

CF ENERGY CORP.

Condensed Interim Consolidated Financial Statements  
Three-month and Nine-month periods ended September 30, 2023  
and 2022 (Unaudited)

(Expressed in Chinese RMB)

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.

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

<u>CONTENTS</u>	<u>PAGE(S)</u>
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4 & 5
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	6 & 7
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	8
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	10-39

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

	NOTES	Three-month period ended September 30		Nine-month period ended September 30	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Continuing operations</b>					
Revenue	5	125,417	59,025	333,266	228,430
Cost of sales		(93,805)	(40,937)	(238,730)	(149,802)
Gross profit		31,612	18,088	94,536	78,628
Other income		849	1,899	2,459	3,153
Other gain or (losses), net		(804)	5	(822)	(88)
Impairment losses reversed (recognized) under expected credit loss model, net		(348)	525	576	(307)
Fair value change on derivative financial instrument	16	1,296	2,109	6,013	12,859
Selling and marketing expenses		(8,881)	(4,819)	(26,097)	(18,928)
General and administrative expenses		(10,665)	(11,704)	(31,489)	(33,262)
Share of results of associates	12	5,271	379	8,272	(5,251)
Finance costs		(3,856)	(3,589)	(9,936)	(13,363)
Profit before tax		14,474	2,893	43,512	23,441
Income tax expense	6	(6,300)	(2,617)	(14,950)	(10,724)
Profit for the period from continuing operations		8,174	276	28,562	12,717
<b>Discontinued operation</b>					
Profit (loss) for the period from discontinued operation	7	1,382	(711)	997	(1,381)
Profit (loss) for the period		9,556	(435)	29,559	11,336
Profit (loss) and total comprehensive income for the period		9,556	(435)	29,559	11,336
Profit (loss) for the period attributable to owners of the Company					
- From continuing operations		9,295	2,628	33,324	20,210
- From discontinued operation		832	(707)	439	(1,515)
		10,127	1,921	33,763	18,695
Profit (loss) for the period attributable to non-controlling interests					
- From continuing operations		(1,121)	(2,353)	(4,762)	(7,493)
- From discontinued operation		550	(3)	558	134
		(571)	(2,356)	(4,204)	(7,359)
Total comprehensive income (expense) attributable to					
- Owners of the Company		10,127	1,921	33,763	18,695
- Non-controlling interests		(571)	(2,356)	(4,204)	(7,359)
		9,556	(435)	29,559	11,336

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS  
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

---

		Three-month period ended		Nine-month period ended	
		September 30		September 30	
	<u>NOTES</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
		RMB	RMB	RMB	RMB
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings per share					
<i>From continuing and discontinued operations</i>					
- Basic	9	<u>RMB0.15</u>	<u>RMB0.03</u>	<u>RMB0.51</u>	<u>RMB0.28</u>
- Diluted	9	<u>RMB0.15</u>	<u>RMB0.03</u>	<u>RMB0.51</u>	<u>RMB0.28</u>
<i>From continuing operations</i>					
- Basic	9	<u>RMB0.14</u>	<u>RMB 0.04</u>	<u>RMB0.50</u>	<u>RMB0.31</u>
- Diluted	9	<u>RMB0.14</u>	<u>RMB 0.04</u>	<u>RMB0.50</u>	<u>RMB0.31</u>

---

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

	<u>NOTES</u>	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	850,200	805,716
Right-of-use assets	11	74,389	74,830
Goodwill		2,252	2,252
Intangible assets		12,014	12,714
Interests in associates	12	42,076	33,804
Amount due from an associate	19	12,423	12,423
Amounts due from non-controlling interests of subsidiaries	20	2,502	2,414
Non-current portion of other receivables, prepaid expenses and deposits	15	34,013	22,175
Equity instrument at fair value through other comprehensive income		15,706	15,706
Deferred tax assets		46	46
		<u>1,045,621</u>	<u>982,080</u>
<b>CURRENT ASSETS</b>			
Inventories		5,582	4,767
Contract assets	13	36,345	33,456
Trade receivables	14	44,642	36,229
Other receivables, prepaid expenses and deposits	15	63,691	53,987
Derivative financial instrument	16	24,518	18,505
Fixed term bank deposit	17	6,000	10,000
Bank balances and cash	17	90,620	105,116
		<u>271,398</u>	<u>262,060</u>
Assets classified as held for sale	7	140	968
		<u>271,538</u>	<u>263,028</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	123,111	160,828
Dividend payable to non-controlling interest of a subsidiary		299	299
Amounts due to non-controlling interest of a subsidiary		-	1,345
Contract liabilities		138,834	127,187
Lease liabilities		2,012	2,171
Income tax payable		11,485	10,716
Short-term bank borrowings	21	61,000	42,600
Current portion of long-term debts	21	75,600	42,900
Current portion of other borrowings	22	2,742	-
Convertible debentures	23	-	3,016
		<u>415,083</u>	<u>391,062</u>
Liabilities associated with assets classified as held for sale	7	-	137
		<u>415,083</u>	<u>391,199</u>

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL  
POSITION  
AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

---

	<u>NOTES</u>	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
NET CURRENT LIABILITIES		<u>(143,545)</u>	<u>(128,171)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>902,076</u>	<u>853,909</u>
NON-CURRENT LIABILITIES			
Long-term debts	21	399,531	380,530
Other borrowings	22	8,743	-
Lease liabilities		4,912	4,660
Deferred income - government grants	24	37,924	26,839
Deferred tax liabilities		7,906	7,737
		<u>459,016</u>	<u>419,766</u>
NET ASSETS		<u>443,060</u>	<u>434,143</u>
CAPITAL AND RESERVES			
Share capital	25	70,978	70,978
Reserves		<u>343,281</u>	<u>314,971</u>
Equity attributable to owners of the Company		414,259	385,949
Non-controlling interests		<u>28,801</u>	<u>48,194</u>
TOTAL EQUITY		<u>443,060</u>	<u>434,143</u>

The unaudited condensed interim consolidated financial statements on pages 4 to 39 were approved and authorized for issue by the Board of Directors on November 28, 2023 and are signed on its behalf by:

Laurence Wang

Mingzhao Zhu

---

LAURENCE WANG  
DIRECTOR

---

MINGZHAO ZHU  
DIRECTOR

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

	Attributable to owners of the Company							Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Contributed surplus RMB'000 (note a)	Statutory surplus reserve RMB'000 (note b)	Fair value through other comprehensive income reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
As at January 1, 2022	70,978	18,809	53,602	(2,062)	(284)	226,745	367,788	50,356	418,144
Profit (loss) and total comprehensive income for the period	-	-	-	-	-	18,695	18,695	(7,359)	11,336
Capital injection by non-controlling interests	-	-	-	-	-	-	-	10,500	10,500
Recognition of equity-settled share-based payments	-	564	-	-	-	-	564	-	564
As at September 30, 2022	70,978	19,373	53,602	(2,062)	(284)	245,440	387,047	53,497	440,544
As at January 1, 2023	70,978	18,028	57,650	(138)	(284)	239,715	385,949	48,194	434,143
Profit (loss) and total comprehensive income for the period	-	-	-	-	-	33,763	33,763	(4,204)	29,559
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(7,442)	(7,442)
Derecognition of equity component of convertible debentures (note 23)	-	138	-	-	(138)	-	-	-	-
Acquisition of non-controlling interest in a subsidiary (note 8)	-	-	-	-	(5,453)	-	(5,453)	(7,747)	(13,200)
As at September 30, 2023	70,978	18,166	57,650	(138)	(5,875)	273,478	414,259	28,801	443,060

Notes:

- (a) Contributed surplus comprises capital contribution from shareholders, share-based compensation reserve and the equity component of convertible debentures.
- (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.

CF ENERGY CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

	Nine-month period ended September 30,	
	<u>2023</u> RMB'000	<u>2022</u> RMB'000
<b>OPERATING ACTIVITIES</b>		
Income tax paid	(14,181)	(14,964)
Increase in contract assets	(2,889)	(1,217)
Increase in contract liabilities	11,647	15,306
Interest received	530	487
Other operating cash (outflow) inflow	(14,707)	60,889
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<u>(29,536)</u>	<u>44,149</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of non-controlling interests of a subsidiary	(13,200)	-
Acquisition of property and equipment	(45,205)	(44,449)
Acquisition of pipelines for relocation projects	(5,836)	(2,276)
Deposit paid for acquisition of property and equipment	(4,340)	(4,924)
Proceeds on disposal of property, plant and equipment	-	333
Receipt of compensation on pipeline relocation projects	196	2,060
Receipt of government grant relating to assets	12,110	4,630
Withdrawal of restricted cash	-	3,235
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(56,275)</u>	<u>(41,391)</u>
<b>FINANCING ACTIVITIES</b>		
Additional capital contribution from non-controlling interests of a subsidiary	-	10,500
Dividend paid to non-controlling interests of a subsidiary	(7,442)	-
Repayment of convertible debentures	(3,231)	-
Repayment of lease liabilities	(500)	(1,160)
Repayment of long-term debt	(33,976)	(36,354)
Repayment of other borrowings	(600)	-
Repayment of short-term bank borrowings	(42,600)	(50,860)
New long-term debt raised	85,678	46,096
New other borrowings raised	12,000	-
New short-term borrowing raised	61,000	39,140
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>70,329</u>	<u>7,362</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(15,482)</u>	<u>10,120</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>106,064</u>	<u>128,062</u>
Effect of foreign exchange rate changes	178	1
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>90,760</u>	<u>138,183</u>
Represented by:		
Bank balances and cash	90,620	136,559
Cash and cash equivalents included in assets held-for-sale	140	1,624
	<u>90,760</u>	<u>138,183</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

---

1. GENERAL INFORMATION

CF Energy Corp. (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. 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 in the PRC.

The condensed interim consolidated financial statements are presented in Renminbi ("RMB").

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, 2022, which include information necessary to understand the Group's business and financial statement presentation.

At September 30, 2023, the Group's current liabilities exceeded its current assets by RMB143,545,000. 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 term facility, the Group's ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, management considers that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the condensed interim consolidated financial statements have been prepared on a going concern basis.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed interim consolidated financial statements for the nine-month period ended September 30, 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022.

#### **Amendments to IFRSs that are mandatorily effective for the current nine-month period**

In the current nine-month period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2023 for the preparation of the condensed interim consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of these amended IFRSs had no material impact on how the results and financial position for the current nine-month period and prior period have been prepared and presented.

### 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 consolidated financial statements.



5. REVENUE AND SEGMENT INFORMATION - continued

- (ii) operates CNG vehicle refueling stations to supply gas for taxicabs and public transportation vehicles in Changsha City, Hunan Province, the PRC; and
  - (iii) transmits of natural gas via the Group's pipeline networks for its customers in Zhaoqing City, Guangdong Province, the PRC.
- (b) Integrated smart energy
- (i) uses multiple clean energy sources, including solar, hydro, electricity, and natural gas (CCHP/Co-Gen) to supply cooling, heating, as well as hot water to its customers in the Haitang Bay area of Sanya City, Hainan Province, the PRC; and
  - (ii) supplies heat and power via the Group's pipeline networks to its customers in Meishan City, Sichuan Province, the PRC.
- (c) Smart mobility
- (i) operates electric vehicle ("EV") battery swap business in various cities of the PRC and trading of EV.

**Segment revenues and results**

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

For the nine-month period ended September 30, 2023

**Continuing operations**

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	<u>Consolidated</u> RMB'000
Segment revenue	357,037	15,830	11,368	384,235
Inter-segment revenue	(50,933)	-	(36)	(50,969)
<b>Revenue from external customers</b>	<u>306,104</u>	<u>15,830</u>	<u>11,332</u>	<u>333,266</u>
<b>Segment profit (loss)</b>	<u>57,835</u>	<u>(15,234)</u>	<u>(2,954)</u>	<u>39,647</u>
Share of results of associates				8,276
Fair value change on derivative financial instrument				6,013
Unallocated other income				112
Unallocated corporate expenses				(10,536)
<b>Profit before tax from continuing operations</b>				<u>43,512</u>

5. REVENUE AND SEGMENT INFORMATION - continued

**Segment revenues and results – continued**

For the nine-month period ended September 30, 2022

**Continuing operations**

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	<u>Consolidated</u> RMB'000
Segment revenue	261,861	8,650	676	271,187
Inter-segment revenue	(42,757)	-	-	(42,757)
<b>Revenue from external customers</b>	<u>219,104</u>	<u>8,650</u>	<u>676</u>	<u>228,430</u>
<b>Segment profit (loss)</b>	<u>50,491</u>	<u>(20,606)</u>	<u>(3,497)</u>	<u>26,388</u>
Share of results of associates				(5,251)
Fair value change on derivative financial instrument				12,859
Unallocated other income				211
Unallocated corporate expenses				<u>(10,766)</u>
<b>Profit before tax from continuing operations</b>				<u>23,441</u>

**Geographical information**

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

**Information about major customers**

No single customer accounted for more than 10% of the Group's sales in nine-month periods ended September 30, 2023 and 2022 or the Group's trade receivables at September 30, 2023 and 2022.

5. REVENUE AND SEGMENT INFORMATION - continued

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at September 30, 2023

	Gas distribution <u>utility</u> RMB'000	Integrated smart <u>energy</u> RMB'000	Smart <u>mobility</u> RMB'000	<u>Total</u> RMB'000
<b>Segment assets</b>				
Total assets for continuing operations	731,315	397,679	62,134	1,191,128
Assets classified as held for sale				140
Unallocated assets (i)				125,891
Consolidated assets				<u>1,317,159</u>
<b>Segment liabilities</b>				
Total liabilities for continuing operations	527,275	295,118	34,886	857,279
Liabilities associated with assets classified as held for sale				-
Unallocated liabilities (ii)				16,820
Consolidated liabilities				<u>874,099</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- (i) all assets are allocated to operating segments other than bank balances and cash, interests in associates, amount due from an associate, equity instruments at fair value through other comprehensive income for general management use and other corporate assets; and
- (ii) all liabilities are allocated to operating segments other than other corporate liabilities.

6. INCOME TAX EXPENSE

**Continuing operations**

	Nine-month period ended September 30,	
	<u>2023</u>	<u>2022</u>
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	14,781	10,864
PRC withholding EIT	-	-
	<u>14,781</u>	<u>10,864</u>
Deferred tax (credit) expense	169	(140)
	<u>14,950</u>	<u>10,724</u>

6. INCOME TAX EXPENSE- continued

The Company was incorporated in Canada and is therefore subject to Canadian federal and Ontario statutory income tax at a rate of 26.5% (2022: 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 (2022: 25%).

7. DISCONTINUED OPERATION

In 2021, management determined to dispose of all of Hebei Riheng Clean Energy Co., Ltd.'s ("Riheng") operations and considered Riheng as a discontinued operation. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to Riheng, which are expected to be sold within twelve months, were accordingly classified as a disposal group held for sale and were separately presented in the condensed interim consolidated statement of financial position.

On September 8, 2023, operation of the CNG vehicle refueling station in Sanya City, Hainan of Sanya Changfeng Clean Energy Co., Ltd. ("Clean Energy"), a wholly-owned subsidiary of the Group was forced to suspend operation. The suspension of operation was pursuant to the notice from the government authority advising Clean Energy that the location of the CNG vehicle refueling station was too close to the intended location for the underground construction of certain government property as their continuing operation no longer met the safety regulation requirements. After careful considerations, the management decided that it would be in the best interest of the Group to permanently close down the refueling station.

Accordingly, the profit or loss of Riheng and Clean Energy in the consolidated statement of profit or loss and other comprehensive income, including the comparative figures, are presented as a discontinued operation for each of the reporting period as follows:

	For nine-month period ended September 30,	
	<u>2023</u>	<u>2022</u>
	RMB'000	RMB'000
Revenue	12,865	12,539
Cost of sales	(11,875)	(12,758)
Other income	95	70
Selling and marketing expenses	(1,160)	(1,248)
General and administrative expenses	(75)	(52)
Finance cost	(267)	(289)
Other losses	(7)	(1)
Reversal of impairment loss	1,421	363
Profit (loss) before tax	997	(1,376)
Income tax expense	-	(5)
Profit (loss) for the period	<u>997</u>	<u>(1,381)</u>

## CF ENERGY CORP.

### 7. DISCONTINUED OPERATION - continued

Under the EIT Law, the tax rate of Riheng is 25% for both periods. No provision for taxation in PRC has been made as Riheng incurred tax losses in the PRC for both periods.

The major classes of assets and liabilities Riheng as at September 30, 2023 and December 31, 2022, which have been presented separately in the condensed interim consolidated statements of financial position, are as follows:

	September 30, December 31,	
	<u>2023</u>	<u>2022</u>
	RMB'000	RMB'000
Other receivables, prepaid expenses and deposits	-	20
Bank balances and cash	140	948
Total assets classified as held-for-sale	<u>140</u>	<u>968</u>
Other payables	-	133
Receipts in advance from customers	-	5
Amount due to the Group	-	5,419
	-	5,557
Less: inter-company elimination	-	5,420
Total liabilities associated with assets classified as held-for-sale	<u>-</u>	<u>137</u>

The net cash flows attributable to the operating, investing and financing activities of Riheng are shown as follows:

	For nine-month period ended September 30,	
	<u>2023</u>	<u>2022</u>
	RMB'000	RMB'000
Net cash from (used in) operating activities	<u>(808)</u>	<u>1,158</u>

### 8. ACQUISITION OF PARTIAL INTEREST OF SUBSIDIARY

On September 14, 2023, Hainan Huapu Green Energy Investment Co., Ltd. ("Huapu Green Energy"), a wholly-owned subsidiary of the Group acquired the remaining 30% equity interest in Hainan EDF Huapu Smart Mobility Co., Ltd ("EDF Huapu SM") with a consideration of RMB13,200,000, determined based on mutual negotiation and with reference to an independent valuation performed by an independent valuer. As a result, the Group's effective interest in EDF Huapu SM increased from 70% to 100%. The carrying amount of the non-controlling interest in EDF Huapu SM of RMB5,453,000 as of September 14, 2023 was recognised as other reserves. Upon completion of acquisition, the name of EDF Huapu SM was changed to Hainan Huapu Smart Mobility Co., Ltd.

## 9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Earnings</u>				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>10,127</u>	<u>1,921</u>	<u>33,763</u>	<u>18,695</u>
<u>Number of shares</u>				
Weighted average number of shares for the purpose of basic earnings per share	65,885,155	65,885,155	65,885,155	65,885,155
Effect of dilutive potential shares:				
Share options	<u>-</u>	<u>1,020,000</u>	<u>-</u>	<u>1,020,000</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>65,885,155</u>	<u>66,905,155</u>	<u>65,885,155</u>	<u>66,905,155</u>
Basic earnings per share (Note)	<u>RMB0.15</u>	<u>RMB0.03</u>	<u>RMB0.51</u>	<u>RMB0.28</u>
	<u>CAD0.03</u>	<u>CAD0.01</u>	<u>CAD0.10</u>	<u>CAD0.05</u>
Diluted earnings per share (Note)	<u>RMB0.15</u>	<u>RMB0.03</u>	<u>RMB0.51</u>	<u>RMB0.28</u>
	<u>CAD0.03</u>	<u>CAD0.01</u>	<u>CAD0.10</u>	<u>CAD0.05</u>

Note: The CAD figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.0000 to CAD0.1851 and RMB1.0000 to CAD0.1914 for three-month and nine-month ended September 30, 2023, respectively, and RMB1.0000 to CAD0.1906 and RMB1.0000 to CAD0.1944 for three-month and nine-month ended September 30, 2022, respectively, being the average exchange rate that prevailed during the respective periods.

The computation of diluted earnings per share did not assume the exercise of the Company's certain share options because the exercise price of those options was higher than the average market price for the shares for nine-month periods ended September 30, 2023 and 2022.

## 9. EARNINGS PER SHARE - continued

From discontinued operations

The calculations of basic and diluted loss per share for the discontinued operation attributable to owners of the Company are based on the profit from the discontinued operation of RMB832,000 for the three-month period September 30, 2023 (2022: loss of RMB707,000) and the denominators detailed above. The calculations of basic and diluted earnings per share for the discontinued operation attributable to owners of the Company are based on the profit from the discontinued operation of RMB439,000 for the nine-month period ended September 30, 2023 (2022: loss of RMB1,515,000) and the denominators detailed above. Both basic and diluted earnings per share for the three-month period and nine-month period ended September 30, 2023 are RMB 0.01 (2022: loss per share of RMB 0.01 and RMB0.02).

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Earnings</u>				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	10,127	1,921	33,763	18,695
Less: Profit (loss) for the period from discontinued operations attributable to owners of the Company	<u>832</u>	<u>(707)</u>	<u>439</u>	<u>(1,515)</u>
Earnings for the purpose of basic earnings per share from continuing operations for the purpose of dilutive earnings per share	<u>9,295</u>	<u>2,628</u>	<u>33,324</u>	<u>20,210</u>
<u>Number of shares</u>				
Weighted average number of shares for the purpose of basic earnings per share	65,885,155	65,885,155	65,885,155	65,885,155
Effect of dilutive potential shares: Share options	<u>-</u>	<u>1,020,000</u>	<u>-</u>	<u>1,020,000</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>65,885,155</u>	<u>66,905,155</u>	<u>65,885,155</u>	<u>66,905,155</u>
Basic earnings per share	<u>RMB0.14</u>	<u>RMB0.04</u>	<u>RMB0.50</u>	<u>RMB0.31</u>
	<u>CAD0.03</u>	<u>CAD0.01</u>	<u>CAD0.10</u>	<u>CAD0.06</u>
Diluted earnings per share	<u>RMB0.14</u>	<u>RMB0.04</u>	<u>RMB0.50</u>	<u>RMB0.31</u>
	<u>CAD0.03</u>	<u>CAD0.01</u>	<u>CAD0.10</u>	<u>CAD0.06</u>

## 10. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the current nine-month period, the Group incurred approximately RMB39,777,000 (2022: RMB41,648,000 ) for acquiring pipelines which are used in the construction and other equipment. Construction in progress of approximately RMB35,942,000 (2022: RMB62,123,000) have been transferred to property and equipment during the nine-month period ended September 30, 2023.

## 11. RIGHT-OF-USE ASSETS AND LONG-TERM LEASE PREPAYMENTS

	<u>Leasehold properties</u> RMB'000	<u>Leased lands</u> RMB'000	<u>Total</u> RMB'000
<b>As at January 1, 2022</b>			
Carrying amount	7,733	69,904	77,637
<b>As at December 31, 2022</b>			
Carrying amount	6,497	68,333	74,830
<b>As at September 30, 2023</b>			
Carrying amount	7,238	67,151	74,389
<b>For nine-month period ended September 30, 2023</b>			
Depreciation charge	(1,931)	(1,182)	(3,113)
Eliminated on termination	1,194	-	1,194
<b>For nine-month period ended September 30, 2022</b>			
Depreciation charge	(2,084)	(1,176)	(3,260)

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 and gas stations. Other than a land lease in Hunan 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 entered into short-term leases for staff quarters. As at September 30, 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases as of December 31, 2022.

CF ENERGY CORP.

11. RIGHT-OF-USE ASSETS AND LONG-TERM LEASE PREPAYMENTS - continued

*Variable lease payments*

Lease of a land for a CNG vehicle refueling station in Sanya City contains both fixed lease payments and variable lease payments that are based on the volume of gas refueled by customers. Variable lease payments of the original lease not included in the measurement of lease liabilities for the period ended September 30, 2023 amounting to RMB Nil (December 31, 2022: RMB107,000). Such lease will be early terminated in late 2023 upon the closure of the station in September 2023.

12. INTERESTS IN ASSOCIATES

	September 30, 2023	December 31, 2022
	RMB'000	RMB'000
Cost of investments in associates - unlisted	32,710	32,710
Share of post-acquisition profits and other comprehensive income	9,366	1,094
	<u>42,076</u>	<u>33,804</u>

Details of the Group's associates as at September 30, 2023 and December 31, 2022 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Paid-up capital		Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			30/9/2023	31/12/2022	30/9/2023	31/12/2022	30/9/2023	31/12/2022	
			RMB'000	RMB'000					
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* (Note) 四川湘蜀石油化工有限公司 ("Xiangshu")	The PRC	The PRC	250	250	23.2%	23.2%	23.2%	23.2%	Refined oil sales and distribution

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

Note: Hunan CNPC Energy Co., Ltd, a non-wholly owned subsidiary of the Group, 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%, the management of the Company 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 financial statements.

## 12. INTERESTS IN ASSOCIATES - continued

**Summarized financial information of a material associate**

Summarized financial information in respect of a material associate is set out below. The Summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Pingxiang Xinao CF

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Current assets	56,362	33,646
Non-current assets	175,074	174,652
Current liabilities	154,069	151,647
	For nine-month period ended September 30, <u>2023</u> RMB'000	<u>2022</u> RMB'000
Revenue	233,907	282,774
Profit for the period	20,715	13,071
Profit and total comprehensive income for the period	20,715	13,071

Reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Pingxiang Xinao CF recognized in the condensed interim consolidated financial statements:

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Net assets of Pingxiang Xinao CF	77,362	54,869
Proportion of the Group's interest in Pingxiang Xinao CF	40%	40%
	30,945	21,948
Add: Fair value adjustment	11,009	11,009
Carrying amount of the Group's interest in Pingxiang Xinao CF	41,954	32,957

CF ENERGY CORP.

13. CONTRACT ASSETS

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Contract assets from pipeline construction works	36,413	33,524
Less: Allowance for credit losses	<u>(68)</u>	<u>(68)</u>
	<u>36,345</u>	<u>33,456</u>

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

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

*Construction contracts of pipeline construction works*

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

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Trade receivables		
- Gas sales	22,426	18,765
- Pipeline installation and connection	<u>25,466</u>	<u>21,290</u>
	47,892	40,055
Less: Allowance for credit losses	<u>(3,250)</u>	<u>(3,826)</u>
	<u>44,642</u>	<u>36,229</u>

## 15. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Pipeline relocation receivables (note)	18,357	17,521
Deposits paid for acquisition of property and equipment	4,129	3,514
Deposits paid for land use right	27,113	18,858
Prepayments for gas purchase	9,555	3,837
Prepayments for property and equipment	4,222	8,410
Rental deposits	474	855
VAT recoverable	26,318	18,798
Receivables on disposal of Pingxiang Xinao CF	-	126
Other prepayments and deposits	7,747	4,580
	<u>97,915</u>	<u>76,499</u>
Less: impairment loss recognized	(211)	(337)
	<u>97,704</u>	<u>76,162</u>
Analyzed for reporting purposes as follows:		
- Current assets	63,691	53,987
- Non-current assets	34,013	22,175
	<u>97,704</u>	<u>76,162</u>

Note: During the nine-month periods ended September 30, 2023 and 2022, 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. The balance represents cost incurred on construction of new pipelines as a result of the relocation notices. The Group expects RMB15,512,000 (December 31, 2022: RMB14,477,000) would be refunded by the local government in 2023 with the remaining balance of RMB2,845,000. (December 31, 2022: RMB3,044,000) to be refunded beyond 2023.

## 16. DERIVATIVE FINANCIAL INSTRUMENT

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Derivative financial assets	<u>24,518</u>	<u>18,505</u>

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

16. DERIVATIVE FINANCIAL INSTRUMENT – continued

In addition, the Loan Discharge Agreement provided that if the Initial Public Offering ("IPO") 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 Venture Exchange, in the amount of RMB36,000,000 or its CAD equivalent. The subscription price for such common shares shall be the volume-weighted average price of the common shares of the Company in the period of 30 calendar days preceding June 28, 2019 on the TSX Venture Exchange.

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 Company considered that the share subscription is a forward contract. As at September 30, 2023, the market price of the common shares of the Company was CAD0.23 (December 31, 2022: CAD0.32) and the closing exchange rate of RMB to CAD as at September 30, 2023 was RMB1.0000 to CAD0.1852 (December 31, 2022: RMB 1.0000 to CAD0.1963).

Notices for the Investment (the "Notices") were sent to the four beneficiaries of the Estate. Among the four beneficiaries of the Estate, Siyin Lin (Ann) 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, 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 a continuous effort of communication with Mingfei He and 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, 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, Ann Lin sent 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. The Claim is now with the High People's Court of Hainan Province pending appeal.

CF ENERGY CORP.

17. BANK BALANCES AND CASH/RESTRICTED CASH/FIXED TERM BANK DEPOSITS

Bank balances and restricted cash carried market interest rates which ranged from 0.3% to 1.62% per annum as at September 30, 2023 (2022: 0.25% to 1.62%).

The balance of restricted cash represents deposits of letter of guarantee as at December 31, 2022. There was no restricted cash as at September 30, 2023.

There was RMB6,000,000 fixed term bank deposits with original maturity more than three months but less than nine months as at September 30, 2023.

18. TRADE AND OTHER PAYABLES

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Trade and construction payables	28,651	28,647
Payable on property and equipment acquisition	78,351	98,385
Accrued wages and staff benefits	4,936	8,964
Accrued audit fee	1,803	2,602
Compensation payable for land acquisition	2,906	2,906
Other tax payables	804	1,925
Other payables and accrued expenses	5,660	17,399
	<u>123,111</u>	<u>160,828</u>

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

19. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE

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

**Balances**

<u>Name of related party</u>	<u>Relationship</u>	<u>Terms</u>	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Pingxiang Xinao CF	Associate	Non-trade, unsecured and non-interest bearing (note)	<u>12,423</u>	<u>12,423</u>

Note: The balance represents a loan of RMB11,000,000 to Pingxiang Xinao CF plus interest accrued at 4.35% per annum until October 16, 2019 when the Group entered a supplemental agreement with Ping Xiang Xinao CF to waive accruing interest from October 17, 2019 and onwards.

No transaction was made between related parties for the nine-month period ended September 30, 2023 and 2022.

## 19. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE – continued

**Compensation of key management personnel**

The remuneration of directors and other members of key management of the Group during the reporting period are as follows:

	For nine-month period ended September 30,	
	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Short-term benefits	2,183	2,308
Share-based payments	-	152
	<u>2,183</u>	<u>2,460</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals of the Group and market trends.

## 20. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The balance represents the loan to Sichuan Tianzhiyuan Energy Technology Limited as unsettled capital injected into Meishan Hengtai Tianzhiyuan Energy Co., Ltd. bearing interest at 5.88% per annum amounted to RMB2,502,000 (December 31, 2022: RMB2,414,000). 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.

## 21. SHORT-TERM BANK BORROWINGS AND LONG-TERM DEBTS

During the nine-month period ended September 30, 2023, the Group obtained new short-term bank borrowings amounted to RMB24,700,000 (2022: RMB39,194,000) and new long-term debts amounted to RMB84,459,000 (2022: RMB46,096,000). Short-term bank borrowings of RMB6,300,000 (2022: RMB50,860,000) and long-term debts of RMB32,258,000 (2022: RMB36,354,000) were repaid during the nine-month period ended September 30, 2023.

## 22. OTHER BORROWINGS

During the nine-month period ended Sept 30, 2023, the Group entered into agreements with a third party (the “Buyer”) for (i) the disposal of an EV station and certain EV batteries in Beihai City, Guangxi Province and to the Buyer at a consideration of RMB12,000,000; and (ii) leasing back of the same assets from the Buyer for a lease period of 5 years at an interest rate of 5-year LPR. The agreement included a repurchase option to buy back the same asset at a consideration equates to the total lease payments in (ii) above plus other charges. The Group considered the consideration received as other borrowings and has initially recognized it as borrowing. The amount is repayable in twenty (20) quarterly equal installments till 2028.

23. CONVERTIBLE DEBENTURES

On May 20, 2021, the Group completed a non-brokered private placement of unsecured convertible debentures in the aggregate principal amount of CAD600,000 (the “Convertible Debentures”). The Convertible Debentures have a term of two years ending on May 19, 2023 (the “Maturity Date”) with 7% interest per annum to be paid semi-annually, with an option of the holders of the debenture (the “Debenture Holders”) to convert the principal amount outstanding under the Convertible Debentures into common shares of the Company (“Shares”) at a conversion price of CAD0.66 (the “Conversion Price”) per Share. Under the terms of the Convertible Debentures, the Company has the right to require the Debenture Holders to convert all principal amounts outstanding under the Convertible Debentures at the Conversion Price if, for any fifteen consecutive trading days prior to the Maturity Date, the daily volume-weighted average price of the Shares on the TSX Venture Exchange equals or exceeds CAD0.85 per Share. The Company was informed by the Debenture Holders that they do not intend to exercise the Conversion Right to convert the Convertible Debentures into Shares upon maturity and settlement of the redemption of the Convertible Bonds was made in June 2023 as agreed with the Debenture Holders.

At initial recognition, the equity component of the Convertible Debentures representing the fair value of the embedded option to convert the financial liability into equity of the Group was separated from the liability component as follows:

	RMB'000	CAD'000
Proceeds for issue of the Convertible Debentures	3,127	600
- Equity component	138	26
- Deferred tax liability	50	10
- Liability component	2,939	564

The equity component was presented in equity heading “other reserves” and transferred to contribution surplus upon the redemption of the Convertible Debentures in June 2023. The interest charge to the liability component is calculated by applying an effective interest rate of 10.68% since the Convertible Debentures were issued. The liability component is measured at amortised cost.

CF ENERGY CORP.

23. CONVERTIBLE DEBENTURES - continued

The movement of the liability component of the Convertible Debentures is set out below:

	RMB'000
<i>Liability component</i>	
Carrying amount at January 1, 2022	2,877
Interest charge	311
Interest paid and payable	(217)
Exchange difference	<u>45</u>
Carrying amount at December 31, 2022	<u>3,016</u>
Interest charge	131
Interest paid and payable	(90)
Exchange differences	174
Redemption of convertible debentures	<u>(3,231)</u>
Carrying amount at September 30, 2023	<u>-</u>

24. DEFERRED INCOME - GOVERNMENT GRANTS

The Group received RMB5,269,000, RMB2,553,000, RMB12,110,000 and RMB9,244,000 in government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City in 2012, 2019, 2020 and 2022, respectively. During the period ended September 30, 2023, the Group received additional grants related to assets amounting to RMB12,110,000 from Sanya local government. These government grants were recognized as a long-term liability and will be recognized in the consolidated statement of profit or loss on the same basis as depreciation of the related property and equipment over the expected useful lives of the relevant assets. As at September 30, 2023, part of the property and equipment are ready for use and RMB692,000 (2022: RMB472,000) is recognized as other income. As at September 30, 2023, the government grants of RMB37,924,000 was recognized as a non-current liability (December 31, 2022: RMB26,839,000).

25. SHARE CAPITAL

**Share capital of the Company**

	<u>Number of shares</u>	<u>Amount RMB'000</u>
Common shares		
Issued and fully paid:		
At December 31, 2022 and September 30, 2023	<u>65,885,155</u>	<u>70,978</u>

26. SHARE-BASED COMPENSATION

**Equity-settled share option scheme of the Company:**

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. 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, suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company.

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 shares of the Company equal to 10% of the issued and outstanding 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. The Rolling Option Scheme is subject to annual renewal and approval by shareholders at each annual general meeting of the Company after initial approval and the current plan was subsequently approved by the shareholders of the Company at the annual general meeting of the Company held on October 29, 2020 and December 23, 2021.

There were no additional share options granted during the nine-month periods ended September 30, 2023 and 2022.

	<u>Number of share options</u>
Outstanding as at January 1, 2023	3,450,000
Expired/forfeited during the period	<u>(50,000)</u>
Outstanding as at September 30, 2023	<u>3,400,000</u>

**Equity-settled share-based award scheme of the Company:**

The Employee Stock Award Plan (the "Award Scheme") were adopted on October 29, 2020 for the primary purpose of compensating eligible employees of the Company and subsidiaries of the Company for their shortfall in salaries and motivating the employees to retain in the Group so that they may participate in any future growth of the Group. Under the Award Scheme, the Board may grant awards to eligible participants including all employees on the payroll records of the Group. The aggregate number of shares that may be issued under the Award Plan is fixed at 6,546,315, representing 10% of the issued and outstanding shares of the Company at the date of adoption of the Share Award. The total number of shares which may be reserved for issuance to any one individual under the Award Plan within any one-year period shall not exceed 5% of the issued and outstanding shares and the total number of shares which may be reserved for issuance to any consultant within any one-year period shall not exceed 2% of the issued and outstanding shares.

26. SHARE-BASED COMPENSATION - continued

**Equity-settled share-based award scheme of the Company:**

Upon the Award Scheme, the Company may grant share awards to eligible employees provided that the employees have satisfied any performance conditions set by the Board, the Company may issue and deliver to each eligible employee an award of a number of shares equal to (i) the value of the compensation determined by the Board to be earned by such eligible employee on the date of approval of an Award (the "Compensation"), divided by (ii) the Average Market Price of the shares on the date of approval of the Share Award less the maximum allowable discount to the Average Market Price permitted by the securities exchange upon which the shares are listed.

On December 18, 2020, a total of 2,090,000 common shares were granted to employees and management at the price of CAD0.43 per common share which was based on the volume weighted average trading price of the Company's shares on the TSX Venture Exchange for the 10 trading days immediately preceding the grant date as prescribed under the terms of the Award Scheme. The first batch of the 522,500 shares which are not subject any condition were issued during the nine-month period ended September 30, 2021. In 2021, 547,500 shares were forfeited as the participants failed to satisfy the agreed performance condition and service condition. The remaining 1,020,000 share awards which are subject to the fulfilment of certain performance condition and service condition were forfeited as the participants failed to fulfill such conditions for the year ended December 31, 2022.

**Long-term Incentive Plan of the Company:**

The long-term incentive plan (the "LTIP") was approved by the shareholders of the Company on December 23, 2022 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 that are valuable to the Group. Upon approval, the LTIP superseded and replaced both the Option Scheme and the Award Scheme. Under the LTIP, the Board may grant stock options ("Stock Options"), performance share units ("PSUs"), restricted share units ("RSUs") and deferred share units "DSUs") to eligible participants including employees, senior officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries, suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company. The aggregate number of shares to be reserved and set aside for issue upon the exercise or redemption and settlement for all stock options granted under the LTIP, together with all other established security-based compensation arrangements of the Company's (being options and/or awards granted under the Option Scheme, the Award Scheme and the LTIP), shall not exceed 10% of the issued and outstanding shares in issue of the Company at the time of granting the award (on a non-diluted basis). The Stock Options component of the LTIP is an "evergreen" plan, thus if the Company issues additional shares in the future, the number of the shares issuable under the LTIP will increase accordingly.

At the annual general meeting of the Company held on November 20, 2023, the LTIP was reapproved by the shareholders of the Company.

Since adoption, no grants have been made.

27. CAPITAL COMMITMENTS

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
Capital expenditure in respect of the acquisition of property and equipment and the construction of pipelines under development contracted for but not provided in the financial statements	64,638	110,692
Capital injection in respect of the investment in Hainan Shanglian Investment Co., Ltd. contracted for but not provided in the financial statements	781	781
	<u>          </u>	<u>          </u>

28. CAPITAL RISK MANAGEMENT

The Group considers its capital structure to consist of share capital, contributed surplus, retained earnings, short-term bank borrowings, long-term debts and convertible debentures. The Group's objectives are to maintain an effective structure that supports its ability to explore strategic business development opportunities in the PRC and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level. The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group. The Board does not establish quantitative return-on-capital criteria for management, but rather is responsible for overseeing the process undertaken by management to sustain future development of its business.

The Group's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and through credit lines. Gas supply revenue, gas connection revenue, available cash balances, drawdowns on credit lines and long-term bank debts are the Group's principal sources of capital used to pay for operating expenses and capital expenditures in its business.

The Group reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of its operations, is reasonable. The Group monitors its compliance with all of its capital requirements, including financial covenants and non-financial covenants relating to the credit lines and bank loans, as applicable. As at September 30, 2023, the Company was in compliance with all of its covenants.

There were no changes in the Group's approach to capital management during the nine-month periods ended September 30, 2023 and 2022.

During the nine-month period ended September 30, 2023, no dividend was declared to the shareholders of the Company (2022: Nil).

## 29. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	September 30, <u>2023</u> RMB'000	December 31, <u>2022</u> RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost	178,072	185,095
Equity instruments at FVTOCI	15,706	15,706
Derivative financial instrument	<u>24,518</u>	<u>18,505</u>
<b>Financial liabilities</b>		
Liabilities measured at amortized cost	<u>658,922</u>	<u>624,858</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, pipeline relocation receivables, receivables on disposal of Pingxiang Xinao CF, other receivables and deposits, amounts due from an associate and non-controlling interests of subsidiaries, restricted cash, fixed bank deposits, bank balances and cash, equity instruments at FVTOCI, derivative financial instrument, trade and other payables, dividend payable to non-controlling interest of a subsidiary, short-term bank borrowings, long-term debts, convertible debentures and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk*****Foreign exchange risk***

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB, the aforesaid currencies are determined as the functional currencies of the Company and its subsidiaries.

The Company and its subsidiaries have foreign currencies included in bank balances and cash and other payables which expose them to foreign currency risk.

## 29. FINANCIAL INSTRUMENTS - continued

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

**Market risk** - continued***Foreign exchange risk*** - continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	September 30, <u>2023</u>	December 31, <u>2022</u>	September 30, <u>2023</u>	December 31, <u>2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars ("US\$")	-	-	191	151
CAD	(81)	(3,555)	1,014	4,844
Hong Kong Dollars ("HKD")	-	(116)	17	75
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

***Sensitivity analysis***

The management of the Company considers that the exposure to fluctuations in exchange rate of US\$, CAD and HKD against RMB are not significant and thus no sensitivity analysis is presented.

***Interest rate risk***

Interest rate risk is the risk that changes in interest rates will affect the Group's income or value of or cash flows related to its financial instruments. The Group is exposed to interest rate risk arising from its bank balances, restricted cash, fixed bank deposits, long-term debts, short-term bank borrowings and lease liabilities. The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term bank borrowings. The Group's interest rate on its long-term debts are based upon the prescribed lending rate of the PBOC, which is subject to fluctuation, and may result in an increase or decrease in interest expense. The Group does not use derivative instruments to reduce its exposure to interest rate risk.

By excluding the impact of interest capitalization, 1% increase or decrease in the interest rate would have had the following impact on the Group's profit for the period:

	Impact on profit for the nine-month period ended September 30,	
	<u>2023</u> RMB'000	<u>2022</u> RMB'000
Interest rate + 1%	2,833	2,075
Interest rate - 1%	(2,833)	(2,075)

29. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

**Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables and deposits, restricted cash, fixed bank deposits, bank balances and amounts due from an associate and non-controlling interest of a subsidiary. Other than the security deposits collected from certain customers from gas sales, the Group does not hold any other collateral or other credit enhancements to cover its credit risks associated with its financial assets.

As at September 30, 2023 and December 31, 2022, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at September 30, 2023 and December 31, 2022, in relation to each class of recognized financial assets is the carrying amount of those financial assets as stated in the condensed interim consolidated statement of financial position.

Other than concentration of credit risk on bank balances which are deposited with several banks in the PRC and Canada with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, and spread across diverse industries and geographical areas.

*Trade receivables and contract assets arising from contracts with customers*

In order to minimize the credit risk of trade receivables and contract assets, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group performs impairment assessment under ECL model based on provision matrix. Trade receivables and contract assets are grouped under different provision matrix by nature of products and services based on credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers, impairment losses of RMB576,000 is reversed (2022: impairment losses of RMB307,000 is recognized) for the nine-month period ended September 30, 2023.

29. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

**Credit risk and impairment assessment - continued**

*Bank balances/fixed bank deposits/restricted cash*

The credit risks on bank balances, fixed bank deposits and restricted cash are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances, fixed bank deposits and restricted cash by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances, fixed bank deposits and restricted cash is considered to be insignificant. No expected credit loss was recognized as the amount involved is insignificant.

*Amounts due from an associate and non-controlling interests of a subsidiary*

The Group regularly monitors the business performance of the associates and joint venture. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company consider that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. No expected credit loss was recognized as the amount involved is insignificant.

*Other receivables and deposits*

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there was no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the nine-month periods ended September 30, 2023 and 2022, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognized.

**Liquidity risk**

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group has given considerations to its future performance and cash flow projection through monitoring the utilization of bank borrowings and ensuring its ability to renew or refinance the banking facilities upon maturity, to meet its financial obligations including the capital commitments.

The Group's financial liabilities consist of long-term debts, convertible debentures, lease liability, trade and other payables, amounts due to non-controlling interest of a subsidiary, dividend payable to non-controlling interest of a subsidiary and short-term bank borrowings which are expected to be realized within one year.

29. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

**Liquidity risk - continued**

At September 30, 2023, the Group's current liabilities exceeded its current assets by RMB 143,545,000. 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. 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 term facility, 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.

(c) Fair value measurements of financial instruments

The Group's derivative financial instrument are 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
- 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).

## 29. FINANCIAL INSTRUMENTS - continued

## (c) Fair value measurements of financial instruments - continued

There was no transfers between different levels during both periods.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/9/2023	31/12/2022		
Derivative financial instruments	Asset – RMB24,518,000	Asset – RMB18,505,000	Level 2	The fair value is calculated by multiplying the change in the price of the Company's common shares with the number of shares initially required to subscribe.
Equity instrument	Asset – RMB14,487,000	Asset – RMB14,487,000	Level 3	Market approach – in this approach, the appraisal value of an asset was based on the transaction price of similar items, whether from recent transactions or using market multiples and guideline public company method.
Equity instrument	Asset – RMB1,219,000	Asset – RMB1,219,000	Level 3	Income approach - in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of its investee, based on a appropriate discount rate.

### Fair value measurements and valuation processes

#### *Derivative financial instruments*

As disclosed in note 16, 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 management of the Group considered that the share subscription is a derivative financial instrument. As at September 30, 2023, the market price of the common share was CAD0.23 (December 31, 2022: CAD0.32) and the closing exchange rate as at September 30, 2023 was RMB1.0000 to CAD0.1852 (December 31, 2022: RMB 1.0000 to CAD0.1963). 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 multiplies the change in the price of the Company's common shares from the initial subscription price to the closing market price as of September 30, 2023 with the number of shares calculated using the initial subscription price.

30. 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 monthly from December to February 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.

31. COMPARATIVE FIGURES

Certain comparative figures have been restated in line with current period's presentation.

32. SUBSEQUENT EVENTS

Following the passing by the shareholders of the Company of the proposed resolution for the appointment of directors for the ensuing year at the annual general and special meeting of the Company held on November 20, 2023 (the "AGM"), with effect from the conclusion of the AGM, each of Ann Siyin Lin, Frederick Wong, Siqin Lin, Laurence Wang and Mingzhao Zhu has been duly appointed as a director of the Company to hold office until the conclusion of the next annual general meeting of the Company.