costs	(424)	(229)	(195)	85%	(1,181)	(879)	(302)	34%
Share of profit of associates	228	372	(144)	-39%	951	956	(5)	-1%
<b>Profit before tax from continuing operations</b>	<b>2,551</b>	<b>5,869</b>	<b>(3,318)</b>	<b>-57%</b>	<b>7,593</b>	<b>9,845</b>	<b>(2,252)</b>	<b>-23%</b>
% of revenue	16.0%	33.7%			15.7%	22.0%		
Income tax expense	(709)	(1,426)	717	-50%	(2,301)	(2,519)	218	-9%
% of revenue	4.4%	8.2%			5%	5.6%		
<b>Profit for the period from continuing operations</b>	<b>1,842</b>	<b>4,443</b>	<b>(2,601)</b>	<b>-59%</b>	<b>5,292</b>	<b>7,326</b>	<b>(2,034)</b>	<b>-28%</b>
% of revenue	11.5%	25.5%			10.9%	16.4%		
<b>Discontinued operation</b>								
Profit (loss) for the period from discontinued operation	-	(63)	63	-100%	(286)	(115)	(171)	149%
<b>Profit for the period</b>	<b>1,842</b>	<b>4,380</b>	<b>(2,537)</b>	<b>-58%</b>	<b>5,006</b>	<b>7,211</b>	<b>(2,205)</b>	<b>-31%</b>
<b>Profit (loss) for the period attributed to owner of the Company</b>								
- From continuing operations	1,869	4,396	(2,526)	-57%	5,253	7,248	(1,995)	-28%
- From discontinued operation	-	(38)	38	-100%	(172)	(69)	(103)	149%
	1,869	4,358	(2,488)	-57%	5,081	7,179	(2,098)	-29%
<b>Profit (loss) for the period attributed to non-controlling interests</b>								
- From continuing operations	(28)	48	(76)	-158%	40	78	(38)	-49%
- From discontinued operation	-	(25)	25	-100%	(114)	(46)	(68)	148%
	(28)	23	(51)	-222%	(74)	32	(106)	-331%
	1,841	4,381	(2,540)	-58%	5,007	7,211	(2,204)	-31%
<b>Total comprehensive income attributable to</b>								
- Owners of the Company	1,869	4,359	(2,490)	-57%	5,081	7,179	(2,098)	-29%
- Non-controlling interests	(27)	23	(50)	-217%	(73)	32	(105)	-328%
	1,842	4,382	(2,540)	-58%	5,008	7,211	(2,203)	-31%
<b>EBITDA from continuing operations</b>	<b>5,624</b>	<b>8,412</b>	<b>(2,788)</b>	<b>-33%</b>	<b>12,523</b>	<b>14,032</b>	<b>(1,509)</b>	<b>-11%</b>
<b>From continuing and discontinued operations</b>								
Basic EPS (CAD)	0.03	0.07			0.08	0.11		
Diluted EPS (CAD)	0.03	0.07			0.08	0.11		
<b>From continuing operations</b>								
Basic EPS (CAD)	0.03	0.07			0.08	0.11		
Diluted EPS (CAD)	0.03	0.07			0.08	0.11		

For the three-month and nine-month periods ended September 30, 2021

## **Result of Operations**

### **Total Revenue and Sales Volume sold**

#### **Continuing Operations**

<b>Revenue (Summary table)</b>								
<b>Total Revenue</b> <b>(in RMB'000)</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>			
	<b>2021</b>	<b>2020</b> <b>(Restated)</b>	<b>Change</b>	<b>%</b>	<b>2021</b>	<b>2020</b> <b>(Restated)</b>	<b>Change</b>	<b>%</b>
<b>Gas distribution utility</b>								
- Gas supply	34,411	43,403	(8,992)	-21%	130,602	120,665	9,937	8%
- Pipeline installation and connection	35,327	32,965	2,362	7%	82,133	76,234	5,899	8%
- CNG refueling	11,559	13,595	(2,036)	-15%	35,469	34,387	1,082	3%
<b>Integrated smart Energy</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>	<b>100%</b>	<b>1,577</b>	<b>-</b>	<b>1,577</b>	<b>100%</b>
<b>Smart Mobility</b>	<b>70</b>	<b>7</b>	<b>63</b>	<b>900%</b>	<b>213</b>	<b>7</b>	<b>206</b>	<b>&gt;999%</b>
<b>Total Revenue in RMB'000</b>	<b>82,612</b>	<b>89,970</b>	<b>(7,358)</b>	<b>-8%</b>	<b>249,994</b>	<b>231,293</b>	<b>18,701</b>	<b>8%</b>
<b>Total Revenue in CAD'000</b>	<b>15,977</b>	<b>17,418</b>	<b>(1,441)</b>	<b>-8%</b>	<b>48,349</b>	<b>44,778</b>	<b>3,571</b>	<b>8%</b>

Total revenue from continuing operations for the three-month period ended September 30, 2021 (the "Third Quarter in 2021") was RMB82.6 million, a decrease of RMB7.4 million, or 8%, from RMB90.0 million (restated) for the three-month period ended September 30, 2020 (the "Third Quarter in 2020"). Revenue from gas supply for the Third Quarter in 2021 was RMB34.4 million, a decrease of RMB9.0 million, or 21% as compared to RMB43.4 million (restated) for the Third Quarter in 2020. Revenue from pipeline installation and connection in the Third Quarter in 2021 was RMB35.3 million, an increase of RMB2.4 million, or 7% as compared to RMB32.9 million for the Third Quarter in 2020. CNG Vehicle refueling revenue for the Third Quarter in 2021 was RMB11.6 million, a decrease of RMB2.0 million, or 15% as compared to RMB13.6 million for the Third Quarter in 2020.

With the commencement of operation in September 2021, Haitang Bay Smart Energy Project contributed revenue in the Third Quarter of 2021. Together with the revenue from Meishan Project, which was previously classified under Gas Distribution Utility segment, is now reported under the new Integrated Smart Energy in the Third quarter of 2021.

Revenue from EV battery swap stations, which was previously classified under the CNG refuelling segment, is now reported under the new Smart Mobility in the Third quarter of 2021.

Total revenue from continuing operations for the nine-month period ended September 30, 2021 ("Nine Months in 2021") was RMB250.0 million, an increase of RMB18.7 million, or 8%, from RMB231.3 million (restated) for the nine-month period ended September 30, 2020 ("Nine Months in 2020"). Revenue from gas supply for Nine Months in 2021 was RMB130.6 million, an increase of RMB9.9 million, or 8% as compared to RMB120.7 million (restated) for Nine Months in 2020. Revenue from pipeline installation and connection for Nine Months in 2021 was RMB82.1 million, an increase of RMB5.9 million, or 8% as compared to RMB76.2 million for Nine Months in 2020. CNG Vehicle refueling revenue for Nine Months in 2021 was RMB35.5 million, an increase of RMB1.1 million, or 3% as compared to RMB34.4 million for Nine Months in 2020.

With the resurgence of the outbreak of COVID-19 confirmed cases in China around the end of July 2021, the Central Government had re-instated certain travel restrictions previously adopted across China, restricting residence in major cities with recent confirmed cases of COVID-19 to travel outside of these cities and likewise, for travelers to travel to the restricted cities, unless traveling was deemed absolutely essential. With these restrictions, the demand for natural gas in Sanya City began to drop in the month of August 2021 and worsen in September 2021, a significant drop in sales volume from commercial customers and the resultant decrease in gas sales revenue for the Third Quarter in 2021 as compared to the same period in the 2020 and the 2019 year.

In fact, on a comparable basis, total revenue for the Third Quarter and Nine Months in 2021 has not achieved full recovery to pre-COVID-19 level, excluding the effect of COVID-19, total revenue from continuing operations decreased RMB14.4 million, or 15% from RMB97.0 million for the Third Quarter in 2019 to RMB82.6 million for the Third Quarter in 2021. Total revenue from continuing operations for Nine Months in 2021 decreased of RMB39.1 million, or 14% from RMB289.1 million for the nine-month period ended September 30, 2019 ("Nine Months in 2019") to RMB250.0 million for Nine Months in 2021.

For the three-month and nine-month periods ended September 30, 2021

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

<b>Sales volume sold</b>								
Gas sales	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020	Change	%	2021	2020	Change	%
<b>Sales volume sold (m<sup>3</sup>)</b>	<b>(Restated)</b>				<b>(Restated)</b>			
Sanya City, Hainan Province	10,082,676	11,686,790	(1,604,114)	-14%	38,469,833	31,667,506	6,802,327	21%
Other cities	-	20,093	(20,093)	-	1,839	20,093	(18,254)	100%
<b>Total gas sales volume (m<sup>3</sup>)</b>	<b>10,082,676</b>	<b>11,706,883</b>	<b>(1,624,207)</b>	<b>-14%</b>	<b>38,471,672</b>	<b>31,687,599</b>	<b>6,784,073</b>	<b>21%</b>
<b>CNG refueling</b>								
Sanya CNG/LNG	1,969,130	2,893,797	(924,667)	-32%	6,527,239	7,043,615	(516,376)	-7%
Changsha CNG	872,065	1,019,147	(147,082)	-14%	2,581,273	2,423,662	157,611	7%
<b>Total CNG/LNG volume (m<sup>3</sup>)</b>	<b>2,841,195</b>	<b>3,912,944</b>	<b>(1,071,749)</b>	<b>-27%</b>	<b>9,108,512</b>	<b>9,467,277</b>	<b>(358,765)</b>	<b>-4%</b>
<b>Total sales volume sold (m<sup>3</sup>)</b>	<b>12,923,871</b>	<b>15,619,827</b>	<b>(2,695,956)</b>	<b>-17%</b>	<b>47,580,184</b>	<b>41,154,876</b>	<b>6,425,308</b>	<b>16%</b>

Total sales volume from continuing operations for the Third Quarter in 2021 was 12.9 million m<sup>3</sup>, a decrease of 2.7 million m<sup>3</sup>, or 17% as compared to 15.6 million m<sup>3</sup> (restated) for the Third Quarter in 2020. The overall decrease for the Third Quarter in 2021 was mainly attributable to the decrease in gas sales volume in Sanya City of 1.6 million m<sup>3</sup>, or 14% from 11.7 million m<sup>3</sup> for the Third Quarter in 2020 to 10.1 million m<sup>3</sup> for the Third Quarter in 2021 due to reduce in the consumption of gas as the temporary government travel restriction measures being implemented to combat the resurgence of the outbreak of COVID-19 in August and September 2021.

Total sales volume from continuing operations for Nine Months in 2021 was 47.6 million m<sup>3</sup>, an increase of 6.4 million m<sup>3</sup>, or 16% as compared to 41.2 million m<sup>3</sup> (restated) for Nine Months in 2020. The overall increase for Nine Months in 2021 was mainly attributable to the increase in gas sales volume in Sanya City of 6.8 million m<sup>3</sup>, or 21% from 31.7 million m<sup>3</sup> for Nine Months in 2020 to 38.5 million m<sup>3</sup> for Nine Months in 2021 due to recovery in the consumption of gas after outbreak of COVID-19 in the first half year of 2021 which was lower than that reported for the six months ended June 30, 2021 as previous recovery was partly offset by the downturn in the Third Quarter of 2021.

On a comparable basis, excluding the effect of COVID-19, total sales volume recorded a decrease of 3.0 million m<sup>3</sup>, or 19% from 15.9 million m<sup>3</sup> for the Third Quarter in 2019 to 12.9 million m<sup>3</sup> for the Third Quarter in 2021. Total sales volume recorded a decrease of 1.1 million m<sup>3</sup>, or 2% from 48.7 million m<sup>3</sup> Nine Months in 2019 to 47.6 million m<sup>3</sup> for Nine Months in 2021.

#### Gas Sales volume by nature of customers

<b>Gas sales</b>								
Sanya City, Hainan Province	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020	Change	%	2021	2020	Change	%
<b>Gas volume sold (m<sup>3</sup>)</b>	<b>(Restated)</b>				<b>(Restated)</b>			
Residential customers	3,351,970	3,459,603	(107,633)	-3%	12,572,827	11,894,167	678,660	6%
Commercial customers	6,730,706	8,227,187	(1,496,481)	-18%	25,897,006	19,773,339	6,123,667	31%
	<b>10,082,676</b>	<b>11,686,790</b>	<b>(1,604,114)</b>	<b>-14%</b>	<b>38,469,833</b>	<b>31,667,506</b>	<b>6,802,327</b>	<b>21%</b>
<b>Other cities</b>								
<b>Gas volume sold (m<sup>3</sup>)</b>								
Commercial customers	-	20,093	(20,093)	-	1,839	20,093	(18,254)	100%
<b>Total</b>	<b>10,082,676</b>	<b>11,706,883</b>	<b>(1,624,207)</b>	<b>-14%</b>	<b>38,471,672</b>	<b>31,687,599</b>	<b>6,784,073</b>	<b>21%</b>

Gas sales volume of residential customers for the Third Quarter in 2021 was 3.4 million m<sup>3</sup>, a slight decrease of 0.1 million m<sup>3</sup>, or 3% as compared to 3.5 million m<sup>3</sup> for the Third Quarter in 2020. Gas sales volume for commercial customers for the Third Quarter in 2021 was 6.7 million m<sup>3</sup>, a decrease of 1.5 million m<sup>3</sup>, or 18% as compared to 8.2 million m<sup>3</sup> for the Third Quarter in 2020. Cross-province seasonal residence no longer stay in Sanya City to enjoy the warm weather in the summer this year due to the resurgence of the outbreak of COVID-19 in August and September 2021.

Gas sales volume of residential customers for Nine Months in 2021 was 12.6 million m<sup>3</sup>, an increase of 0.7 million m<sup>3</sup>, or 6% as compared to 11.9 million m<sup>3</sup> for Nine Months in 2020. Gas sales volume for commercial customers for Nine Months in 2021 was 25.9 million m<sup>3</sup>, an increase of 6.1 million m<sup>3</sup>, or 31% as compared to 19.8 million m<sup>3</sup> for Nine Months in 2020. The increase was mainly attributed to the recovery of commercial customer's gas consumption, a post-COVID impact in the first half year of 2021.

**Management's Discussion and Analysis**

For the three-month and nine-month periods ended September 30, 2021

With the resurgence of the outbreak of COVID-19 in China during the Third Quarter in 2021, Central Government had re-instated certain travel restrictions previously adopted across China, restricting residence in major cities with recent confirmed cases of COVID-19 to travel outside of these cities and likewise, for travelers to travel to the restricted cities, unless traveling is deemed absolutely essential. As a result of these restrictions, the demand for natural gas from commercial customers in Sanya City began to drop in August 2021 and worsen in September 2021. Sales volume from commercial customers dropped 6% and 21% in August and September 2021 respectively as compared to corresponding period in 2020 and 33% and 20% as compared to corresponding period in 2019.

Such adverse effect was evidenced by the Sanya City Bureau of Statistics where the respective numbers of overnight visitors to Sanya city in August and September 2021 were 0.7 million times and 1.1 million times, significantly decreased of by 66% and 49% as compared to average number of overnight visitors of 2.2 million times for the first half year of 2021. Hotel occupancy rates in August and September 2021 were 21.5% and 36.0% respectively, significantly decreased by 43.6 and 29.1 percentage points as compared to the average hotel occupancy of 65.1% for the first half year of 2021.

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

Excluding the effect of COVID-19, on a comparable basis, gas sales volume for residential customers in Sanya city increased 0.6 million m<sup>3</sup>, or 17% from 2.8 million m<sup>3</sup> in the Third Quarter of 2019 to 3.4 million m<sup>3</sup> in the Third Quarter of 2021. Gas volume for residential customers increased 2.7 million m<sup>3</sup>, or 27% from 9.9 million m<sup>3</sup> for Nine Months in 2019 to 12.6 million m<sup>3</sup> for Nine Months in 2021. The increase was explained by the habituation of home stay since the COVID-19 pandemic in 2020 and the continued increase in new customers, a trend which has not been affected by the pandemic. Gas volume for commercial customers decreased 1.9 million m<sup>3</sup>, or 22% and 1.0 million m<sup>3</sup>, or 4% from 8.6 million m<sup>3</sup> and 26.9 million m<sup>3</sup> for the Third Quarter and Nine Months in 2019 respectively.

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

**Gas sales by number of customers**

Sanya City, Hainan Province	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020	Change	%	2021	2020	Change	%
<b>Customers newly started gas supply</b>								
Residential customers	3,779	3,630	149	4%	13,121	11,600	1,521	13%
Commercial customers	43	16	27	169%	92	28	64	229%
<b>Total customers</b>								
Residential customers	255,366	236,351	19,015	8%	255,366	236,351	19,015	8%
Commercial customers	1,266	1,147	119	10%	1,266	1,147	119	10%

Despite the imposition of temporary travelling restrictions in August 2021, speedy recovery in the overall commercial sector was recorded in the Third Quarter and Nine Months in 2021 which saw 43 new commercial customers obtained in the Third Quarter of 2021 as compared to 16 and 30 new commercial customers in the Third Quarter of 2020 and 2019 respectively. These new commercial customers are small and many of which are owners of catering establishments. 92 new commercial customers were obtained in Nine Months of 2021 as compared to 28 and 54 new commercial customers in Nine Months of 2020 and 2019 respectively.

3,779 new residential customers were obtained in the Third Quarter of 2021, as compared to 3,630 and 4,836 new residential customers obtained in the Third Quarter of 2020 and 2019. 13,121 new residential customers were obtained for Nine Months in 2021, as compared to 11,600 and 15,893 new residential customers obtained in Nine Months of 2020 and 2019.

There was a total of 255,366 residential customers and 1,266 commercial customers as at September 30, 2021, as compared to 236,351 residential customers and 1,147 commercial customers as at September 30, 2020.

**Management's Discussion and Analysis**

For the three-month and nine-month periods ended September 30, 2021

Gas sales revenue by customers

Gas sales								
Sanya City, Hainan Province	Three months ended Sept 30,				Nine months ended Sept 30,			
Gas sales revenue (in RMB'000)	2021	2020 (Restated)	Change	%	2021	2020 (Restated)	Change	%
Residential customers	9,189	10,324	(1,135)	-11%	33,855	34,588	(733)	-2%
Commercial customers	23,795	31,570	(7,775)	-25%	92,393	82,143	10,250	12%
	<b>32,984</b>	<b>41,894</b>	<b>(8,910)</b>	<b>-21%</b>	<b>126,248</b>	<b>116,731</b>	<b>9,517</b>	<b>8%</b>
<b>Other cities</b>								
Gas sales revenue (in RMB'000)								
Commercial customers	1,427	1,509	(82)	-5%	4,354	3,934	420	11%
<b>Total gas sales by customers</b>	<b>34,411</b>	<b>43,403</b>	<b>(8,992)</b>	<b>-21%</b>	<b>130,602</b>	<b>120,665</b>	<b>9,937</b>	<b>8%</b>

Gas sales revenue from residential customers in Sanya City for the Third Quarter in 2021 was RMB9.2 million, a decrease of RMB1.1 million, or 11% from RMB10.3 million for the Third Quarter in 2020. Gas sales revenue from residential customers in Sanya City for Nine Months in 2021 was RMB33.9 million, slightly decrease RMB0.7 million, or 2% as compared to RMB34.6 million for Nine Months in 2020.

Gas sales revenue from commercial customers in Sanya City for the Third Quarter in 2021 was RMB23.8 million, a significant decrease of RMB7.8 million, or 25%, from RMB31.6 million for the Third Quarter in 2020. Gas sales revenue from commercial customers in Sanya City for Nine Months in 2021 increased RMB10.3 million, or 12% from RMB82.1 million for Nine Months in 2020 to RMB92.4 million for Nine Months in 2021. Sales revenue from commercial customers in Sanya city was driven by the increase in sales volume, partially offset by the reduction in selling prices due to the New Gas Selling Price adjustments imposed by SYDRC which began to take effect from September 1, 2021.

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

Impact of price reduction led to a decrease in weighted average selling price approximately of 14% and 7% for commercial customers and residential customers for Nine Months in 2021 as compared to Nine Months in 2020.

Excluding the effect of COVID-19, on a comparable basis, gas sales revenue from residential customers in Sanya City recorded a slight increase of RMB0.6 million, or 7% from RMB8.6 million for the Third Quarter in 2019 to RMB9.2 million for the Third Quarter in 2021. Gas sales revenue from residential customers in Sanya City recorded an increase of RMB4.9 million, or 17% from RMB28.9 million for Nine Months in 2019 to RMB33.8 million for Nine Months in 2021.

Excluding the effect of COVID-19, on a comparable basis, gas sales revenue from commercial customers in Sanya City for the Third Quarter in 2021 recorded a decrease of RMB14.9 million, or 38% from RMB38.7 million for the Third Quarter in 2019 to RMB23.8 million for the Third Quarter in 2021. Gas sales revenue from commercial customers in Sanya City for Nine Months in 2021 recorded a decreased of RMB29.3 million, or 24% from RMB121.7 million for Nine Month in 2019 to RMB92.4 million for Nine Months in 2021.

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 RMB4.3 million for the Nine Months in 2021 which remained similar to that of 2020. Production of Datang Gaoyao Plant has not been affected by the COVID-19 pandemic with steady gas volume being transmitted.

**Management's Discussion and Analysis**

For the three-month and nine-month periods ended September 30, 2021

Pipeline installation and connection

<b>Sanya City, Hainan Province</b>								
<b>Pipeline connection by number of customers</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>
<b>Customers newly connected</b>								
Residential customers	3,141	7,289	(4,148)	-57%	11,383	10,975	408	4%
Commercial customers	50	29	21	72%	108	50	58	116%
<b>Total customers connected</b>								
Residential customers	332,329	296,862	35,467	12%	332,329	296,862	35,467	12%
Commercial customers	1,325	1,180	145	12%	1,325	1,180	145	12%
<b>Pipeline connection revenue (in RMB'000)</b>								
Residential customers	29,916	27,699	2,217	8%	70,119	67,993	2,126	3%
Commercial customers	5,411	5,266	145	3%	12,014	8,241	3,773	46%
<b>Total</b>	<b>35,327</b>	<b>32,965</b>	<b>2,362</b>	<b>7%</b>	<b>82,133</b>	<b>76,234</b>	<b>5,899</b>	<b>8%</b>

Pipeline installation and connection revenue from residential customers for the Third Quarter in 2021 was RMB29.9 million, an increase of RMB2.2 million, or 8%, from RMB27.7 million for the Third Quarter in 2020. Pipeline installation and connection revenue from commercial customers for the Third Quarter in 2021 was RMB5.4 million, remained at similar level as that for the Third Quarter in 2020.

Pipeline installation and connection revenue from residential customers for Nine Months in 2021 was RMB70.1 million, an increase of RMB2.1 million, or 3%, from RMB68.0 million for Nine Months in 2020. Pipeline installation and connection revenue from commercial customers for Nine Months in 2021 was RMB12.0 million, an increase of RMB3.8 million, or 46% from RMB8.2 million for Nine Months in 2020.

Excluding the effect of COVID-19, on a comparable basis, pipeline installation and connection revenue from residential customers in Sanya City recorded an increase of RMB5.2 million, or 21% from RMB24.7 million for the Third Quarter in 2019 to RMB29.9 million for the Third Quarter in 2021. Pipeline installation and connection revenue from commercial customers in Sanya City decreased by RMB1.2 million, or 19% from RMB6.6 million for the Third Quarter in 2019 to RMB5.4 million for the Third Quarter in 2021.

Pipeline installation and connection revenue from residential customers in Sanya City recorded an increase of RMB2.7 million, or 4% from RMB67.4 million for Nine Months in 2019 to RMB70.1 million for Nine Months in 2021. Pipeline installation and connection revenue from commercial customers in Sanya City decreased by RMB10.9 million, or 48% from RMB22.9 million for Nine Months in 2019 to RMB12.0 million for Nine Months in 2021.

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

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

There were 3,141 new residential customers for the Third Quarter in 2021 as compared to 7,289 new customers for the Third Quarter in 2020. There were 11,383 new residential customers for Nine Months in 2021 as compared to 10,975 new customers for Nine Months in 2020.

There were 332,329 residential customers and 1,325 commercial customers as at September 30, 2021, as compared to 296,862 residential customers and 1,180 commercial customers as at September 30, 2020.

**Management's Discussion and Analysis**

For the three-month and nine-month periods ended September 30, 2021

**CNG Vehicle refueling**

<b>CNG refueling</b>								
<b>Vehicles refueling stations</b>								
<b>CNG Sales Volume (in m<sup>3</sup>)</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>
Sanya CNG/LNG	1,969,130	2,893,797	(924,667)	-32%	6,527,239	7,043,615	(516,376)	-7%
Changsha CNG	872,065	1,019,147	(147,082)	-14%	2,581,273	2,423,662	157,611	7%
<b>Total Sales Volume (m<sup>3</sup>)</b>	<b>2,841,195</b>	<b>3,912,944</b>	<b>(1,071,749)</b>	<b>-27%</b>	<b>9,108,512</b>	<b>9,467,277</b>	<b>(358,765)</b>	<b>-4%</b>
<b>Total Revenue (in RMB'000)</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>
<b>CNG Sales Revenue</b>								
Sanya CNG/LNG	7,781	9,180	(1,399)	-15%	24,287	23,887	400	2%
Changsha CNG	3,778	4,415	(637)	-14%	11,182	10,500	682	6%
<b>Total Revenue (RMB'000)</b>	<b>11,559</b>	<b>13,595</b>	<b>(2,036)</b>	<b>-15%</b>	<b>35,469</b>	<b>34,387</b>	<b>1,082</b>	<b>3%</b>

Total sales volume of vehicle refueling stations in Sanya and Changsha decreased 1.1 million m<sup>3</sup>, or 27% from 3.9 million m<sup>3</sup> for the Third Quarter in 2020 to 2.8 million m<sup>3</sup> for the Third Quarter in 2021. Total sales volume of vehicle refueling stations slightly decreased 0.4 million m<sup>3</sup>, or 4% from 9.5 million m<sup>3</sup> for Nine Month in 2020 to 9.1 million m<sup>3</sup> for Nine Months in 2021. Decrease in sales volume in the Third Quarter in 2021 was attributed to the reduction in gas demand under travel restrictions imposed by the Central government to combat with the resurgence of the outbreak of COVID-19 in August 2021.

Total sale revenue of two vehicle refueling stations for the Third Quarter in 2021 was RMB11.6 million, a decrease of RMB2.0 million, or 15% from RMB13.6 million for the Third Quarter in 2020. Drop in revenue from Sanya station was severe than that of Changsha station as there were a few recent confirmed COVID-19 infected cases in Hainan Province which caused a reduction of daily commutes and social events in Sanya City in the Third Quarter of 2021. Total sale revenue of two vehicle refueling stations for Nine Months in 2021 was RMB35.5 million, an increase of RMB1.1 million, or 3% from RMB34.4 million for Nine Months in 2020.

In fact, excluding the effect of COVID-19, on a comparable basis, total sales volume of two vehicle refueling stations decreased 1.6 million m<sup>3</sup>, or 36% from 4.4 million m<sup>3</sup> for the Third Quarter in 2019 to 2.8 million m<sup>3</sup> for the Third Quarter of 2021. Total sales volume of two vehicle refueling stations decreased 2.5 million m<sup>3</sup>, 22% from 11.6 million m<sup>3</sup> for Nine Months in 2019 to 9.1 million m<sup>3</sup> for Nine Months in 2021.

Excluding the effect of COVID-19, on a comparable basis, total sales volume of two vehicle refueling stations decreased RMB5.9 million m<sup>3</sup>, or 34% from RMB17.5 million for the Third Quarter in 2019 to RMB11.6 million for the Third Quarter of 2021. Total sales volume of two vehicle refueling stations decreased RMB10.4 million, 23% from RMB45.9 million for Nine Months in 2019 to RMB35.5 million for Nine Months in 2021.

**Integrated Smart Energy**

<b>Integrated smart Energy</b>								
<b>Integrated Smart Energy System</b>								
<b>Sanya City, Hainan Province (in RMB'000)</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>
Commerical customers	566	-	566	100%	566	-	566	100%
<b>Integrated district energy distribution</b>								
<b>Meishan City, Sichuan Province (in RMB'000)</b>	<b>Three months ended Sept 30,</b>				<b>Nine months ended Sept 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>
Commerical customers	679	-	679	100%	1,011	-	1,011	100%
<b>Total</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>	<b>100%</b>	<b>1,577</b>	<b>-</b>	<b>1,577</b>	<b>100%</b>

The integrated smart energy segment is a newly created segment which comprises the Haitang Bay Integrated Smart Energy Project (integrated smart energy system) which commenced commercial operation in September 2021 and the Meishan Project (the integrated district energy distribution project) which commenced commercial operation in May 2021.

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**Smart Mobility**

Smart Mobility									
EV Battery Swap Revenue (in RMB'000)	Three months ended Sept 30,				Nine months ended Sept 30,				
	2021	2020	Change	%	2021	2020	Change	%	
Sanya City, Hainan Province	58	7	51	729%	201	7	194	>999%	
Haikou City, Hainan Province	12	-	12	100%	12	-	12	100%	
<b>Total Revenue (RMB'000)</b>	<b>70</b>	<b>7</b>	<b>63</b>	<b>900%</b>	<b>213</b>	<b>7</b>	<b>206</b>	<b>&gt;999%</b>	

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

**Foreign exchange rates**

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

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

One Chinese RMB to Canadian dollars	Q3 2021	Q3 2020	% change
Spot rate at the end of the period	0.1970	0.1963	0.4%
Average rate for the period	0.1934	0.1936	-0.1%

**Gross margin**

Gross profit from continuing operations for the Third Quarter in 2021 was RMB33.8 million, a decrease of RMB6.1 million, or 15%, from RMB39.9 million (restated) for the Third Quarter in 2020. Gross profit margin for the Third Quarter in 2021 was 40.9%, a decrease of 3.5 percentage points as compared to 44.4% (restated) for the Third Quarter in 2020.

Gross profit from continuing operations for Nine Months in 2021 was RMB101.8 million, an increase of RMB7.4 million, or 8%, from RMB94.4 million (restated) for Nine Months in 2020. Gross margin for Nine Months in 2021 was 40.7%, similar to that of Nine Months in 2020.

Excluding the effect of COVID-19, on a comparable basis, the gross profit for the Third Quarter and Nine Months in 2019 was RMB45.3 million (restated) and RMB122.3 million (restated) respectively. Gross profit margins in the Third Quarter and Nine Months in 2019 were 46.4% and 42.3% respectively.

With the gas selling price adjustments, the weighted average of gas selling price of residential customers in Sanya City decreased RMB0.24, or 8% from RMB2.98 for the Third quarter in 2020 to RMB2.74 for the Third Quarter in 2021. Weighted average selling price for commercial customers in Sanya City for the Third Quarter in 2021 decreased RMB0.3, or 8% from RMB3.84 for the Third Quarter in 2020 to RMB3.54 for the Third Quarter in 2021. The overall negative effect on the decrease in weighted average gas selling price in the Third Quarter of 2021 on gross profit margin was reduced along with the reduction in sale volume for this quarter.

Weighted average of gas selling price of residential customers in Sanya City decreased RMB0.22, or 7% from RMB2.91 for the Nine Months in 2020 to RMB2.69 for the Nine Months in 2021. Weighted average gas selling price of commercial customers in Sanya City decreased RMB0.58, or 14% from RMB4.15 for the Nine Months in 2020 to RMB3.57 for the Nine Months in 2021.

Gross profit margins from continuing operations for Nine Months in 2021 remained the same as Nine Months in 2020 which was mainly attributable to the collective effects of higher gross profit margin for revenue from commercial customers in pipeline connection, the increase in consumption of pipeline natural gas with relatively lower cost than LNG and the raise in selling price of LNG to our customers in Sanya CNG vehicle station for the Third Quarter in 2021 which partially offset by the implementation of the SYDRC gas selling price adjustments commenced from September 1, 2021.

**Operating expenses**

**Selling and marketing expenses** of continuing operations for the Third Quarter in 2021 were RMB9.5 million, remained at relatively similar level as that of the third Quarter in 2020 (restated). Selling and marketing expenses of continuing operations for Nine Months in 2021 was RMB27.0 million, increased of RMB2.4 million, or 10% as compared to RMB24.6 million (restated) for Nine Months in 2020. Selling and marketing expenses as a percentage of sales for the Third Quarter in 2021 was 11.5%, an increase of 1.6 percentage point as compared to 9.9% for the Third Quarter in 2020. Selling and marketing expenses as a percentage of sales for Nine Months in 2021 was 10.8%, constant with that in Nine Months of 2020. The increase in selling and marketing expenses for Nine Months in 2021 was mainly attributable to the normal payment of social security provident fund expenses in the Nine Months of 2021 as compared to a reduction of statutory social security provident fund payments on salaries under a relaxation policy imposed by the government of Sanya City in first half of 2020.

**General and administrative expenses** of continuing operations for the Third Quarter in 2021 were RMB11.5 million, an increase of RMB1.8 million, or 19% from RMB9.7 million (restated) the Third Quarter in 2020. General and administrative expenses of continuing operations for the Nine Months in 2021 were RMB33.3 million, an increase of RMB3.2 million, or 11% from RMB30.1 million (restated) for the Nine Months in 2020. General and administrative expenses as a percentage of sales for the Third Quarter in 2021 was 14.0%, an increase of 3.2 percentage point as compared to 10.8% for the Third Quarter in 2020. General and administrative expenses as a percentage of sales for the Nine Months in 2021 was 13.3%, similar to 13.0% for Nine Months in 2020. The increase was mainly attributable to government's one off reduction in statutory social security provident fund payments on salaries in 2020 as mentioned in "Selling and marketing expenses" above and general and administrative expenses incurred for projects under development. Unlike sales and marketing expenses, general and administrative expenses by nature will not always fluctuate in line with the level of sales activities.

**Finance Costs**

Finance costs from continuing operations for the Third Quarter in 2021 were RMB2.1 million, an increase of RMB1.0 million, or 86% from RMB1.2 million for the Third Quarter in 2020. Finance costs from continuing operations for Nine Months in 2021 were RMB6.1 million, an increase of RMB1.6 million as compared to RMB4.5 for Nine Months in 2020. Finance costs reflected interests on lease liabilities and interest on Convertible Debentures, short-term bank borrowings and long-term bank financing for the development of the Group's projects under development, of which RMB7.0 million was capitalized on projects under development.

**Share of profit of associates**

Share of profit of associates of RMB1.2 million and RMB4.9 million for the Third Quarter and Nine Months in 2021 respectively. As a result of improvement in profitability of the Group's 40% held associate, Pingxiang Xinao Changfeng Gas Co., Ltd. ("Pingxiang Xinao CF"), share of profit continuously increases.

**EBITDA from continuing operations**

EBITDA from continuing operations (non-IFRS measure as identified and defined under section "Non-IFRS Measures") for the Third Quarter in 2021 was RMB29.1 million, a decrease of RMB14.3 million, or 33%, from RMB43.4 million (restated) for the Third Quarter in 2020. EBITDA from continuing operations for Nine Months in 2021 was RMB64.8 million, a decrease of RMB7.7 million, or 11%, from RMB72.5 million (restated) for Nine Months in 2020.

EBITDA from continuing operations for the Third Quarter in 2021 included the recognition of share-based payments of RMB0.5 million (Third Quarter in 2020: RMB Nil), non-recurring government financial assistance of RMB Nil (Third Quarter in 2020: RMB5.2 million) and a gain of RMB2.9 million (Third Quarter 2020: RMB3.6 million) on 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 pages 22 and 23 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 entered into and is subsequently remeasured to its fair value at the end of each reporting period. Market price of the common shares of the Company was CAD0.45 as at September 30, 2021, CAD0.51 as at June 30, 2021 and CAD0.45 as at December 31, 2020 respectively. A gain of fair value change on derivative financial instrument was RMB2.9 million was recognized in the Third Quarter in 2021 which arose from the difference between the market price of the Company between September 30, 2021 and June 30, 2021. On contrast, no value change on derivative financial instrument was recognized for Nine Months in as the market price of the Company between September 30, 2021 and December 31, 2020 were the same.

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On a comparable basis, after excluding the effects of the above-mentioned fair value change on derivative financial instrument, recognition of share-based payments and non-recurring government financial assistance, adjusted EBITDA from continuing operations for the Third Quarter in 2021 was RMB26.6 million, a decrease of RMB8.1 million, or 23%, from RMB34.7 million (restated) for the Third Quarter in 2020.

EBITDA from continuing operations for Nine Months in 2021 included the recognition of share-based payments of RMB1.5 million (Nine Months in 2020: RMB Nil), non-recurring government financial assistance of RMB Nil (Nine Months in 2020: RMB5.2 million) and change on fair value change on derivative financial instrument of RMB Nil (Nine Months in 2020: RMB5.1 million). Adjusted EBITDA from continuing operations for Nine Months in 2021 was RMB66.2 million, an increase of RMB4.0 million, or 6%, from RMB62.2 million (restated) for Nine Months in 2020.

**Profit for the period from continuing operations**

The Group reported net profit from continuing operations of RMB9.5 million for the Third Quarter in 2021, a decrease of RMB13.4 million, or 59%, from RMB22.9 million (restated) in Third Quarter in 2020. The Group reported net profit from continuing operations of RMB27.4 million for Nine Months in 2021, a decrease of RMB10.4 million, or 28%, from the net profit of RMB37.8 million (restated) in Nine Months 2020.

Earnings per share ("EPS") from continuing operations was RMB0.15 (CAD0.03) and RMB0.14 (CAD0.03) per share (basic and diluted) for the Third Quarter in 2021 as compared to gains per share of RMB0.35 and RMB0.34 (CAD0.08) (basic and diluted) for the Third Quarter in 2020. EPS from continuing operations was RMB0.41 (CAD0.08) and RMB0.40 (CAD0.08) per share (basic and diluted) for Nine Months in 2021 as compared to EPS of RMB0.57 (CAD0.11) and RMB0.56 (CAD0.11) (basic and diluted) for Nine Months in 2020.

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

In RMB thousands (except for % figures)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020 (Restated)	Change	%	2021	2020 (Restated)	Change	%
<b>Continuing operations</b>								
Net profit for the period from continuing operations	9,521	22,955	(13,434)	-59%	27,370	37,839	(10,469)	-28%
Non-recurring items								
Fair value change on derivative financial instrument	(2,969)	(3,561)	592	-17%	-	(5,113)	5,113	-100%
Recognition of share-based payments	469	-	469	100%	1,493	-	1,493	100%
Government financial assistance	-	(5,160)	5,160	100%	-	(5,160)	5,160	-100%
<b>Adjusted net profit for the period from continuing operations (non-IFRS)</b>	<b>7,021</b>	<b>14,234</b>	<b>(7,213)</b>	<b>-51%</b>	<b>28,863</b>	<b>27,566</b>	<b>1,297</b>	<b>5%</b>

On a comparable basis (please refer to the section headed "EBITDA from continuing operations" above for more details), after excluding the loss in fair value change on derivative financial instrument, recognition of share-based payments and non-recurring government financial assistance, the Company reported an adjusted net profit of RMB7.0 million for the Third Quarter in 2021, a decrease of RMB7.2 million, or 51% from RMB14.2 million as reported in the Third quarter of 2020. The adjusted net profit from continuing operations for the Nine Months in 2021 was RMB28.9 million, an increase of RMB1.3 million, or 5% from RMB27.6 million as reported for Nine Months in 2020.

Adjusted EPS from continuing operations was RMB0.10 (CAD0.02) per share (basic and diluted) for the Third Quarter in 2021 as compared to adjusted EPS from continuing operations of RMB0.22 (CAD0.04) (basic and diluted) for the Third Quarter in 2020. Adjusted EPS from continuing operations was RMB0.43 (CAD0.08) per share (basic and diluted) for Nine Months in 2021 as compared to adjusted EPS from continuing operations of RMB0.42 (CAD0.08) (basic and diluted) for Nine Months in 2020.

**Profit (loss) for the period from discontinued operation**

Profit from discontinued operation for the Third Quarter in 2021 was RMB2,000 and loss of RMB0.3 million for the Third Quarter in 2020 (Nine Months in 2021 and 2020: loss of RMB1.5 million and RMB0.6 million) respectively related to the termination of the operation of Riheng as part of the Group's policy to realign its future business strategies with major focus on clean energy solutions with high growth potential (Please refer to page 6 of this MD&A for more details).

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## **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	2021			2020			2019	
	Q3	Q2	Q1	Q4	Q3 (Restated)	Q2 (Restated)	Q1 (Restated)	Q4
Foreign exchange rate one RMB to Canadian dollars	0.1934	0.1927	0.1953	0.1944	0.1936	0.1941	0.1927	0.1944
Revenue	82,612	86,177	81,205	113,992	89,970	76,386	64,937	121,438
Gross profit	33,757	34,474	33,619	44,669	39,907	27,376	27,131	50,676
Profit (loss) for the period from continuing operations	9,521	14,854	2,995	8,332	22,955	(2,156)	17,040	15,968
EPS (loss) of continuing and discontinued operations								
- basic (RMB)	0.15	0.21	0.04	0.17	0.34	(0.04)	0.26	0.26
- diluted (RMB)	0.14	0.20	0.04	0.18	0.34	(0.04)	0.26	0.29

## **Selected Financial Data**

(RMB000's)	September 30, 2021	December 31, 2020
Bank balances and cash	103,001	138,602
Net current liabilities	(50,049)	(63,749)
Adjusted working capital (note1)	70,962	38,729
Property and equipment	701,669	565,962
Right-of-use of assets	78,678	26,538
Total assets	1,138,831	992,010
Non-current liabilities	347,446	263,216
Shareholders' equity	416,511	388,948

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

Bank balance and cash decreased by RMB35.6 million to RMB103.0 million as at September 30, 2021 from RMB138.6 million as at December 31, 2020, primarily resulted from the net effect of the increase in net cash generated from operating activities of RMB9.0 million, cash used for acquisition of property and equipment of RMB123.5 million, purchase of equity interests in Blue Valley which classified as equity instrument at fair value through other comprehensive income (FVTOCI) of RMB14.7 million and net draw down of new short-term borrowings and long-term debt of RMB103.5 million in which RMB91.9 million was raised for EDF CF and a long-term convertible debentures of RMB3.1 million was raised by the Group in the second quarter of 2021.

### **Adjusted Working Capital**

The adjusted working capital (see "Non-IFRS Financial Measures") was negative RMB7.2million as at September 30, 2021, a decrease of RMB45.9 million, from positive adjusted working capital of RMB38.7 million as at December 31, 2020. Adjusted working capital excludes the receipt in advance from customers included in the contract liabilities of RMB68.0 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 RMB46.1 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 six bank term loans provided to the Group and Convertible Debentures issued in 2021.

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

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

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

In the short term, management does not expect to face any liquidity problems considering its current bank and cash position, available undrawn bank facilities and, despite the impact of COVID-19 pandemic, the expectation to continue to generate cash flows from operations in the short and long term. During the nine-month period ended September 30, 2021, the Group was in compliance with all of its debt covenants.

The net gearing ratio is calculated by dividing interest-bearing borrowings, Convertible Debentures and lease liabilities, net of cash and cash equivalents, by total equity attributable to equity shareholders of the Company. The Group's net gearing ratio was approximately 76.9% as at September 30, 2021, an increase of 31.5 percentage points as compared to 45.4% as at December 31, 2020. Higher gearing ratio was mainly attributable to the further draw down of banking facilities to finance the Group's projects under development.

**Capital Commitments**

As at September 30, 2021, capital expenditure in respect of the acquisition of property and equipment and the construction of pipelines under development contracted for but not provided in the unaudited condensed interim consolidated financial statements amounted to RMB99.1 million, a decrease of RMB111.1 million as compared to RMB210.2 million as at December 31, 2020. The significant reduction of capital commitment was attributable to the advancement of the development of the Haitang Bay Integrated Smart Energy Project as much of the unspent capital commitments brought forward from December 31, 2020 were utilized during the Nine Months in 2021 upon the project's commenced of operation in September 2021. Capital commitments as at September 30, 2021 also included a remaining initial investment of RMB1.5 million for the 2% equity interests in Hainan Shanglian Investment Co., Ltd. and construction for second EV battery swap station in Haikou, Hainan Province of RMB3.3 million.

**Share Capital**

As at September 30, 2021, the Company has 65,985,655 common shares and 4,500,000 stock options outstanding. During the Third Quarter of 2021, 100,000 shares option was expired/forfeited. The Company has no warrants outstanding as of the date of this MD&A. On December 18, 2020, the Company has also awarded a total of 2,090,000 shares to senior management and employees of the Group under the Employee Stock Award Plan, of which 25% of the Award Shares, 522,500 shares at the price of CAD0.43 per common share which are not subject to any conditions have been issued. The remaining 1,567,500 shares awarded which are subject to the fulfilment of certain considerations remained un-issued as at September 30, 2021.

**Non-IFRS Financial Measures**

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

**EBITDA from continuing operations**

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

For the three-month and nine-month periods ended September 30, 2021

In RMB thousands (except for % figures)	Three months ended Sept 30,				Nine months ended Sept 30,			
	2021	2020 (Restated)	Change	%	2021	2020 (Restated)	Change	%
<b>Continuing operation</b>								
Net profit for the period from continuing operations	9,521	22,955	(13,434)	-59%	27,370	37,839	(10,469)	-28%
Add:								
Finance costs	2,194	1,181	1,013	86%	6,104	4,538	1,566	35%
Income tax expense	3,668	7,365	(3,697)	-50%	11,896	13,009	(1,113)	-9%
Depreciation and amortization	13,699	11,948	1,752	15%	19,384	17,092	2,293	5%
<b>EBITDA for the period from continuing operations</b>	<b>29,082</b>	<b>43,449</b>	<b>(14,366)</b>	<b>-33%</b>	<b>64,754</b>	<b>72,478</b>	<b>(7,723)</b>	<b>-11%</b>
Non-recurring items								
Fair value change on derivative financial instrument	(2,969)	(3,561)	592	-17%	-	(5,113)	5,113	-100%
Recognition of share-based payments	469	-	469	100%	1,493	-	1,493	100%
Government financial assistance	-	(5,160)	5,160	100%	-	(5,160)	5,160	-100%
<b>Adjusted EBITDA from continuing operations</b>	<b>26,582</b>	<b>34,728</b>	<b>(8,145)</b>	<b>-23%</b>	<b>66,247</b>	<b>62,205</b>	<b>4,043</b>	<b>6%</b>

### 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.

In RMB thousands			
As at	Note	September 30, 2021	December 31, 2020
Current assets		253,451	276,097
Less: Current liabilities		(374,874)	(339,846)
<b>Net current liabilities</b>		<b>(121,423)</b>	<b>(63,749)</b>
Add: Receipts in advance from customers	1	68,025	62,478
Add: Short-term bank borrowings		46,150	40,000
<b>Adjusted working capital</b>		<b>(7,248)</b>	<b>38,729</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, 2021, the Group's current liabilities exceeded its current assets by RMB121.4 million. The increase in net current liabilities as compared to December 31, 2020 was mainly attributed to the drawdown of current portion of long-term debt of RMB16.8 million based on the negotiations with the bank which successfully raised the overall limit of existing facilities granted by the bank and reduced in bank balances and cash of RMB35.6 million.

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

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**Free Cashflow from continuing operations**

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

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

In RMB thousands	Nine months ended June 30,	
	2021	2020 (Restated)
Net profit for the period from continuing operations	27,370	37,839
Add: Finance costs	6,104	4,538
Income tax expense	11,896	13,009
EBIT	45,370	55,386
<i>Effective tax rate</i>	30%	26%
<b>EBIT net of tax</b>	<b>31,625</b>	<b>41,216</b>
<i>Non-cash income and expense</i>		
Depreciation and amortization	19,384	17,092
Reversal of impairment losses under expected loss model, net	(162)	(432)
Share of profit of associates	(4,918)	(4,936)
Recognition of share-based payments	1,493	-
Loss on disposals of property and equipment	4	-
Fair value change on derivative financial instrument	-	(5,113)
Unrealized exchange loss on monetary items	140	-
Change in net current assets (liabilities)	57,674	79,166
Less: Capital expenditures	(123,706)	(54,545)
<b>Free Cash Flow</b>	<b>(18,466)</b>	<b>72,448</b>

Negative free cash flow from continuing operations for Nine Months in 2021 amounted to RMB18.5 million, a decrease of RMB90.9 million as compared to positive free cash flow of RMB72.4 million for Nine Months in 2020.

**Management's Discussion and Analysis**

For the three-month and nine-month periods ended September 30, 2021

**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 the nine-month period ended September 30,	
			<u>2021</u>	<u>2020</u>
			RMB'000	RMB'000
<b><u>Transactions</u></b>				
Sichuan Tianzhiyuan Energy Technology Limited ("Tianzhiyuan")	Non-controlling interests of a subsidiary	Interest income	83	83

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>	Sept 30,	Dec 31,
			<u>2021</u>	<u>2020</u>
			RMB'000	RMB'000
<b><u>Balances</u></b>				
Pingxiang Xiao CF	Associate	Non-trade, unsecured and interest bearing (note a)	12,423	12,423
		Trade, unsecured, non-interest bearing and repayable on demand (note b)	-	1,410
Tianzhiyuan	Non-controlling interests of a subsidiary	Non-trade, unsecured, interest bearing and repayable on demand (note c)	2,267	2,178

notes:

- (a) The balance represented the loan to Pingxiang Xiao CF bearing interest at 4.35% per annum, amounted to RMB12.423 million as at September, 2021 (December 31, 2019: RMB12.423 million). 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.
- (b) The balance as at December 31, 2020 represents amount due from Pingxiang Xinao CF amounted of RMB1.41 million (September 30, 2021: RMB Nil) after signing of the Concessionary Agreement with Xiangdong District Government of Pingxiang, Jiangxi province and obtain the concessionary right for natural gas pipeline distribution. The balance was fully settled in May 2021.
- (c) The balance represents the loan to Tianzhiyuan as unsettled capital injected into Meishan bearing interest at 5.88% per annum amounted to RMB2.208 million (December 31, 2020: RMB2.178 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 prior to June 28, 2019, the Group shall have the right for a period of 90 days following June 28, 2019 to require Mr. Lin, directly or indirectly, to subscribe for common shares of the Company on the TSX-V, in the amount of RMB36.0 million or its CAD equivalent.

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

**Management's Discussion and Analysis**For the three-month and nine-month periods ended September 30, 2021

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prevailing exchange rate, the Estate will hold approximately 44,774,068 common shares or approximately 59.43% of the total outstanding common shares of the Company.

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

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

**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, 2020.

**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, 2020.

**Principal Accounting Policy**

The unaudited 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 unaudited condensed interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020.

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

In the current three-month period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB for the preparation of the Group's condensed interim consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform- Phase 2 <sup>2</sup>

1 Effective for annual periods beginning on or after June 1, 2020

2 Effective for annual periods beginning on or after January 1, 2021

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

**Amendment to IFRS 16 Covid-19-Related Rent Concessions**

In May 2020, the IASB provided a practical expedient that permits lessees (not lessors) to not assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions in profit or loss as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

When applying the practical expedient, the rent relief could be treated as either:

1. a variable rent expense in profit or loss against the lease liability to derecognize the part of the lease liability that has been forgiven or waived, or;
2. a deferral of lease payments from one period to another, which only affects the timing of payments. A lessee would continue to recognize interest on the lease liability and reduce that liability for lease payments, or;
3. a combination of the above.