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

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

	NOTES	Three-month period ended June 30		Six-month period ended June 30	
		2020	2019	2020	2019
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	5	88,403	102,245	155,762	210,027
Cost of sales		(60,298)	(62,334)	(100,341)	(131,367)
Gross profit		28,105	39,911	55,421	78,660
Other income		698	775	996	1,058
Other losses		(99)	(61)	(962)	(407)
Impairment losses under expected credit loss model, net of reversal		302	(23)	902	273
Fair value change on derivative financial instrument	12	(10,508)	-	1,552	-
Selling and marketing expenses		(8,595)	(11,696)	(16,521)	(26,264)
General and administrative expenses		(9,465)	(10,616)	(20,771)	(21,421)
Finance costs		(1,568)	(1,881)	(3,374)	(3,588)
Listing expenses		-	(1,334)	-	(1,603)
Share of profit (loss) of associates	11	1,943	852	3,016	(916)
Share of loss of a joint venture		-	(94)	-	(377)
Loss on disposal of an associate		-	-	-	(379)
Profit before tax		813	15,833	20,259	25,036
Income tax expense	6	(2,741)	(4,545)	(5,644)	(8,924)
Profit (loss) for the period		(1,928)	11,288	14,615	16,112
Profit (loss) and total comprehensive income (expense) for the period		(1,928)	11,288	14,615	16,112
Profit (loss) for the period attributable to					
- Owners of the Company		(2,177)	11,401	14,568	16,870
- Non-controlling interests		249	(113)	47	(758)
		(1,928)	11,288	14,615	16,112
Total comprehensive income (expense) attributable to					
- Owners of the Company		(2,177)	11,401	14,568	16,870
- Non-controlling interests		249	(113)	47	(758)
		(1,928)	11,288	14,615	16,112
Earnings (loss) per share					
- Basic (RMB)		(0.03)	0.17	0.22	0.25
- Diluted (RMB)		(0.03)	0.17	0.22	0.25

CF ENERGY CORP.

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

	NOTES	June 30, 2020 RMB'000	December 31, 2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment	9	485,791	433,200
Right-of-use assets	10	27,129	21,353
Long-term lease prepayments	10	272	406
Goodwill		1,635	1,635
Intangible assets		9,639	10,000
Interests in associates	11	31,245	28,229
Amount due from an associate	17	15,423	15,802
Amounts due from non-controlling interests of subsidiaries	17	2,120	2,062
Long-term deposits and advances	15	15,150	16,058
		588,404	528,745
CURRENT ASSETS			
Current portion of long-term lease prepayments	10	726	879
Inventories		4,571	5,293
Contract assets	13	9,106	7,659
Trade receivables	14	35,196	46,302
Other receivables, prepaid expenses and deposits	15	33,702	37,994
Derivative financial instrument	12	2,093	541
Restricted cash		200	300
Fixed bank deposits		6,000	6,000
Bank balances and cash		132,733	127,990
		224,327	232,958
CURRENT LIABILITIES			
Trade and other payables	16	99,987	71,677
Dividend payable to non-controlling interest of a subsidiary		1,827	1,827
Contract liabilities		111,080	110,505
Lease liabilities		1,641	1,651
Income tax payable		7,902	11,097
Short-term borrowings	18	26,949	10,000
Current portion of long-term debts	18	24,000	15,000
		273,386	221,757
NET CURRENT (LIABILITIES) ASSETS		(49,059)	11,201
TOTAL ASSETS LESS CURRENT LIABILITIES		539,345	539,946

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

	NOTES	June 30, 2020 RMB'000	December 31, 2019 RMB'000
NON-CURRENT LIABILITIES			
Long-term debts	18	170,500	187,000
Lease liabilities		6,289	5,872
Deferred income - government grants	19	6,867	6,981
Deferred tax liabilities		12,668	12,060
		196,324	211,913
NET ASSETS		343,021	328,033
CAPITAL AND RESERVES			
Share capital	20	70,425	69,861
Reserves		241,280	226,903
Equity attributable to owners of the Company		311,705	296,764
Non-controlling interests		31,316	31,269
TOTAL EQUITY		343,021	328,033

The unaudited condensed interim consolidated financial statements on pages 1 to 25 were approved and authorized for issue by the Board of Directors on August 28, 2020 and are signed on its behalf by:

Yongbiao Ding

YONGBIAO DING
DIRECTOR

Wencheng Zhang

WENCHENG ZHANG
DIRECTOR

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

	Attributable to owners of the Company							
	Share capital RMB'000	Contributed surplus RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Other reserves RMB'000 (Note c)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at December 31, 2018	69,818	20,920	44,756	79	138,579	274,152	12,843	286,995
Impact of first application of IFRS 16	-	-	-	-	(579)	(579)	(387)	(966)
As at January 1, 2019 (restated)	69,818	20,920	44,756	79	138,000	273,573	12,456	286,029
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	-	16,870	16,870	(758)	16,112
Options surrendered (note 21)	-	(3,326)	-	-	3,326	-	-	-
Dividend declared to non-controlling interests of a subsidiary	-	-	-	-	-	-	(390)	(390)
Dividend recognized as distribution (note 7)	-	-	-	-	(19,900)	(19,900)	-	(19,900)
As at June 30, 2019	69,818	17,594	44,756	79	138,296	270,543	11,308	281,851
As at January 1, 2020	69,861	17,580	53,258	(531)	156,596	296,764	31,269	328,033
Profit and total comprehensive income for the period	-	-	-	-	14,568	14,568	47	14,615
Options exercised	564	(191)	-	-	-	373	-	373
As at June 30, 2020	70,425	17,389	53,258	(531)	171,164	311,705	31,316	343,021

Notes:

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

(b) Statutory surplus reserve represents the statutory surplus reserve fund attributable to the Group set up by the subsidiaries in the People's Republic of China (the "PRC"). According to the relevant PRC regulations, the subsidiaries in the PRC are required to appropriate 10% of net profit as reported in the statutory financial statements to the statutory surplus reserve fund, and the statutory surplus reserve fund may be used for making up losses, if any, and increasing registered capital. The maximum amount appropriate to the statutory surplus reserve fund is 50% of the registered capital of the respective PRC subsidiaries. The statutory surplus reserve is not distributable.

(c) Other reserve as of December 31, 2018 represents the surplus between the consideration and the carrying amount attributable to the disposal of 5.4% equity interest in Hebei Riheng Clean Energy Co., Ltd. ("Riheng"), a non wholly-owned subsidiary of the Group, to an independent third party during the year ended December 31, 2018. On September 20, 2019, the Group acquired the remaining 5.4% equity interest in Riheng from the independent third party by waiving the unpaid consideration of RMB900,000 in the acquisition occurred in 2018.

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

	Six-month period ended June 30, 2020 RMB'000	Six-month period ended June 30, 2019 RMB'000
OPERATING ACTIVITIES		
Increase in contract liabilities	575	11,410
(Increase) decrease in contract assets	(1,422)	2,285
Other operating cash inflow	53,040	20,604
Interest received	433	454
Interest paid	(5,188)	(3,547)
Income tax paid	(8,231)	(16,425)
NET CASH FROM OPERATING ACTIVITIES	39,207	14,781
INVESTING ACTIVITIES		
Deposit paid for acquisition of property and equipment	(4,293)	(3,432)
Acquisition of property and equipment	(32,835)	(14,030)
Acquisition of intangible assets	(89)	-
Acquisition of pipelines for relocation projects	(727)	(224)
Receipt of compensation on pipeline relocation projects	253	3,197
Lease prepayment paid	(5,761)	-
Withdrawal of restricted cash	100	201
Withdraw of fixed bank deposit	6,000	10,000
Placement of fixed bank deposit	(6,000)	(10,000)
Increase in amount due from non-controlling interest of a subsidiary	-	(13)
Advance to a joint venture	-	(24,000)
NET CASH USED IN INVESTING ACTIVITIES	(43,352)	(38,301)
FINANCING ACTIVITIES		
Dividend paid	-	(9,950)
Dividend paid to non-controlling interests of subsidiaries	-	(390)
Proceeds on exercised share options	373	-
New short-term borrowings raised	16,949	10,000
Repayment of long-term debt	(7,500)	(12,000)
Repayment of lease liabilities	(937)	(589)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	8,885	(12,929)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,740	(36,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	127,990	80,494
Effect of foreign exchange rate changes	3	(81)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	132,733	43,964
Represented by:		
Bank balances and cash	132,733	43,964

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

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

At June 30, 2020, the Group's current liabilities exceeded its current assets by RMB49,059,000. In view of these circumstances, management of the Group has given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Management is satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitments. Taking into account the Group's cash flow projection, including the Group's ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, management considers that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the condensed interim consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

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

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

4. USE OF JUDGEMENTS AND ESTIMATES

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

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

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

5. REVENUE AND SEGMENT INFORMATION

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

	Six-month period ended June 30,	
	2020	2019
	RMB'000	RMB'000
Gas distribution utility		
- Gas sales	91,702	122,592
- Pipeline installation and connection	43,269	59,040
CNG refuelling station	20,791	28,395
	155,762	210,027
Timing of revenue recognition		
A point of time	112,493	150,987
Over time	43,269	59,040
Total	155,762	210,027

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

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

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

(a) Gas distribution utility which includes gas sales and pipeline installation and connection; and

(b) CNG vehicles refueling.

The gas distribution utility segment:

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

(ii) delivers natural gas to industrial customers through storage facilities in Shijiazhuang City, Hebei Province in the PRC.

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

5. REVENUE AND SEGMENT INFORMATION - continued

Segments revenues and results

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

For the six-month period ended June 30, 2020

	Gas distribution utility RMB'000	CNG vehicle refuelling RMB'000	Consolidated RMB'000
Segment revenue	152,942	21,033	173,975
Inter-segment revenue	(17,971)	(242)	(18,213)
Revenue from external customers	134,971	20,791	155,762
Segment profit	18,766	4,330	23,096
Share of profit of associates			3,016
Fair value change on derivative financial instrument			1,552
Unallocated income			75
Unallocated expenses			(7,480)
Profit before tax			20,259

For the six-month period ended June 30, 2019

	Gas distribution utility RMB'000	CNG vehicles refueling RMB'000	Consolidated RMB'000
Segment revenue	193,916	29,209	223,125
Intra-segment revenue	(12,284)	(814)	(13,098)
Revenue from external customers	181,632	28,395	210,027
Segment profit	31,783	2,537	34,320
Share of loss of associates			(916)
Share of loss of a joint venture			(377)
Loss on disposal of an associate			(379)
Listing expenses			(1,603)
Unallocated income			287
Unallocated expenses			(6,296)
Profit before tax			25,036

5. REVENUE AND SEGMENT INFORMATION - continued

Geographical information

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

6. INCOME TAX EXPENSE

	Six-month period ended June 30, 2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	4,707	9,097
PRC withholding EIT	330	1,390
	5,037	10,487
Deferred tax expense (credit)	607	(1,563)
	5,644	8,924

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

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

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

7. DIVIDENDS

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

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

(1) the second instalment of the interim dividend in respect of the year ended December 31, 2018 in an aggregate amount of RMB3,500,000 (equivalent to CAD691,000 and approximately CAD0.01 per common share based on the exchange rate for RMB1.0000 to CAD0.1974 at the date of dividend declaration);

(2) the first instalment of the interim dividend in respect of the year ended December 31, 2019 in an aggregate amount of RMB3,500,000 (equivalent to CAD691,000 and approximately CAD0.01 per common share based on the exchange rate for RMB1.0000 to CAD0.1974 at the date of dividend declaration); and

7. DIVIDENDS - continued

(3) a special dividend in an aggregate amount of RMB12,900,000 (equivalent to CAD2,547,000 and approximately CAD0.04 per common share based on the exchange rate for RMB1.0000 to CAD0.1974 at the date of dividend declaration), payable in two equal instalments.

In April 2019, the second instalment of the interim dividend in respect of the year ended December 31, 2018 in an aggregate amount of RMB3,500,000 (equivalent to CAD691,000) and the first instalment of 2019 special dividend in an aggregate amount of RMB6,450,000 (equivalent to CAD1,273,000) was paid.

8. EARNINGS (LOSS) PER SHARE

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Earnings (loss)				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	(2,177)	11,401	14,568	16,870

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
Number of shares				
Weighted average number of shares for the purpose of basic earnings (loss) per share	65,276,342	65,248,155	65,269,748	65,248,155
Effect of dilutive potential shares:				
Share options issued by the Company	380,295	1,106,285	711,136	1,364,228
Weighted average number of shares for the purpose of diluted earnings (loss) per share	65,656,637	66,354,440	65,980,884	66,612,383
Basic earnings (loss) per share (Note)	(RMB0.03)	RMB0.17	RMB0.22	RMB0.25
	(CAD0.01)	CAD0.03	CAD0.04	CAD0.05
Diluted earnings (loss) per share (Note)	(RMB0.03)	RMB0.17	RMB0.22	RMB0.25
	(CAD0.01)	CAD0.03	CAD0.04	CAD0.05

Note: The CAD figures presented above are shown for reference only and have been arrived at based on the exchange rate for RMB1.0000 to CAD0.1955 and RMB1.0000 to CAD0.1941 for three-month and six-month ended June 30, 2020, respectively, and RMB1.0000 to CAD0.1961 and RMB1.0000 to CAD0.1966 for three-month and six-month ended June 30, 2019, respectively, being the average exchange rate that prevailed during the respective periods.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the current six-month period, the Group incurred approximately RMB60,530,000 (June 30, 2019: RMB20,496,000) for construction in progress of which RMB34,254,000 (June 30, 2019: RMB14,130,000) was for pipelines. Construction in progress of approximately RMB3,420,000 (June 30, 2019: RMB11,055,000) have been transferred to property and equipment during the six-month period.

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

	Leasehold properties RMB'000	Leased lands RMB'000	Total RMB'000
As at January 1, 2019			
Carrying amount	3,008	14,344	17,352
As at December 31, 2019			
Carrying amount	4,221	17,132	21,353
As at June 30, 2020			
Carrying amount	3,643	23,486	27,129
For the period ended June 30, 2020			
Depreciation charge	(578)	(571)	(1,149)
For the period ended June 30, 2019			
Depreciation charge	(812)	(493)	(1,305)

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

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

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

Variable lease payments

Lease of a land for a CNG vehicle refueling station contains both fixed lease payments and variable lease payments that are based on the volume of gas refueled by customers. Variable lease payments not included in the measurement of lease liabilities for the period ended June 30, 2020 amounting to RMB998,000 (December 31, 2019: RMB1,285,000).

11. INTERESTS IN ASSOCIATES

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Cost of investments in associates - unlisted	32,710	32,710
Share of post-acquisition losses and other comprehensive expenses	(1,465)	(4,481)
	31,245	28,229

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

Name of entity	Country of incorporation/ registration	Principal place of business	Paid-up capital 30/6/2020 RMB'000	Paid-up capital 31/12/2019 RMB'000	Proportion of ownership interest held by the Group 30/6/2020	Proportion of ownership interest held by the Group 31/12/2019	Proportion of voting rights held by the Group 30/6/2020	Proportion of voting rights held by the Group 31/12/2019	Principal activity
Pingxiang Xinao Changfeng Gas Co., Ltd 萍乡新奥长丰燃气有限公司 (“Pingxiang Xinao CF”)	The PRC	The PRC	32,460	32,460	40%	40%	40%	40%	Gas sales and distribution and pipeline installation and connection
Sichuan Xiangshu Petrochemical Co., Ltd 四川湘蜀石油化工有限公司 ("Xiangshu") (note)	The PRC	The PRC	250	-	23.2%	N/A	23.2%	N/A	Refined oil sales and distribution

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

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

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

12. DERIVATIVE FINANCIAL INSTRUMENT

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Derivative financial assets	2,093	541

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

12. DERIVATIVE FINANCIAL INSTRUMENT - continued

As the IPO was not completed on or prior to June 28, 2019. On July 26, 2019, the Company announced that the Board determined to exercise the Company's option pursuant to the Loan Discharge Agreement to require the estate of Mr. Lin (the "Estate") to subscribe for an aggregate amount of CAD6,862,000 (approximately RMB36,000,000) in common shares of the Company at a price of CAD0.68 per common share. Following the subscription, based on the prevailing exchange rate of June 28, 2019, the number of shares to be issued is 10,090,568. The management of the Group considered that the share subscription is a forward contract. As at June 30, 2020, the market price of the common shares of the Company was CAD0.64 (December 31, 2019: CAD0.67) and the closing exchange rate of RMB to CAD as at June 30, 2020 was RMB1.0000 to CAD0.1928 (December 31, 2019: RMB1.0000 to CAD0.1865). Changes in market prices at period ends are accounted for as “fair value change on derivative financial instrument” in the consolidated statements of profit or loss and other comprehensive income.

13. CONTRACT ASSETS

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Contract assets from pipeline construction works	9,106	7,685
Less: Allowance for credit losses	-	(26)
	9,106	7,659

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

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

Construction contracts of pipeline construction works

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

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

14. TRADE RECEIVABLES

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Trade receivables		
- Gas sales	19,978	24,089
- Pipeline installation and connection	17,921	25,792
	37,899	49,881
Less: Allowance for credit losses	(2,703)	(3,579)
	35,196	46,302

15. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Pipeline relocation receivables (note)	12,430	12,157
Deposits paid for acquisition of property and equipment	11,351	12,303
Prepayments for gas purchase	1,278	8,286
Rental deposits	1,232	1,288
VAT recoverable	19,390	14,519
Receivables from Xinao Gas on disposal of Pingxiang Xinao CF	415	3,243
Other prepayments and deposits	2,756	2,256
	48,852	54,052
Analyzed for reporting purposes as follows:		
- Current assets	33,702	37,994
- Non-current assets	15,150	16,058
	48,852	54,052

Note: Due to the change in city planning, local government notified the Group to relocate its gas pipelines for complying with the revised city plan and agreed that the local government would compensate part of the costs incurred by the Group as a result of the notified relocation. At June 30, 2020, the balances incurred are approximately RMB12,430,000 (December 31, 2019: RMB12,157,000) on construction of new pipelines as a result of the relocation notices. The Group expected RMB9,257,000 (December 31, 2019: RMB9,100,000) would be refunded by the local government in twelve-month period with the remaining balance of RMB3,173,000 (December 31, 2019: RMB3,057,000) to be refunded beyond twelve-month period.

16. TRADE AND OTHER PAYABLES

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Trade and construction payables	40,821	24,581
Security deposit received from customers for natural gas supplies	4,803	5,241
Payable on property and equipment acquisition	38,940	17,265
Accrued wages and staff benefits	7,942	16,210
Compensation payable for land acquisition	2,906	2,906
Other tax payables	1,476	1,008
Other payables and accrued expenses	3,099	4,466
	99,987	71,677

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

17. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE

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

Name of related party	Relationship	Nature of transactions	For six-month period ended June 30, 2020 RMB'000	2019 RMB'000
Transactions				
Pingxiang Xinao CF	Associate	Interest income (note b)	N/A	119
		Service fee income (note a)	N/A	3,300
Sichuan Tianzhiyuan Energy Technology Limited ("Tianzhiyuan")	Non-controlling interest of a subsidiary	Interest income	55	N/A

17. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE - continued

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

Name of related party	Relationship	Terms	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Balances				
Pingxiang Xinao CF	Associate	Non-trade, unsecured and interest bearing (note b)	12,423	12,802
		Trade, unsecured, non-interest bearing (note a)	3,000	3,000
Tianzhiyuan	Non-controlling interest of a subsidiary	Non-trade, unsecured, interest bearing and repayable on demand (note c)	2,120	2,062

Notes:

(a) The balance represented amount due from Pingxiang Xinao CF amounted of RMB3,000,000 after signing of the Concessionary Agreement with Xiangdong District Government of Pingxiang, Jiangxi province and obtain the concessionary right for natural gas pipeline distribution. In the opinion of the management of the Company, the outstanding balance is not expected to be repaid within 12 months after the end of reporting period and therefore the amount is classified as non-current asset.

(b) The balance represented loan to Pingxiang Xinao CF bearing interest at 4.35% per annum, amounted to RMB12,423,000 as at June 30, 2020 (December 31, 2019: RMB12,802,000). As a result of the mutual agreement between Pingxiang Xinao CF and the Company, interest on the loan was agreed to be waived with effect from October 16, 2019.

(c) The balance represented the loan to Tianzhiyuan as unsettled capital injected into Meishan bearing interest at 5.88% per annum amounted to RMB2,000,000.

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

During the six-month period ended June 30, 2020, the Group obtained new short-term borrowings with total amount of RMB16,949,000 and no new long-term debts was raised (December 31, 2019: no new short-term borrowings and new long-term debt amounted to RMB100,000,000). Long-term debts of RMB7,500,000 was repaid during the six-month period ended June 30, 2020 (June 30, 2019: RMB12,000,000).

19. DEFERRED INCOME - GOVERNMENT GRANTS

The Group received RMB5,269,000 and RMB2,553,000 in government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City in 2012 and 2019. These government grants were recognized as a long-term liability and will be recognized in the consolidated statement of profit or loss over the expected useful lives of these property and equipment when these property and equipment are ready for use. As of June 30, 2020, part of the property and equipment are ready for use and RMB114,000 (June 30, 2019: RMB115,000) is recognized as other income. As at June 30, 2020, the government grants of RMB6,867,000 was recognized as a non-current liability (December 31, 2019: RMB6,981,000).

20. SHARE CAPITAL

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

21. SHARE-BASED COMPENSATION

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

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

21. SHARE-BASED COMPENSATION - continued

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

	Number of share options
Outstanding as at January 1, 2020	3,770,000
Exercised during the period	(200,000)
Outstanding as at June 30, 2020	3,570,000

During the six-month period ended June 30, 2019, all holders of stock options of 2,440,000 granted on April 13, 2018 voluntarily surrendered their options for cancellation and their options were duly cancelled.

22. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Financial assets		
Financial assets at amortized cost	194,074	213,856
Derivative financial instrument	2,093	541
	196,167	214,397
Financial liabilities		
Liabilities measured at amortized cost	307,994	260,988

(b) Fair value measurements of financial instruments

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

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

22. FINANCIAL INSTRUMENTS - continued

(b) Fair value measurements of financial instruments

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

There was no transfers between different levels during both period.

Financial assets/ financial liabilities	Fair value as at 30/6/2020	Fair value as at 31/12/2019	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial instruments value	Asset – RMB2,093,000	Asset - RMB541,000	Level 2	Discounted cash flow The fair value is calculated by subtracting the present of the initial forward price from the spot rate.

Fair value measurements and valuation processes

Derivative financial instruments

The Group owns a right to require the estate of Mr. Lin to subscribe an aggregate amount of RMB36,000,000 (approximately CAD6,862,000 based on the prevailing exchange rate) in common shares of the Company at a price of CAD0.68 per share. The IPO has not been completed on or prior to June 28, 2019. The management of the Group considered that the share subscription is a derivative financial instrument. As at June 30, 2020, the market price of the common share was CAD0.64 (December 31, 2019: CAD0.67) and the closing exchange rate was RMB1.0000 to CAD0.1928 (December 31, 2019: RMB1.0000 to CAD0.1865). The derivative financial instrument is classified as financial assets at FVTPL and is measured at fair value at reporting date.

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

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

23. SEASONALITY OF OPERATIONS

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

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

24. CAPITAL COMMITMENTS

	June 30, 2020 RMB'000	December 31, 2019 RMB'000
Capital expenditure in respect of the acquisition of property and equipment and the construction of pipelines under development contracted for but not provided in the unaudited condensed interim consolidated financial statements/consolidated financial statements	184,394	182,810

25. EVENT AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus (the "COVID-19") since January 2020 has been affecting China as well as other countries in the world. As a result of the COVID-19, the Group has experienced a significant drop in its business across all business segments in the first half of 2020 due to quarantine and travel restrictions in China. Although with COVID-19 showing encouraging signs of abatement and the virus being under control, China has since lifted quarantine and travel restrictions which resulted in the economy showing signs of recovery, such impact is expected to continue into the 2020 year. It remains premature to estimate the extent of the continuing impact the virus may possibly have on our business moving forward as it is dependent on the continuing containment status in China, speed of economic recovery and visitors returning to Sanya for holidays and business trips.

Sanya City Development and Reform Commission ("SYDRC") released the City's natural gas utility pricing formula adjustment which will be the guideline for the Group to follow on its gas selling prices starting from August 1, 2020 (the "New Gas Selling Price"). SYDRC is the government natural gas price regulating body in Sanya City, and this pricing formula adjustment (the "Pricing Formula") is part of the pricing control strategy of China's National Development and Reform Commission ("NDRC") for the whole of China. The NDRC had announced in 2017 the guiding principle that the difference between the natural gas selling price and the natural gas purchasing price and other qualified indirect costs for distribution should not exceed 5% initially, or 4% after a transition period of three years. The Development and Reform Commissions at the local level have gradually introduced specific regulations in line with such guiding principle. The natural gas market operators in the PRC have adjusted their strategies in the past years in anticipation of the specific pricing changes in their jurisdictions. The New Gas Selling Price applicable to the Group in Sanya for the distribution of gas to our customers will negatively impact the Group's gross profit from its Sanya natural gas distribution business segment. The SYDRC recognizes that gas purchasing prices may fluctuate on the supply side, so it allows the Group to make price adjustments for the distribution of gas to our commercial customers according to the average gas purchasing price of the Group on a bi-annual basis.

25. EVENT AFTER THE REPORTING PERIOD - continued

The electric vehicle ("EV") battery swap station business is a newly created segment of the Group pursuant to the exclusive co-operating agreement entered into by EDF Changfeng (Sanya) Energy Co., Ltd. ("EDF CF") with BAIC Qingxiang Technology Co., Ltd. and Blue Valley Smart (Beijing) Energy Technology Co., Ltd. EDF CF is a subsidiary, established for the development of the Haitang Bay Smart Energy Project, which is currently owned as to 70% by the Company and 30% by the French EDF Group. First of these stations located near the Sanya's airport was built and launched its operation on July 24, 2020. The EV battery swap station business will be reported as a separate additional revenue segment in the Condensed Interim Consolidated Financial Statements for the three-month and six-month periods ending September 30, 2020.