

CF ENERGY CORP.

Report and Consolidated Financial Statements  
For the years ended December 31, 2022 and 2021

CF ENERGY CORP.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF CF ENERGY CORP.

(incorporated in Canada with limited liability)

#### **Opinion**

We have audited the consolidated financial statements of CF Energy Corp. (the "Company") set out on pages 6 to 104, which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board ("IASB").

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CF ENERGY CORP. - continued  
(incorporated in Canada with limited liability)

### **Key audit matter**

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Revenue Recognition of pipeline installation and connection</i></p> <p>We identified the recognition of revenue from pipeline installation and connection as a key audit matter due to its quantitative significance to the consolidated statements of profit or loss and other comprehensive income and significant judgments involved in the recognition of revenue.</p> <p>As disclosed in note 4 to the consolidated financial statements, revenue from pipeline installation and connection are measured based on the input method, which is to recognise revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The Company recognised revenue of RMB140,250,000 from pipeline installation and connection during the year ended December 31, 2022.</p> <p>As set out in note 4 to the consolidated financial statements, significant judgments are applied in recognising contract revenue and profit of pipeline installation and connection that are based on the input method, which is to recognise revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The construction costs which mainly comprise sub-contracting charges and costs of materials that are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management.</p>	<p>Our procedures in relation to the revenue recognition of pipeline installation and connection included:</p> <ul style="list-style-type: none"><li>• Obtained an understanding, evaluated the design and tested the operating effectiveness over the Company's controls related to the recognition of pipeline installation and connection revenue;</li><li>• Discussed with management with respect to the recognition basis and evaluated the appropriateness and consistency of the revenue recognition method applied;</li><li>• Selected contracts with customers on a sample basis and performed the following:<ul style="list-style-type: none"><li>- Verified the contract revenue by comparing to customer agreement;</li><li>- Verified the mathematical accuracy of the percentage of completion by reference to the proportion of the contract costs incurred for the work performed to date over the estimated total contract costs ;</li><li>- Tested the accuracy and occurrence of costs incurred to date by comparing to supporting documents, and evaluated whether the costs were properly included in the amount of costs incurred to date.</li></ul></li></ul>

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CF ENERGY CORP. - continued  
(incorporated in Canada with limited liability)

### **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CF ENERGY CORP. - continued  
(incorporated in Canada with limited liability)

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** - continued

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CF ENERGY CORP. - continued  
(incorporated in Canada with limited liability)

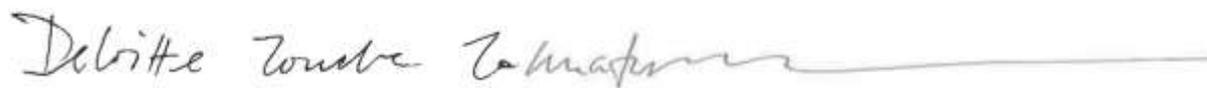
**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** - continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matter communicated with those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Ka I.



**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
April 28, 2023

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	<u>NOTES</u>	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<b>Continuing operations</b>			
Revenue	5	334,239	355,233
Cost of sales		<u>(226,571)</u>	<u>(221,201)</u>
Gross profit		107,668	134,032
Other income	7	6,706	3,371
Other losses, net	8	(4,214)	(1,062)
Impairment losses reversed (recognized) under expected credit loss model, net	10	1,176	(1,301)
Fair value change on derivative financial instrument	27	11,424	(4,827)
Selling and marketing expenses		(32,164)	(38,994)
General and administrative expenses		(47,322)	(48,570)
Share of results of associates	21	(4,538)	4,794
Finance costs	9	<u>(18,024)</u>	<u>(10,092)</u>
Profit before tax		20,712	37,351
Income tax expense	11	<u>(16,684)</u>	<u>(15,670)</u>
Profit for the year from continuing operations		4,028	21,681
<b>Discontinued operation</b>			
Profit (loss) for the year from discontinued operation	12	<u>62</u>	<u>(2,217)</u>
<b>Profit for the year</b>	<b>13</b>	<b><u>4,090</u></b>	<b><u>19,464</u></b>
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income		2,565	(2,749)
Income tax relating to item that will not be reclassified to profit or loss		<u>(641)</u>	<u>687</u>
Other comprehensive income (expense) for the year, net of income tax		<u>1,924</u>	<u>(2,062)</u>
Total comprehensive income for the year		<u>6,014</u>	<u>17,402</u>

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>NOTES</u>	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Profit (loss) for the year attributable to owners of the Company			
- from continuing operations		16,981	23,011
- from discontinued operation		<u>37</u>	<u>(1,330)</u>
		<u>17,018</u>	<u>21,681</u>
Profit (loss) for the year attributable to non-controlling interests			
- from continuing operations		(12,953)	(1,330)
- from discontinued operation		<u>25</u>	<u>(887)</u>
		<u>(12,928)</u>	<u>(2,217)</u>
		<u>4,090</u>	<u>19,464</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		18,942	19,619
Non-controlling interests		<u>(12,928)</u>	<u>(2,217)</u>
		<u>6,014</u>	<u>17,402</u>
Total comprehensive income (expense) attributable to owners of the Company:			
- from continuing operations		18,905	20,949
- from discontinued operation		<u>37</u>	<u>(1,330)</u>
		<u>18,942</u>	<u>19,619</u>
<b>Earnings (loss) per share</b>			
From continuing and discontinued operations			
- Basic	15	<u>RMB0.26</u>	<u>RMB0.33</u>
- Diluted	15	<u>RMB0.25</u>	<u>RMB0.32</u>
From continuing operations			
- Basic	15	<u>RMB0.26</u>	<u>RMB0.35</u>
- Diluted	15	<u>RMB0.25</u>	<u>RMB0.34</u>
From discontinued operation			
- Basic	15	<u>RMB0.00</u>	<u>RMB(0.02)</u>
- Diluted	15	<u>RMB0.00</u>	<u>RMB(0.02)</u>

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AT DECEMBER 31, 2022 AND 2021

	<u>NOTES</u>	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	16	805,716	755,050
Right-of-use assets	18	74,830	77,637
Goodwill	19	2,252	1,635
Intangible assets	20	12,714	12,048
Interests in associates	21	33,804	38,342
Amount due from an associate	30	12,423	12,423
Amounts due from non-controlling interests of subsidiaries	31	2,414	2,296
Non-current portion of other receivables, prepaid expenses and deposits	26	22,175	22,306
Equity instruments at fair value through other comprehensive income	22	15,706	12,926
Deferred tax assets	22	46	687
		<u>982,080</u>	<u>935,350</u>
<b>CURRENT ASSETS</b>			
Current portion of long-term lease prepayments	17	-	100
Inventories	23	4,767	3,988
Contract assets	24	33,456	19,498
Trade receivables	25	36,229	39,880
Other receivables, prepaid expenses and deposits	26	53,987	57,043
Derivative financial instrument	27	18,505	7,081
Restricted cash	28	-	3,235
Fixed term bank deposits	28	10,000	-
Bank balances and cash	28	105,116	127,595
		<u>262,060</u>	<u>258,420</u>
Assets classified as held for sale	12	968	1,574
		<u>263,028</u>	<u>259,994</u>

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued  
AT DECEMBER 31, 2022 AND 2021

	<u>NOTES</u>	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	29	160,828	133,744
Dividend payable to non-controlling interest of a subsidiary		299	299
Amounts due to non-controlling interest of a subsidiary		1,345	100
Contract liabilities	32	127,187	124,270
Lease liabilities	36	2,171	2,240
Income tax payable		10,716	10,602
Short-term bank borrowings	33	42,600	60,860
Current portion of long-term debts	34	42,900	61,354
Convertible debentures	35	3,016	-
		<u>391,062</u>	<u>393,469</u>
Liabilities associated with assets classified as held-for-sale	12	<u>137</u>	<u>5</u>
		<u>391,199</u>	<u>393,474</u>
<b>NET CURRENT LIABILITIES</b>		<u>(128,171)</u>	<u>(133,480)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>853,909</u>	<u>801,870</u>

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued  
AT DECEMBER 31, 2022 AND 2021

	<u>NOTES</u>	<u>2022</u> RMB'000	<u>2021</u> RMB'000
NON-CURRENT LIABILITIES			
Long-term debts	34	380,530	348,380
Convertible debentures	35	-	2,877
Lease liabilities	36	4,660	5,327
Deferred income - government grants	37	26,839	18,436
Deferred tax liabilities	38	7,737	8,706
		<u>419,766</u>	<u>383,726</u>
NET ASSETS		<u>434,143</u>	<u>418,144</u>
CAPITAL AND RESERVES			
Share capital	39	70,978	70,978
Reserves		<u>314,971</u>	<u>296,810</u>
Equity attributable to owners of the Company		385,949	367,788
Non-controlling interests		<u>48,194</u>	<u>50,356</u>
TOTAL EQUITY		<u>434,143</u>	<u>418,144</u>

The consolidated financial statements on pages 6 to 104 were approved and authorized for issue by the Board of Directors on April 28, 2023 and are signed on its behalf by:



YONGBIAO DING  
DIRECTOR



WENCHENG ZHANG  
DIRECTOR

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Attributable to owners of the Company								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 (note c)	Retained earnings RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	
As at January 1, 2021	70,053	19,178	53,258	-	(537)	205,408	347,360	41,588	388,948
Profit for the year	-	-	-	-	-	21,681	21,681	(2,217)	19,464
Other comprehensive expense for the year (note 22)	-	-	-	(2,062)	-	-	(2,062)	-	(2,062)
Total comprehensive income income for the year	-	-	-	(2,062)	-	21,681	19,619	(2,217)	17,402
Issuance of share awards (note 39)	1,150	(1,150)	-	-	-	-	-	-	-
Repurchase of shares (note 39)	(225)	-	-	-	-	-	(225)	-	(225)
Capital injection by non-controlling interest (note d)	-	-	-	-	-	-	-	11,100	11,100
Recognition of equity-settled share-based payments	-	781	-	-	-	-	781	-	781
Acquisition of non-controlling interest in a subsidiary (note 14)	-	-	-	-	(243)	-	(243)	243	-
Disposal of interests of a subsidiary (note 14)	-	-	-	-	358	-	358	(358)	-
Provision for statutory surplus reserves	-	-	344	-	-	(344)	-	-	-
Recognition of equity component of convertible debentures (note 35)	-	-	-	-	188	-	188	-	188
Deferred tax liability on recognition of equity component of convertible debentures (note 35)	-	-	-	-	(50)	-	(50)	-	(50)
As at December 31, 2021	70,978	18,809	53,602	(2,062)	(284)	226,745	367,788	50,356	418,144
Profit for the year	-	-	-	-	-	17,018	17,018	(12,928)	4,090
Other comprehensive expense for the year (note 22)	-	-	-	1,924	-	-	1,924	-	1,924
Total comprehensive income income for the year	-	-	-	1,924	-	17,018	18,942	(12,928)	6,014
Capital injection by non-controlling interest (note d)	-	-	-	-	-	-	-	10,500	10,500
Acquisition of a subsidiary	-	-	-	-	-	-	-	266	266
Recognition of equity-settled share-based payments	-	(781)	-	-	-	-	(781)	-	(781)
Provision for statutory surplus reserves	-	-	4,048	-	-	(4,048)	-	-	-
As at December 31, 2022	70,978	18,028	57,650	(138)	(284)	239,715	385,949	48,194	434,143

## 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 January 1, 2021 represents (i) a net amount of a surplus for disposal of 5.4% equity interest in Hebei Riheng Clean Energy Co., Ltd. ("Riheng"), a non wholly-owned subsidiary of the Group to and a waiver of certain unpaid consideration for acquiring of the 5.4% equity interest in Riheng from an independent third party in prior years; and (ii) an excess of the carrying amount of Sanya Changfeng Offshore Natural Gas Engineering Construction Co., Ltd. ("CF Engineering"), a non wholly-owned subsidiary of the Group, over the consideration for acquisition of 0.6% equity interest in CF Engineering from a non-controlling shareholder. Details about the acquisition and disposal of partial interest of subsidiaries during the respective financial years are set out in note 14.
- (d) Beyond an additional share capital injection of RMB13,800,000 in 2020, EDF (China) Holding Ltd ("EDF China"), the non-controlling interest of EDF Changfeng (Sanya) Energy Co., Ltd. ("EDF CF"), a subsidiary of the Company, made further share capital injection of RMB11,100,000 on December 13, 2021. On January 07, 2022, EDF China completed a further share capital injection amounting to RMB10,500,000.

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit for the year	4,090	19,464
Adjustments for:		
Income tax expense	16,684	15,670
Interest income	(937)	(713)
Finance costs	18,024	10,092
Depreciation of property and equipment	31,252	24,774
Depreciation of right-of-use assets	4,498	3,996
Amortization of government grants	(841)	(428)
Amortization of long-term lease prepayments	100	567
Amortization of intangible assets	1,526	1,223
Gains on early termination of leases	7	(29)
Gain on pipeline relocation projects	(4,206)	(346)
Share of results of associates	4,538	(4,794)
Impairment loss, net of reversal		
- property and equipment	3,717	-
- assets classified as held for sale (note 12)	(102)	1,871
- financial assets and other items under expected credit loss model	(1,176)	1,301
Share-based payment expense	(781)	781
Loss on disposals of property and equipment	317	5
Fair value change on derivative financial instrument	(11,424)	4,827
Unrealized exchange loss on monetary items	(6)	20
Operating cash flows before movements in working capital	65,280	78,281
Increase in inventories	(779)	(59)
Decrease (increase) in trade receivables	5,311	(5,299)
Decrease (increase) in other receivables, prepaid expenses and deposits	11,780	(7,409)
Decrease in long-term deposits and advances	27	240
(Increase) decrease in contract assets	(13,921)	936
Increase (decrease) in trade and other payables	6,764	(3,350)
Increase in contract liabilities	2,422	15,511
Increase in amount due to a non-controlling interest of a subsidiary	1,245	100
Decrease in amounts due from an associate (note 30)	-	1,410
Cash generated from operations	78,129	80,361
Income tax paid	(17,539)	(20,754)
Interest paid	(22,172)	(18,084)
Interest received	819	595
NET CASH FROM OPERATING ACTIVITIES	<u>39,237</u>	<u>42,118</u>

The accompanying notes are an integral part of the consolidated financial statements.

CF ENERGY CORP.CONSOLIDATED STATEMENTS OF CASH FLOWS - continued  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
	RMB'000	RMB'000
<b>INVESTING ACTIVITIES</b>		
Deposit paid for acquisition of property and equipment	(3,299)	(215)
Deposit paid for acquisition of land use right	-	(19,092)
Acquisition of property and equipment	(75,304)	(200,957)
Payments for right-of-use assets	(56)	-
Refund of rental deposits	425	(368)
Acquisition of pipelines for relocation projects	(5,836)	(10,716)
Acquisition of intangible assets	(2,192)	(225)
Proceeds on disposal of property, plant and equipment	3,211	1,006
Net cash inflow arising from acquisition of a subsidiary	80	-
Purchase of equity instruments at fair value through other comprehensive income	(214)	(15,175)
Receipt of receivable on disposal of Pingxiang CF	-	289
Receipt of compensation on pipeline relocation projects	15,863	11,081
Withdrawal of restricted cash	3,235	2,092
Placement of fixed term bank deposits	(10,000)	-
Withdrawal of fixed term bank deposits	-	6,000
Receipt of government grant relating to assets	9,244	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(64,843)</u>	<u>(226,280)</u>
<b>FINANCING ACTIVITIES</b>		
Repurchase of common shares	-	(225)
Repayments of lease liabilities	(2,378)	(2,708)
Repayment of short-term bank borrowings	(60,860)	(40,000)
New short-term bank borrowings raised	42,600	60,860
Repayment of long-term debts	(52,430)	(44,000)
New long-term debt raised	66,126	185,602
New long-term convertible debentures raised	-	3,127
Additional capital contribution from non-controlling interest of subsidiaries	10,500	11,100
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>3,558</u>	<u>173,756</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(22,048)	(10,406)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		
	128,062	138,602
Effect of foreign exchange rate changes	50	(134)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>106,064</u>	<u>128,062</u>
Represented by:		
Bank balances and cash	105,116	127,595
Bank balances and cash included in assets held-for-sale	948	467
	<u>106,064</u>	<u>128,062</u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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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 and sustainable energy utilisation for industrial, commercial and residential users as well as electric vehicle battery swap service in the PRC.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendment to IFRSs issued by the International Accounting Standard Board ("IASB") for the first time, which is mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
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The application of the amendment to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

**2.1 Impacts on application of Amendment to IFRS 3 Reference to the Conceptual Framework**

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

**New and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to IFRSs mentioned below, management of the Company anticipates that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

**New and amendments to IFRSs in issue but not yet effective** - continued

**Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* (the "2020 Amendments") and Amendments to IAS 1 *Non-current Liabilities with Covenants* ('the 2022 Amendments')**

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

**New and amendments to IFRSs in issue but not yet effective** - continued

**Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies***

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

**Amendments to IAS 8 *Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

**New and amendments to IFRSs in issue but not yet effective** - continued

***Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB73,835,000 and RMB6,831,000 respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of RMB18,456,000 and RMB1,708,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB.

At December 31, 2022, the Group's current liabilities exceeded its current assets by RMB128,171,000. 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 as disclosed in note 41. 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 consolidated financial statements have been prepared on a going concern basis. No significant judgements were involved in reaching the conclusion to prepare the consolidated financial statements on a going concern basis as there are no significant doubts about going concern.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies**

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

**Changes in the Group's interests in existing subsidiaries**

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Basis of consolidation - continued

**Changes in the Group's interests in existing subsidiaries** - continued

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Business combinations - continued

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Business combinations - continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Investments in associates - continued

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the statements of profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Revenue from contracts with customers - continued

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

**Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

*Input method*

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

**Incremental costs of obtaining a contract**

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee**

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

*Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

**The Group as a lessee** - continued

*Right-of-use assets* - continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets a separate line item on the consolidated statement of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

**The Group as a lessee** - continued

*Lease liabilities* - continued

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

*Lease modifications*

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 **Significant accounting policies** - continued

Leases - continued

**The Group as a lessee** - continued

*Lease modifications* - continued

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

*Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "*Leases*" if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Employee benefits

**Retirement benefit costs**

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the statements of profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

**Equity-settled share-based payment transactions**

*Share options granted to employees*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (contributed surplus). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in contributed surplus will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in contributed surplus will be transferred to retained earnings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Taxation - continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in the statements of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes (other than construction-in-progress as described below). Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment (including buildings, pipelines and equipment) in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

*Ownership interests in leasehold land and building*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies - continued**

Property and equipment - continued

Depreciation is recognised so as to write off the cost of assets other than properties under construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/ revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Impairment on property and equipment, right-of-use assets, intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Impairment on property and equipment, right-of-use assets, intangible assets other than goodwill - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Classification and subsequent measurement of financial assets* - continued

(i) Amortized cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "fair value change on derivative instrument" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 **Significant accounting policies** - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets and contract assets subject to impairment under IFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including equity instrument at fair value through other comprehensive income, trade receivables, other receivables and deposits, contract assets, amount due from an associate and non-controlling interests of subsidiaries, restricted cash, fixed bank deposits and bank balances and cash) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets and contract assets subject to impairment under IFRS 9*- continued

(i) Significant increase in credit risk - continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets and contract assets subject to impairment under IFRS 9-* continued

(ii) Definition of default - continued

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

**3.2 Significant accounting policies** - continued

Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets and contract assets subject to impairment under IFRS 9* - continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 **Significant accounting policies** - continued

Financial instruments - continued

**Financial assets** - continued

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**

*Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at amortized cost*

Financial liabilities at amortized cost including trade and other payables, dividend payable to non-controlling interest of a subsidiary, short-term bank borrowings, long-term debts and lease liabilities are subsequently measured at amortized cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 **Significant accounting policies** - continued

Financial instruments - continued

**Financial liabilities and equity** - continued

*Convertible loan notes*

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to contributed surplus. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Revenue recognition**

The Group applies input method in estimating the performance obligations satisfied of IFRS 15. The Group recognises contract revenue and profit of pipeline installation and connection based on the input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Construction costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Management of the Company needs to estimate future costs at completion for each of the pipeline installation and connection contracts. For the year ended December 31, 2022, pipeline installation and connection revenue is RMB140,250,000 (2021: RMB120,973,000).

**Provision of ECL for trade receivables and contract assets**

The Group uses a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar credit risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration of reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's contract assets and trade receivables are disclosed in notes 24, 25 and 43 (b).

## 5. REVENUE

## (i) Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2022						
	Gas distribution utility			Subtotal	Integrated smart energy	Smart mobility	Total
	Gas sales	Pipeline installation and connection	CNG vehicle refuelling				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Types of goods and services</b>							
Gas distribution utility							
- Gas supply	151,888	-	-	151,888	-	-	151,888
- Pipeline installation and connection	-	145,306	-	145,306	-	-	145,306
- CNG vehicles refuelling	-	-	25,000	25,000	-	-	25,000
	<u>151,888</u>	<u>145,306</u>	<u>25,000</u>	<u>322,194</u>	<u>-</u>	<u>-</u>	<u>322,194</u>
Integrated smart energy							
- Integrated smart energy system	-	-	-	-	6,506	-	6,506
- Integrated district energy distribution	-	-	-	-	3,681	-	3,681
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,187</u>	<u>-</u>	<u>10,187</u>
Smart mobility							
- Electric vehicle battery swap	-	-	-	-	-	1,858	1,858
<b>Total</b>	<u>151,888</u>	<u>145,306</u>	<u>25,000</u>	<u>322,194</u>	<u>10,187</u>	<u>1,858</u>	<u>334,239</u>
<b>Geographical markets in the PRC</b>							
Sanya City, Hainan Province	147,699	145,306	16,112	309,117	6,506	941	316,564
Changsha City, Hunan Province	-	-	8,888	8,888	-	-	8,888
Meishan City, Sichuan Province	-	-	-	-	3,681	-	3,681
Other cities	4,189	-	-	4,189	-	917	5,106
<b>Total</b>	<u>151,888</u>	<u>145,306</u>	<u>25,000</u>	<u>322,194</u>	<u>10,187</u>	<u>1,858</u>	<u>334,239</u>
<b>Timing of revenue recognition</b>							
A point in time	151,888	5,056	25,000	181,944	10,187	1,858	193,989
Over time	-	140,250	-	140,250	-	-	140,250
<b>Total</b>	<u>151,888</u>	<u>145,306</u>	<u>25,000</u>	<u>322,194</u>	<u>10,187</u>	<u>1,858</u>	<u>334,239</u>

## 5. REVENUE - continued

## (i) Disaggregation of revenue from contracts with customers - continued

Segments	For the year ended December 31, 2021						
	Gas distribution utility				Integrated smart energy	Smart mobility	Total
	Gas sales	Pipeline installation and connection	CNG vehicle refuelling	Subtotal			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Types of goods and services</b>							
Gas distribution utility							
- Gas supply	174,042	-	-	174,042	-	-	174,042
- Pipeline installation and connection	-	126,734	-	126,734	-	-	126,734
- CNG vehicles refuelling	-	-	45,836	45,836	-	-	45,836
	<u>174,042</u>	<u>126,734</u>	<u>45,836</u>	<u>346,612</u>	<u>-</u>	<u>-</u>	<u>346,612</u>
Integrated smart energy							
- Integrated smart energy system	-	-	-	-	6,448	-	6,448
- Integrated district energy distribution	-	-	-	-	1,882	-	1,882
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,330</u>	<u>-</u>	<u>8,330</u>
Smart mobility							
- Electric vehicle battery swap	-	-	-	-	-	291	291
<b>Total</b>	<u>174,042</u>	<u>126,734</u>	<u>45,836</u>	<u>346,612</u>	<u>8,330</u>	<u>291</u>	<u>355,233</u>
<b>Geographical markets in the PRC</b>							
Sanya City, Hainan Province	168,668	126,734	31,489	326,891	6,448	249	333,588
Changsha City, Hunan Province	-	-	14,347	14,347	-	-	14,347
Meishan City, Sichuan Province	-	-	-	-	1,882	-	1,882
Other cities	5,374	-	-	5,374	-	42	5,416
<b>Total</b>	<u>174,042</u>	<u>126,734</u>	<u>45,836</u>	<u>346,612</u>	<u>8,330</u>	<u>291</u>	<u>355,233</u>
<b>Timing of revenue recognition</b>							
A point in time	174,042	5,761	45,836	219,878	8,330	291	228,499
Over time	-	120,973	-	126,734	-	-	126,734
<b>Total</b>	<u>174,042</u>	<u>126,734</u>	<u>45,836</u>	<u>346,612</u>	<u>8,330</u>	<u>291</u>	<u>355,233</u>

5. REVENUE - continued

(ii) Performance obligations for contracts with customers

a) Revenue from natural gas supply

The Group supplies gas to residential, commercial and industrial consumers in the PRC. The Group receives integrated circuit cards ("IC cards") deposits from residential customers in advance before they consume the natural gas and this will give rise to contract liabilities. Monthly invoices will be issued to industrial and commercial customers based on the actual usage and the price of gas. Revenue from natural gas supply is recognised at a point in time when the customers consume the natural gas.

b) Revenue from CNG vehicle refuelling

The Group operates two natural gas refuelling stations in Sanya City, Hainan Province and Changsha City, Hunan Province, respectively. The Group receives IC card deposits from customers in advance before they purchase the natural gas at the natural gas refuelling stations and this will give rise to contract liabilities. Revenue from CNG vehicle refuelling is recognised at a point of time when the gas refuels to customers' vehicles.

c) Revenue from natural gas pipeline installation and connection

The Group provides natural gas pipeline installation and connection under contracts with customers. Such contracts are entered into before the contracting services begin.

The services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue from natural gas pipeline connection is recognised based on the input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

The Group's natural gas pipeline installation and connection contracts include payment schedules which require stage payments over the construction/installation 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, when the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract equals to or exceeds the amount of the deposits.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction/installation services are performed, representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

5. REVENUE - continued

(ii) Performance obligations for contracts with customers - continued

d) Revenue from heating/cooling power generation and supply

The Group uses multiple clean energy sources to generate and supply heating and cooling to its customers. Revenue from power generation and supply is recognised at a point in time when the customers consume the heating and/or cooling power.

e) Revenue from electric vehicle battery swapping service

The Group also provides battery swapping service to its customers including companies who operates passenger transportation business through its owned electric vehicles and other users of electric vehicles, which provides the customers with convenient "recharging" experience by swapping the customers' battery for another one. The battery swapping service is in substance a supply of battery power. Revenue from supply of battery power represents the fair value of the consideration received or receivable for power sold via swapped battery. Revenue is earned and recognised upon consumption of battery power by the customers.

(iii) Transaction price allocated to remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2022 and 2021 and the expected timing of recognizing revenue are as follows:

	<u>Pipeline installation and connection</u>	
	<u>2022</u>	<u>2021</u>
	RMB'000	RMB'000
Within one year	69,625	60,420
More than one year but not more than two years	35,065	32,446
More than two years	<u>19,640</u>	<u>13,058</u>
	<u>124,330</u>	<u>105,924</u>

Contracts for gas distribution services typically have terms in which the Group bills a fixed price for each gas volume used by the customers on a monthly basis. The Group recognises revenue according to gas consumption by customers.

## 6. OPERATING SEGMENTS

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.

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

- (a) Gas distribution utility which includes gas sales, pipeline installation and connection, and CNG vehicles refueling
  - (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, the PRC;
  - (ii) operates CNG vehicle refueling stations to supply gas for taxicabs and public transportation vehicles in Sanya City, Hainan Province and 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;
  - (ii) supplies heat and power via the Group's pipeline networks to its customers in Meishan City, Sichuan Province, the PRC; and
  - (iii) 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 Sanya City and Haikou City, Hainan Province and Zhuhai City, Guangdong Province, the PRC.

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## 6. OPERATING SEGMENTS - continued

**Segments revenues and results**

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

For the year ended December 31, 2022

**Continuing operations**

	Gas distribution <u>utility</u> RMB'000	Integrated smart <u>energy</u> RMB'000	Smart <u>mobility</u> RMB'000	<u>Consolidated</u> RMB'000
Segment revenue	386,368	10,187	1,919	398,475
Inter-segment revenue	<u>(64,175)</u>	-	<u>(61)</u>	<u>(64,236)</u>
<b>Revenue from external customers</b>	<u>322,194</u>	<u>10,187</u>	<u>1,858</u>	<u>334,239</u>
<b>Segment profit (loss)</b>	<u>65,350</u>	<u>(28,939)</u>	<u>(8,379)</u>	<u>28,031</u>
Share of results of associates				(4,538)
Fair value change on derivative financial instrument				11,424
Unallocated other income				147
Unallocated corporate expenses				<u>(14,352)</u>
<b>Profit before tax from continuing operations</b>				<u>20,712</u>

For the year ended December 31, 2021

**Continuing operations**

	Gas distribution <u>utility</u> RMB'000	Integrated smart <u>energy</u> RMB'000	Smart <u>mobility</u> RMB'000	<u>Consolidated</u> RMB'000
Segment revenue	416,085	8,330	291	424,706
Inter-segment revenue	<u>(69,473)</u>	-	-	<u>(69,473)</u>
Revenue from external customers	<u>346,612</u>	<u>8,330</u>	<u>291</u>	<u>355,233</u>
<b>Segment profit (loss)</b>	<u>64,068</u>	<u>(7,288)</u>	<u>(1,861)</u>	<u>54,919</u>
Share of results of associates				4,794
Fair value change on derivative financial instrument				(4,827)
Unallocated other income				22
Unallocated corporate expenses				<u>(17,157)</u>
<b>Profit before tax from continuing operations</b>				<u>37,751</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

6. OPERATING SEGMENTS - continued

**Segment assets and liabilities**

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

For the year ended December 31, 2022

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	Total RMB'000
<b>Segment assets</b>				
Total assets for continuing operations	730,772	372,983	61,031	1,164,786
Assets relating to discontinued operation				968
Unallocated assets (i)				<u>79,354</u>
Consolidated assets				<u>1,245,108</u>
<b>Segment liabilities</b>				
Total liabilities for continuing operations	491,577	284,961	25,712	802,250
Liabilities relating to discontinued operation				137
Unallocated liabilities (ii)				<u>8,578</u>
Consolidated liabilities				<u>810,965</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 convertible debentures and other corporate liabilities.

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## 6. OPERATING SEGMENTS - continued

**Other segment information**For the year ended December 31, 2022**Continuing operations**

Amounts included in the measure of segment profit or losses:

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation of property and equipment	18,536	9,082	3,313	322	31,253
Depreciation of right-of-use assets	2,588	734	335	841	4,498
Amortization of government grant	(841)				(841)
Amortization of intangible assets	1,323	89	-	114	1,526
Loss on disposals of property and equipment	2	15	299	-	317
(Reversal) recognition of impairment losses on trade receivables	(1,144)	(10)	-	-	(1,154)
(Reversal) of impairment loss on contract assets	(37)	-	-	-	(37)
(Reversal) recognition of impairment loss on other receivables	(8)	-	22	1	15
Release of long-term lease prepayments	100	-	-	-	100
Interest income from bank deposits, an associate and non-controlling interest of a subsidiary	(542)	(180)	(199)	(15)	(936)
Finance costs	6,498	10,833	169	524	18,024

For the year ended December 31, 2021**Continuing operations**

Amounts included in the measure of segment profit or losses:

	Gas distribution utility RMB'000	Integrated smart energy RMB'000	Smart mobility RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation of property and equipment	20,747	2,383	1,342	302	24,774
Depreciation of right-of-use assets	2,281	470	404	841	3,996
Amortization of government grant	(428)	-	-	-	(428)
Amortization of intangible assets	708	401	-	114	1,223
Loss on disposals of property and equipment	5	-	-	-	5
Recognition of impairment losses on trade receivables	1,119	20	-	-	1,139
Recognition of impairment loss on contract assets	65	-	-	-	65
(Reversal) recognition of impairment loss on other receivables	(10)	(1)	1	107	97
Release of long-term lease prepayments	567	-	-	-	567
Interest income from bank deposits, an associate and non-controlling interest of a subsidiary	(565)	(8)	(11)	(129)	(713)
Finance costs	7,457	2,175	157	303	10,092

6. OPERATING SEGMENTS - 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.

**Information about major customers**

No single customer accounted for more than 10% of the Group's sales in both years or trade receivables at December 31, 2022 and 2021.

7. OTHER INCOME

**Continuing operations**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Interest income from bank deposits	825	602
Interest income from non-controlling interest of a subsidiary (note 31)	111	111
Government grants (note)	5,380	2,205
Others	390	453
	<u>6,706</u>	<u>3,371</u>

Note: During the current year, the Group recognised government grants of RMB5,380,000 (2021: RMB2,204,902) mainly related to pipelines relocation projects.

8. OTHER LOSSES, NET

**Continuing operations**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Exchange loss	(27)	(24)
Loss on disposal of property and equipment	(317)	(5)
Impairment loss recognized in respect of property and equipment (note 16)	(3,717)	-
Donations	(122)	(1,136)
Others	(31)	103
	<u>(4,214)</u>	<u>(1,062)</u>

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9. FINANCE COSTS

**Continuing operations**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Interest on lease liabilities	332	339
Interest expense on convertible debentures (note 35)	311	177
Interest expense on short-term bank borrowings and long-term debts	22,076	17,921
Less: amounts capitalized in cost of property and equipment	<u>(4,695)</u>	<u>(8,345)</u>
	<u>18,024</u>	<u>10,092</u>

Borrowing costs capitalized arose on the general borrowing pool and are calculated by applying a capitalization rate of 5% (2021: 5%) per annum to expenditure on qualifying assets.

10. IMPAIRMENT LOSSES REVERSED (RECOGNISED) UNDER EXPECTED CREDIT LOSS MODEL, NET

**Continuing operations**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Impairment losses reversed (recognized) in respect of:		
- Trade receivables	1,154	(1,139)
- Contract assets	37	(65)
- Other receivables	<u>(15)</u>	<u>(97)</u>
	<u>1,176</u>	<u>(1,301)</u>

Details of impairment assessment are set out in note 43 (b).

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## 11. INCOME TAX EXPENSE

**Continuing operations**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	17,205	16,065
PRC withholding EIT	<u>503</u>	<u>691</u>
	17,708	16,756
Over provision in prior year	<u>(55)</u>	<u>(14)</u>
	17,653	16,742
Deferred tax credit (note 38)	<u>(969)</u>	<u>(1,072)</u>
	<u><u>16,684</u></u>	<u><u>15,670</u></u>

The Company was incorporated in Canada and is therefore subject to Canadian federal and Ontario statutory income tax at a rate of 26.5% (2021: 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 (2021: 25%).

The income tax expense for the year can be reconciled to the profit before tax as follows:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Profit before tax	<u>20,712</u>	<u>37,351</u>
Tax at Canadian federal and Ontario statutory income tax rate of 26.5%	5,489	9,898
Tax effect of expenses not deductible for tax purposes	608	1,104
Effect of difference in tax rates of entities operating in other jurisdictions	(2,023)	(2,367)
Tax effect of tax losses and deductible temporary differences not recognised	12,762	5,379
Utilisation of tax losses previously not recognised	(20)	(171)
Under (over) provision in prior year	55	(14)
PRC withholding EIT	503	691
Deferred tax on undistributed earnings in the PRC	44	-
Tax effect of income before intragroup elimination	116	417
Others	<u>(850)</u>	<u>733</u>
Income tax expense for the year	<u><u>16,684</u></u>	<u><u>15,670</u></u>

## 12. DISCONTINUED OPERATION

Upon the realignment of its future business strategies with major focus on the development of clean energy solutions with high growth potential, including the integrated smart energy and electric vehicle battery swap, the Group made the first move into the EV battery swap business beginning from 2020. As the business and operating model of Hebei Riheng Clean Energy Co., Ltd., or Riheng no longer aligns with the Group's new business focus and growth expectations, in the best interests of the Group, management of the Company decided to gradually terminate the operation of Riheng. Up to the first quarter of 2021, management determined to dispose of all of Riheng's 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 consolidated statement of financial position as set out below. The results of Riheng in the consolidated statement of profit or loss and other comprehensive income were presented separately as discontinued operation.

Due to the unexpected impact of Covid-19 in 2022, both parties extended the period to complete the sale as mentioned above beyond one year. Considering the delay of the disposal of Riheng's operations was beyond the Company's control and the Company remains committed to its plan to the disposal, the assets and liabilities attributable to Riheng continued to be classified as a disposal group held for sale and were separately presented in the consolidated statement of financial position as at December 31, 2022. Accordingly, the profit or loss of Riheng 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.

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Revenue	-	70
Cost of sales	-	(69)
Other income	2	4
Selling and marketing expenses	-	(50)
General and administrative expenses	(42)	(301)
Other income (losses) (note)	102	(1,871)
Profit (loss) before tax	62	(2,217)
Income tax expense	-	-
Profit (loss) for the year	<u>62</u>	<u>(2,217)</u>

Note: For the year ended 31 December 2022, no further impairment loss in respect of property and equipment (2021: recognised impairment loss of RMB991,000) was recognised. The Group reversed impairment loss of RMB102,000 (2021: recognised impairment loss of RMB715,000) as a gain for subsequent increase in fair value less costs to sell of the receivables without excess of the cumulative impairment loss that has been recognised in accordance with this IFRS 9.

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.

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12. DISCONTINUED OPERATION - continued

The major classes of assets and liabilities of Riheng as at December 31, 2021 and 2022, which have been presented separately in the consolidated statements of financial position, are as follows:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Other receivables, prepaid expenses and deposits	20	1,107
Bank balances and cash	948	467
Total assets classified as held-for-sale	<u>968</u>	<u>1,574</u>
Other payables	133	-
Receipts in advance from customers	5	5
Amount due to the Group	5,419	6,219
	<u>5,557</u>	<u>6,224</u>
Less: inter-company elimination	5,420	6,219
Total liabilities associated with assets classified as held-for-sale	<u>137</u>	<u>5</u>

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

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Net cash from operating activities	<u>481</u>	<u>85</u>

13. PROFIT FOR THE YEAR

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Profit for the year from continuing operations has been arrived after charging the following:		
Directors' remuneration	458	433
Other staff costs	41,736	43,852
Staff retirement benefit scheme contribution	6,187	7,271
(Reversal of) recognition of share-based payments	(781)	781
Total staff costs	<u>47,600</u>	<u>52,337</u>
Auditors' remuneration	3,487	2,513
Release of long-term lease prepayments	100	567
Cost of inventories recognised as expense in cost of sales	111,823	122,565
Contract costs recognised as expense in cost of sales	38,466	36,068
Depreciation of property and equipment	31,252	24,774
Depreciation of right-of-use assets	4,498	3,996
Amortization of intangible assets (included in cost of sales)	1,526	1,223
Total depreciation and amortization	<u>37,276</u>	<u>29,993</u>

14. ACQUISITION AND DISPOSAL OF PARTIAL INTEREST OF SUBSIDIARIES

On April 13, 2021, Sanya Changfeng Clean Energy Co., Ltd., a wholly-owned subsidiary of the Group acquired a 20% equity interest in the non-controlling interest of Hainan Hengtai Energy Co., Ltd. ("Hainan Hengtai") with no consideration. As a result, the Group's effective interest in Hainan Hengtai increased from 80% to 100%, the carrying amount of the non-controlling interest of RMB243,000 as of April 13, 2021 was recognised as other reserves.

In August 2021, Hainan Huapu Green Energy Investment Co., Ltd. ("Huapu Green"), a wholly-owned subsidiary of the Group entered into a share transfer agreement with EDF China to transfer 30% equity interest in Hainan Huapu Smart Mobility Co., Ltd ("Huapu SM") with no consideration considering the long-term strategic cooperation between the Group and EDF China. As a result, the Group's effective interest in Huapu SM decreased from 100% to 70%. The transfer was completed on December 6, 2021, and the name of Huapu SM changed to Hainan EDF Huapu Smart Mobility Co., Ltd. The carrying amount of the 30% equity interest of RMB358,000 as of December 6, 2021 was recognised as other reserves.

There was no acquisition or disposal of partial interest of subsidiaries during the year ended December 31, 2022.

15. 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:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<u>Earnings</u>		
Profit for the purpose of basic earnings per share	17,018	21,681
Effect of dilutive potential common shares:		
Interest on convertible debentures (net of income tax)	-	177
Profit for the purpose of dilutive earnings per share	<u>17,018</u>	<u>21,858</u>

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15. EARNINGS PER SHARE - continued

From continuing and discontinued operations - continued

	<u>2022</u>	<u>2021</u>
<i>Number of shares</i>		
Weighted average number of shares for the purpose of basic earnings per share	65,885,155	65,878,345
Effect of dilutive potential shares:		
Share options	968,128	1,274,876
Convertible debentures	-	565,380
	<u>                    </u>	<u>                    </u>
Weighted average number of common shares for the purpose of diluted earnings per share	<u>66,853,283</u>	<u>67,718,601</u>
Basic earnings per share (note)	<u>RMB0.26</u>	<u>RMB0.33</u>
	<u>CAD0.05</u>	<u>CAD0.06</u>
Diluted earnings per share (note)	<u>RMB0.25</u>	<u>RMB0.32</u>
	<u>CAD0.05</u>	<u>CAD0.06</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 CAD0.1935 for the year ended December 31, 2022 and RMB1.0000 to CAD0.1943 for the year ended December 31, 2021, being the average exchange rate that prevailed during the respective years.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding Convertible Debentures since their assumed exercise would result in an increase in earnings per share.

The computation of diluted earnings per share did not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market price for the shares for both 2022 and 2021 years.

From discontinued operations

Basic and dilutive earnings per share for the discontinued operations is RMB0.00 per share (2021: loss per share of RMB0.02), based on the earnings for the year from the discontinued operations of approximately RMB37,000 (2021: loss of RMB1,330,000) and the denominators detailed above for both basic and diluted earnings per share.

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## 15. EARNINGS PER SHARE - continued

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:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<u>Earnings</u>		
Profit for the year attributable to owners of the Company	17,018	21,681
Less:		
Profit (loss) for the year from discontinued operations attributable to owners of the Company	<u>37</u>	<u>(1,330)</u>
Profit for the purpose of basic earnings per share from continuing operations	16,981	23,011
Effect of dilutive potential common shares:		
Interest on convertible debentures (net of income tax)	<u>-</u>	<u>177</u>
Profit for the purpose of dilutive earnings per share	<u>16,981</u>	<u>23,188</u>
<u>Number of shares</u>		
Weighted average number of shares for the purpose of basic earnings per share	65,885,155	65,878,345
Effect of dilutive potential shares:		
Share options	968,128	1,274,876
Convertible debentures	<u>-</u>	<u>565,380</u>
Weighted average number of common shares for the purpose of diluted earnings per share	<u>66,853,283</u>	<u>67,718,601</u>
Basic earnings per share	<u>RMB0.26</u>	<u>RMB0.35</u>
	<u>CAD0.05</u>	<u>CAD0.07</u>
Diluted earnings per share	<u>RMB0.25</u>	<u>RMB0.34</u>
	<u>CAD0.05</u>	<u>CAD0.07</u>

## 16. PROPERTY AND EQUIPMENT

	<u>Buildings</u> RMB'000	<u>Pipelines</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Furniture and equipment</u> RMB'000	<u>Leasehold improvements</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
<b>COST</b>							
At January 1, 2021	36,508	408,290	16,500	52,078	3,467	242,825	759,668
Additions	465	5,188	247	1,950	-	210,458	218,308
Disposal	-	-	(5,449)	(1,346)	(108)	-	(6,903)
Transfer into intangible assets	-	-	-	-	-	(3,436)	(3,436)
Transfer	127,955	127,834	-	34,811	-	(290,600)	-
At December 31, 2021	164,928	541,312	11,298	87,493	3,359	159,247	967,637
Additions	349	1,761	1,148	12,100	-	73,805	89,163
Disposal	(124)	-	(2,341)	(3,837)	-	-	(6,302)
Transfer	698	53,047	-	17,085	-	(70,830)	-
At December 31, 2022	165,851	596,120	10,105	112,841	3,359	162,222	1,050,498
<b>DEPRECIATION AND IMPAIRMENT</b>							
At January 1, 2021	6,006	136,809	12,857	35,461	2,197	376	193,706
Provided for the year	1,717	13,887	1,106	7,919	145	-	24,774
Eliminated on disposals and written off	-	-	(4,617)	(1,276)	-	-	(5,893)
At December 31, 2021	7,723	150,696	9,346	42,104	2,342	376	212,587
Provided for the year	4,362	18,657	750	7,338	145	-	31,252
Impairment loss recognised in Profit or loss	-	-	-	3,717	-	-	3,717
Eliminated on disposals and written off	(1)	-	(1,963)	(810)	-	-	(2,774)
At December 31, 2022	12,084	169,353	8,133	52,349	2,487	376	244,782
<b>NET BOOK VALUE</b>							
At December 31, 2022	153,767	426,767	1,972	60,492	872	161,846	805,716
At December 31, 2021	157,205	390,616	1,952	45,389	1,017	158,871	755,050

The above items of property and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Buildings	30 - 35 years
Pipelines	30 - 35 years
Motor vehicles	3 - 10 years
Furniture and equipment	3 - 20 years
Leasehold improvements	9 - 18 years

The Group has pledged certain pipelines and related equipment with a net book value of approximately RMB228,589,000 (2021: RMB239,392,000) to a bank to secure the RMB123,000,000 (2021: RMB146,000,000) long-term debts granted to the Group.

16. PROPERTY AND EQUIPMENT - continued

***Impairment assessment***

During the year ended December 31, 2022, certain EV batteries within the category of furniture and equipment which are designed at an early stage are not compatible with the Group's existing EV battery swap station due to the rapid development in EV battery technology and become wholly obsolete and idle.

The management of the Group concluded there was indication for impairment and conducted impairment assessment on these batteries with carrying amounts of RMB3,717,000. The recoverable amounts of these batteries have been determined based on their value in use and accordingly an impairment loss of RMB3,717,000 was recorded during the year ended 31 December 2022.

Apart from the aforementioned EV batteries which have been fully impaired, the management of the Group concluded there was no indication for impairment for certain property and equipment, right-of-use assets and other intangible assets with finite useful lives as of 31 December 2022.

17. LONG-TERM LEASE PREPAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC and are analyzed for reporting purposes as follows:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Current assets	-	100
Non-current assets	-	-
	<u>-</u>	<u>100</u>

18. RIGHT-OF-USE ASSETS

	<u>Leasehold properties</u> RMB'000	<u>Leased lands</u> RMB'000	<u>Total</u> RMB'000
<b>As at December 31, 2022</b>			
Carrying amount	6,497	68,333	74,830
<b>As at December 31, 2021</b>			
Carrying amount	7,733	69,904	77,637
<b>For the year ended December 31, 2022</b>			
Depreciation charge	(2,928)	(1,571)	(4,498)
Eliminated on termination	316	-	316
<b>For the year ended December 31, 2021</b>			
Depreciation charge	(2,661)	(1,335)	(3,996)

## 18. RIGHT-OF-USE ASSETS - continued

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Expense relating to short-term leases	1,541	822
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	18	5
Variable lease payments not included in the measurement of lease liabilities	107	567
Total cash outflow for lease	4,332	4,223
Additions to right-of-use assets	<u>2,177</u>	<u>55,096</u>

For both years, the Group leases various offices and staff quarters for its operations. Lease contracts are entered into for fixed terms 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 land in the PRC for gas utility distribution and gas stations. Other than a land lease in Hunan province, the land leases are usually prepaid upfront. Terms of the land leases range from 5 to 50 years.

The Group regularly entered into short-term leases for staff quarters. As at December 31, 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense amounted to RMB1,541,000 (2021: RMB822,000).

**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 year ended December 31, 2022 amounting to RMB107,000 (2021: RMB567,000).

**Rent concessions**

During the year ended December 31, 2021, the Group received rent concessions through forgiveness of certain amount of lease payments as a direct consequence of the Covid-19 pandemic and met of all of the conditions in IFRS 16.46B. The Group applied the practical expedient not to assess whether the changes constitute lease modifications and accordingly recognised RMB215,000 as negative variable lease payments for the effects on changes in lease payments due to forgiveness of payments by the lessors for the relevant leases.

During the year ended December 31, 2022, the Group did not receive any rent concessions that were within the scope of Covid-19-related rent concessions.

As at December 31, 2022, one piece of leased land amounting to RMB5,660,000 (2021: RMB5,779,000) has been pledged as security for the Group's borrowing.

Details of the lease maturity analysis of lease liabilities are set out in note 36 and note 43(b).

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## 19. GOODWILL

	Acquisition of <u>EDF CF</u> RMB'000	Acquisition of <u>Beihai Company</u> RMB'000	<u>Total</u> RMB'000
<b>COST</b>			
At 1 January 2021 and December 31, 2021	1,635	-	1,635
Arising on acquisition of a subsidiary	<u>-</u>	<u>617</u>	<u>617</u>
At December 31, 2022	<u>1,635</u>	<u>617</u>	<u>2,252</u>
<b>CARRYING VALUE</b>			
At December 31, 2022	<u>1,635</u>	<u>617</u>	<u>2,252</u>
At December 31, 2021	<u>1,635</u>	<u>-</u>	<u>1,635</u>

## Notes:

- (i) On December 26, 2019, the Group entered into an agreement with EDF China to inject additional capital in EDF CF, a former 50% joint venture of the Group, amounting to RMB24,000,000. Following the completion of the capital injection, the Group holds 70% of equity interest in EDF CF and it became a non wholly-owned subsidiary of the Group. Goodwill arising on the acquisition of 20% of equity interest in EDF CF was RMB1,635,000.
- (ii) In October 2022, Hunan CNPC New Energy Investment Co., Ltd ("Hunan CNPC NEI"), a non-wholly owned subsidiary of the Group entered into an agreement with a third party to acquire 70% equity interest in Beihai Brighton Road New Energy Ltd. ("Beihai Company") in which the Group beneficially own 42% of the equity interest with a cash consideration of RMB1,239,000. The Group accounted for this acquisition as business combination and recognized a goodwill amounting to RMB617,000 resulted from the acquisition.

The consideration, fair value of assets acquired and liabilities assumed, as well as goodwill resulted from the acquisition of Beihai Company are as follows:

	RMB'000
<b>Consideration transferred:</b>	
Cash	1,239

## 19. GOODWILL - continued

	RMB'000
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>	
Bank balances and cash	80
Trade receivables	7
Other receivables	602
Property and equipment	<u>12,709</u>
Total assets acquired	<u>13,398</u>
Trade and other payables	12,015
Contract liabilities	<u>495</u>
Total liabilities assumed	<u>12,510</u>
Net assets acquired	<u>888</u>
Goodwill arising on acquisition	<u><u>617</u></u>

The business acquired is included in the operating segment of Smart mobility. The result of operation of aforementioned acquisition has been consolidated by the Group from October 20, 2022, and the results of operations for the aforementioned acquisition is not material to the Group's consolidated financial statements as a whole.

**Non-controlling interests**

The non-controlling interests (30%) in Beihai Company recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Beihai Company and amounted to RMB266,000.

Goodwill arose on the acquisition of Beihai Company because the acquisition included the assembled workforce of Beihai Company and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No deferred tax liability was recognised for the taxable temporary differences arises from the initial recognition of goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

During the year ended December 31, 2022, management of the Group determines that there is no impairment on the goodwill arising on acquisition of subsidiaries.

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20. INTANGIBLE ASSETS

	<u>Gas purchase contract and supply rights</u> RMB'000	<u>Software</u> RMB'000	<u>Exclusive operating right</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
<b>COST</b>					
At January 1, 2021	2,150	8,547	2,485	520	13,702
Additions	-	3,661	-	-	3,661
At December 31, 2021	2,150	12,208	2,485	520	17,363
Additions	-	2,192	-	-	2,192
At December 31, 2022	2,150	14,400	2,485	520	19,555
<b>AMORTIZATION</b>					
At January 1, 2021	1,380	2,439	89	184	4,092
Charge for the year	114	968	89	52	1,223
At December 31, 2021	1,494	3,407	178	236	5,315
Charge for the year	114	1,271	89	52	1,526
At December 31, 2022	1,608	4,678	267	288	6,841
<b>NET BOOK VALUE</b>					
At December 31, 2022	542	9,722	2,218	232	12,714
At December 31, 2021	656	8,801	2,307	284	12,048

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Gas purchase contract and supply rights	Over the contractual useful life of 2 to 17.5 years commencing from the initial delivery of gas
Software	10 years
Exclusive operating right	27 years
Others	10 years

21. INTERESTS IN ASSOCIATES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Cost of investments in associates - unlisted	32,710	32,710
Share of post-acquisition profits and other comprehensive income	1,094	5,632
	<u>33,804</u>	<u>38,342</u>

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### 21. INTERESTS IN ASSOCIATES - continued

Details of the Group's associates as at December 31, 2022 and 2021 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
			2022	2021	2022	2021	2022	2021	
			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") (note)	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.

#### **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

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Current assets	33,646	42,619
Non-current assets	174,652	164,281
Current liabilities	151,647	138,960
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Revenue	369,245	293,784
(Loss) profit for the year	(11,288)	12,114
Total comprehensive (expense) income for the year	(11,288)	12,114

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21. INTERESTS IN ASSOCIATES - continued

**Summarized financial information of material associate - continued**

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

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Net assets of Pingxiang Xinao CF	56,651	67,940
Proportion of the Group's interest in Pingxiang Xinao CF	40%	40%
	<u>22,661</u>	<u>27,176</u>
Add: Fair value adjustment	11,009	11,009
	<u>33,670</u>	<u>38,185</u>

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
- Unlisted equity investments	15,706	12,926

In September 2020, the Group entered into an agreement to invest RMB2,000,000 for 2% of the total equity shares of Hainan Shanglian Investment Co., Ltd. The Group made initial capital injection of RMB500,000 in 2020 and sequential injection of RMB505,200 in 2021, respectively.

In January 2021, the Group entered into two separate agreements to acquire approximately 3.43% in aggregate of the total equity shares of Blue Valley Smart Energy (Beijing) Technology Co., Ltd.\* (藍谷智慧(北京)能源科技有限公司) ("Blue Valley"), a privately held EV battery technology development and service company in the PRC. Total consideration of RMB14,670,000 was paid and business registration of share transfer was completed in May 2021.

The above unlisted equity investments represent the Group's equity interest in private entities incorporated in the PRC. The directors of the Company have elected to designate these investments in equity instruments as FVTOCI as they believe that the Group will hold these investments for medium to long-term strategic purposes.

As of December 31, 2022, the fair value of the 3.43% equity interest in Blue Valley was RMB14,487,000, resulting in the recognition of an unrealized gain of RMB2,566,000 and a deferred tax of RMB642,000 against revaluation reserve in the other comprehensive income as of December 31, 2022.

\* The English name of the company is for identification purpose only.

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23. INVENTORIES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Construction materials	3,939	3,283
Gas appliances, meters and spare parts	-	12
Natural gas for sale	828	693
	<u>4,767</u>	<u>3,988</u>

As at December 31, 2022, no inventories (2021: nil) were written down to the lower of cost and the net realizable value. No reversal of any write down were recorded during the year ended December 31, 2022 (2021: nil).

24. CONTRACT ASSETS

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Contract assets from pipeline construction works	33,524	19,603
Less: Allowance for credit losses	(68)	(105)
	<u>33,456</u>	<u>19,498</u>

As at January 1, 2021, contract assets amounted to RMB19,107,000.

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 recognised 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.

As at December 31, 2022, contract assets amounting to RMB33,524,000 (2021: RMB19,603,000) have been pledged as security for the Group's borrowing.

Details of the impairment assessment are set out in note 43.

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## 25. TRADE RECEIVABLES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Trade receivables		
- Gas sales	18,765	19,681
- Pipeline installation and connection	21,290	25,178
	<u>40,055</u>	<u>44,859</u>
Less: Allowance for credit losses	(3,826)	(4,979)
	<u>36,229</u>	<u>39,880</u>

As at January 1, 2021, trade receivables from contracts with customers amounted to RMB39,217,000.

As at December 31, 2022, trade receivables amounting to RMB35,909,000 (2021: RMB39,104,000) have been pledged as security for the Group's borrowing.

Details of impairment assessment of trade receivables are set out in note 43.

## 26. OTHER RECEIVABLES, PREPAID EXPENSES AND DEPOSITS

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Pipeline relocation receivables (note)	17,521	21,592
Deposits paid for acquisition of property and equipment	3,514	215
Deposits paid for land use right	18,858	18,858
Prepayments for gas purchase	3,837	5,486
Prepayments for property and equipment	8,410	2
Rental deposits	855	1,280
VAT recoverable	18,798	29,013
Receivables on disposal of Pingxiang Xinao CF	126	126
Other prepayments and deposits	4,580	3,099
	<u>76,499</u>	<u>79,671</u>
Less: impairment loss recognised	(337)	(322)
	<u>76,162</u>	<u>79,349</u>
Analyzed for reporting purposes as follows:		
- Current assets	53,987	57,043
- Non-current assets	22,175	22,306
	<u>76,162</u>	<u>79,349</u>

Note: The balance represents compensation from local government for cost of construction of new pipelines incurred as a result of an notified relocation of gas pipelines for complying with the revised city plan. The Group expects RMB14,477,000 (2021: RMB18,385,000) would be compensated by the local government in 2023 with the remaining balance of RMB3,044,000 (2021: RMB3,207,000) to be received beyond 2023.

Details of impairment assessment of other receivables and deposits are set out in note 43.

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### 27. DERIVATIVE FINANCIAL INSTRUMENT

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Derivative financial assets	<u>18,505</u>	<u>7,081</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 recognised as shareholder's contribution.

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 December 31, 2022, the market price of the common shares of the Company was CAD0.32 (2021: CAD0.54) and the closing exchange rate of RMB to CAD as at December 31, 2022 was RMB1.000 to CAD0.1963 (2021: RMB1.0000 to CAD0.1995).

### 28. BANK BALANCES AND CASH/RESTRICTED CASH/FIXED TERM BANK DEPOSITS

Bank balances and restricted cash carried market interest rates which ranged from 0.25% to 1.62% per annum as at December 31, 2022 (2021: 0.3% to 1.49%).

The balance of restricted cash represents deposits of letter of guarantee as at December 31, 2022.

There was RMB10,000,000 fixed term bank deposits with original maturity more than three months but less than six months as at December 31, 2022 (2021: nil).

Details of impairment assessment of bank balances and cash, restricted cash and fixed bank deposits are set out in note 43.

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29. TRADE AND OTHER PAYABLES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Trade and construction payables	28,647	26,582
Security deposit received from customers for natural gas supplies	-	6,896
Payable on property and equipment acquisition	98,385	78,360
Accrued wages and staff benefits	8,964	8,378
Accrued audit fee	2,602	2,401
Compensation payable for land acquisition	2,906	2,906
Other tax payables	1,925	1,401
Other payables and accrued expenses	17,399	6,820
	<u>160,828</u>	<u>133,744</u>

The average credit period on purchase of natural gas and construction payable to construct pipelines 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.

30. RELATED PARTY BALANCES/TRANSACTIONS DISCLOSURE

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

**Balances**

<u>Name of related party</u>	<u>Relationship</u>	<u>Terms</u>	<u>2022</u> RMB'000	<u>2021</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.

Details of impairment assessment of the respective amounts due from an associate and non-controlling interests of a subsidiary are set out in note 43.

## 30. 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:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Short-term benefits	3,267	2,773
Share-based payments	<u>(781)</u>	<u>781</u>
	<u>2,486</u>	<u>3,554</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.

## 31. 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 RMB2,414,000 (2021: RMB2,296,000). 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.

## 32. CONTRACT LIABILITIES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Commenced pipeline installation and connection projects	74,904	50,095
Receipts in advance from customers		
- Pipeline installation and connection projects prior to commencement	15,532	37,222
- Natural gas sales and others	<u>36,751</u>	<u>36,953</u>
	<u>127,187</u>	<u>124,270</u>

As at January 1, 2021, contract liabilities amounting to RMB108,764,000.

During the year ended December 31, 2022, RMB24,343,000 (2021: RMB20,536,000) and RMB80,024,000 (2021: RMB75,838,000) of carried-forward contract liabilities arose from natural gas sales and pipeline installation and connection projects has been recognised as revenue, respectively.

## 33. SHORT-TERM BANK BORROWINGS

The Group's short-term bank borrowings comprise:

<u>Lenders</u>	<u>Secured/ unsecured</u>	<u>Contractual interest rate</u>	<u>Effective interest rate</u>		<u>Carrying amount</u>		<u>Notes</u>
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
					RMB'000	RMB'000	
Bank of China, Sanya	Secured	1-year loan prime rate("LPR") plus 15 basis points, repricing every 12 months	3.85%	-	20,000	-	(a)
China Everbright Bank, Sanya	Secured	Fixed rate at 3.9%	3.90%	-	10,000	-	(b)
Postal Savings Bank of China, Sanya	Secured	1-year loan prime rate("LPR") plus 25 basis points	3.90%	-	12,600	-	(c)
Bank of China, Sanya	Unsecured	Fixed interest rate at 3.85%	-	3.85%	-	10,000	(d)
China Everbright Bank, Sanya	Unsecured	Fixed interest rate at 4.5%	-	4.5%	-	50,860	(e)
Total short-term debts					<u>42,600</u>	<u>60,860</u>	

## Notes:

- (a) On January 29, 2022 and June 27, 2022, the Group entered into two agreements with Bank of China, Sanya to secure one-year bank loans in the aggregate amount of RMB20,000,000. The loans are guaranteed by Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. ("CF China").
- (b) On June 28, 2022, the Group entered into an agreement with China Everbright Bank, Sanya to secure a one-year bank loan in the amount of RMB10,000,000. The loan is guaranteed by CF China and the Chair of the Group.
- (c) On November 14, 2022, the Group entered into an agreement with Postal Savings Bank of China, Sanya to secure a one-year bank loan in the amount of RMB12,600,000. The loan is unsecured.
- (d) On January 25, 2021, the Group entered into an agreement with Bank of China, Sanya to secure a one-year bank loan in the amount of RMB10,000,000. The loan is secured by CF China. The loan was fully repaid in 2022.
- (e) On June 8, 2021 and November 30, 2021, the Group entered into two agreements with China Everbright Bank, Sanya to secure one-year bank loans in the aggregate amount of RMB40,860,000. The loans are secured by CF Engineering. On June 29, 2021, the Group entered into an agreement with China Everbright Bank, Sanya to secure a one-year bank loan in the amount of RMB10,000,000. The loan is secured by CF China and the Chair of the Group. These loans were fully repaid in 2022.

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34. LONG-TERM DEBTS

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Bank borrowings		
- Secured, with variable rate	355,900	370,734
- Unsecured, with variable rate	22,000	39,000
- Secured, with fixed rate	45,530	-
	<u>423,430</u>	<u>409,734</u>
The carrying amounts of the above borrowings are repayable:*		
Within one year	42,900	61,354
Within a period of more than one year, but not exceeding two years	62,500	59,707
Within a period of more than two years, but not exceeding five years	142,030	113,769
Within a period of more than five years	<u>176,000</u>	<u>174,904</u>
	423,430	409,734
Less: Amounts due within one year shown under current liabilities	<u>(42,900)</u>	<u>(61,354)</u>
Amounts shown under non-current liabilities	<u>380,530</u>	<u>348,380</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's long-term debts comprise:

<u>Lenders</u>	<u>Secured/ unsecured</u>	<u>Contractual interest rate</u>	<u>Effective interest rate</u>		<u>Carrying amount</u>		<u>Notes</u>
			<u>2022</u>	<u>2021</u>	<u>2022</u> RMB'000	<u>2021</u> RMB'000	
Bank of China, Sanya	Secured	110% of 5-year PBOC benchmark borrowing rate, repricing every 6 months	4.6%	4.8%	3,900	8,000	(a)
Bank of China, Sanya	Secured	10-year PBOC benchmark borrowing rate, repricing every 12 months	4.6%	4.8%	56,000	66,000	(b)
Bank of China, Sanya	Secured	5-year PBOC benchmark borrowing rate, repricing every 12 months	4.4%	4.55%	67,000	80,000	(c)
Bank of China, Sanya	Secured	5-year loan prime rate ("LPR") plus 20 basis points, repricing every 6 months	4.5%	4.85%	229,000	213,904	(d)
China Everbright Bank, Sanya	Secured	5-year loan prime rate ("LPR") plus 105 basis points, repricing every 6 months	-	5.70%	-	2,830	(d)

## 34. LONG-TERM DEBTS - continued

<u>Lenders</u>	<u>Secured/ unsecured</u>	<u>Contractual interest rate</u>	<u>Effective interest rate</u>		<u>Carrying amount</u>		<u>Notes</u>
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
					RMB'000	RMB'000	
Industrial and Commercial Bank of China, Sanya	Unsecured	1-year LPR plus 10 basis points, repricing every 6 months	3.75%	3.95%	22,000	39,000	(e)
China Everbright Bank, Sanya	Secured	Fixed rate	4.5%	-	25,500	-	(f)
China Everbright Bank, Sanya	Secured	Fixed rate	4.0%	-	10,000	-	(f)
Sanya Rural Commercial Bank	Secured	Fixed rate	4.3%	-	10,030	-	(g)
Total long-term debts					<u>423,430</u>	<u>409,734</u>	

## Notes:

- (a) In 2013, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB40,000,000. The bank loan was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, the PRC. The loan is secured by 60% of the entity interest in CF China together with the gas connection and gas supply rights of CF China and the trade receivables from 2012 to 2022 of CF China as well as CF Engineering and guaranteed by CF Engineering. The loan is repayable semi-annual instalments and will be fully repaid by 2023.
- (b) In 2016, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB80,000,000. The bank loan was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, loan is secured by the gas connection and gas supply rights of CF China, the trade receivables of CF China and CF Engineering and certain property and equipment of CF China with carrying amount of RMB228,589,000 (2021: RMB239,392,000) and guaranteed by CF Engineering. Repayment of the loan began from 2019 and will be fully repaid by 2026.
- (c) In 2019, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB100,000,000. The bank loan was used to finance the purchase of gas. The loan has a 5-year term from the date of the first initial withdrawal. The loan is secured by the trade receivables of CF China and CF Engineering and certain property and equipment of CF China with carrying amount of RMB226,839,000 (2021: RMB237,289,000), and guaranteed by CF Engineering. Repayment of the loan began from 2020 and will be fully repaid by 2026.

34. LONG-TERM DEBTS - continued

- (d) In 2020, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan in the amount of RMB230,000,000. The bank loan was used to finance the construction of B energy station and pipeline network supporting project in Sanya Haitang Bay low carbon smart energy comprehensive utilisation demonstration area. The loan has a 15-year term from the date of the first initial withdrawal. The loan is secured by a pledge of certain land use rights with carrying amount of RMB5,660,000 (2021: RMB5,779,000) of EDF CF, trade receivables of EDF CF, and joint-liability guarantee of CF China. The loan will begin repayment from 2022 and will be fully repaid by 2035.

In 2021, the Group entered into an agreement with China Everbright Bank, Sanya to secure a bank loan in the amount of RMB3,500,000. The bank loan was used to fund construction of EV battery swap station project in Haitang districts of Sanya City, the PRC. The loan has a 5-year term from the date of the first initial withdrawal. The loan is secured by trade receivables from EV battery swap business of EDF CF and joint-liability guarantee of CF China. The loan was fully repaid in 2022.

- (e) In 2020 and 2021, the Group entered into agreements with Industrial and Commercial Bank of China, Sanya to secure bank loans in the amount of RMB20,000,000 and RMB30,000,000, respectively. The bank loans were used to finance the purchase of gas and daily operations. The loans have a 3-year term from the date of the first initial withdrawal. The loans are unsecured with repayment began from 2021 and will be fully repaid by 2023 and 2024, respectively.
- (f) In 2022, the Group entered into three agreements with China Everbright Bank, Sanya to secure bank loans in the amount of RMB10,000,000, RMB20,000,000, and RMB20,000,000, respectively. The bank loans were used to finance the purchase of gas and daily operations. The loans have a 3-year term from the respective date of the first initial withdrawal. The loans are guaranteed by CF Engineering with repayment began from 2022 and will be fully repaid by 2025. As at December 31, 2022, the balance was RMB35,500,00 and accordingly the bank loan facility had total available undrawn amount of RMB14,500,000.
- (g) In 2022, the Group entered into an agreement with Sanya Rural Commercial Bank to secure a bank loan in the amount of RMB 14,000,000. The bank loan was used to purchase the EV battery swap station project in Haitang districts of Sanya City, the PRC. The loan has a 6-year term from the date of the first initial withdrawal. The loan is secured by CF China and the Chair of the Group. As at December 31, 2022, the secured bank loan facility had total available undrawn amount of RMB3,970,000.

## 35. 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.

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" which will not be reclassified subsequently to profit or loss. 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.

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

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<i>Liability component</i>		
Carrying amount at the beginning of the year	2,877	2,939
Interest charge (note 9)	311	177
Interest paid and payable	(217)	(126)
Exchange differences	45	(113)
Carrying amount at the end of the year	<u>3,016</u>	<u>2,877</u>

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36. LEASE LIABILITIES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
<b>Lease liabilities payable:</b>		
Within one year	2,171	2,240
Within a period of more than one year but not more than two years	1,386	1,525
Within a period of more than two years but not more than five years	3,015	2,608
Within a period of more than five years	259	1,194
	<u>6,831</u>	<u>7,567</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(2,171)</u>	<u>(2,240)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>4,660</u>	<u>5,327</u>

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2021: 4.75%)

37. DEFERRED INCOME - GOVERNMENT GRANTS

The Group received RMB5,269,000, RMB2,553,000 and RMB12,110,000 in government grants to fund the construction of certain items of property and equipment for the Group's operation in Sanya City in 2012, 2019 and 2020, respectively. During the year ended December 31, 2022, the Group received additional grants related to assets amounting to RMB9,244,000 from Sanya local government. These government grants were recognised as a long-term liability and will be recognised 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 of December 31, 2022, part of the property and equipment are ready for use and RMB784,000 (2021: RMB428,000) is recognised as other income. As at December 31, 2022, the government grants of RMB26,839,000 was recognised as a non-current liability (2021: RMB18,436,000).

38. DEFERRED TAX LIABILITIES

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Deferred tax liabilities	<u>7,737</u>	<u>8,706</u>

## 38. DEFERRED TAX LIABILITIES - continued

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior year:

	Convertible debentures RMB'000	Property and equipment RMB'000	Accrued receivables on gas sales RMB'000	Receipts in advance and deferred income RMB'000	Withholding tax on undistributed earnings RMB'000	Intangible assets RMB'000	Right-of-use assets and lease liabilities RMB'000	Total RMB'000
As at January 1, 2021	-	13,980	979	(6,384)	500	599	54	9,728
Credit to other comprehensive income	50	-	-	-	-	-	-	50
Credit (charge) to profit or loss	(14)	39	(161)	(931)	-	(22)	17	(1,072)
At December 31, 2021	36	14,019	818	(7,315)	500	577	71	8,706
Credit to other comprehensive income								
Credit (charge) to profit or loss	(26)	104	(149)	(760)	(44)	(22)	(72)	(969)
At December 31, 2022	10	14,123	669	(8,075)	456	555	(1)	7,737

Under EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to RMB455,135,000 at December 31, 2022 (2021: RMB393,291,000), as the Group is able to control the timing of the reversal of the temporary differences.

At the end of the reporting period, the Group has the following unused tax losses and deductible temporary differences available for offset against future profits:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Loss carried forward	194,967	147,484
Deductible temporary differences	<u>2,013</u>	<u>1,981</u>
	<u>196,980</u>	<u>149,465</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Included in unrecognised tax losses are losses of approximately RMB196,980,000 (2021: RMB149,465,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
2022	-	4,520
2023	5,961	5,962
2024	7,672	7,672
2025	11,685	11,685
2026	17,759	17,831
2027	51,129	-
From 2028 onwards	100,157	99,219
Indefinite	<u>605</u>	<u>595</u>
	<u>194,968</u>	<u>147,484</u>

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### 39. SHARE CAPITAL

(i) **Authorised** - Unlimited common shares without par value

(ii) **Issued and fully paid**

	Number of shares		Share capital	
	<u>2022</u> '000	<u>2021</u> '000	<u>2022</u> RMB'000	<u>2021</u> RMB'000
At beginning of year	65,885	65,463	70,978	70,053
Issuance of share awards (note 40)	-	523	-	1,150
Shares repurchased and cancelled (note)	-	(101)	-	(225)
At end of year	<u>65,885</u>	<u>65,885</u>	<u>70,978</u>	<u>70,978</u>

Note: No shares were repurchased by the Company during the year ended 31 December 2022. During the year ended 31 December 2021, the Company repurchased 101,000 shares of its common shares at fair value through the Toronto Stock Exchange-Venture Exchange with a total consideration of CAD44,677 (approximately RMB225,000). All the repurchased shares were cancelled in November 2021.

### 40. 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 each of the two years ended December 31, 2022.

40. SHARE-BASED COMPENSATION - continued

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

**2021 Option**

On December 18, 2020, a total of 1,350,000 share options were granted to directors, management and a consultant. The estimated fair values of the options determined at the date of grant were CAD103,148.

The options granted were vested immediately on the grant date and are exercisable for a period of 3 years from the grant date.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Closing price of last trading day immediately preceding the grant date	CAD0.44
Exercise price	CAD0.60
Expected volatility	44.12%
Expected life	3 years
Risk-free rate	0.3%
Expected dividend yield	2.19%
Fair value per option	CAD0.08

The risk-free rate is based on Canadian bond yields according to the expected life of the share options grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management of the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 40. SHARE-BASED COMPENSATION - continued

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

The following table discloses details of specific categories of share options and the movements of the Option Scheme during the respective financial years.

For the year ended December 31, 2022

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Exercise price per share	Number of share options				Outstanding at 12.31.2022
					Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Expired/forfeited during the year	
Employees and management	April 10, 2017	Immediately	10.4.2017 to 9.4.2022	CAD0.40	950,000	-	-	(950,000)	-
Employees and management	August 10, 2017	Immediately	10.8.2017 to 9.8.2025	CAD0.63	1,650,000	-	-	(50,000)	1,600,000
Employees and management	August 18, 2017	Immediately	18.8.2018 to 17.8.2025	CAD0.65	500,000	-	-	-	500,000
Directors, officers, management and a consultant	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.60	1,350,000	-	-	-	1,350,000
					4,450,000	-	-	(1,000,000)	3,450,000
Weighted average exercise price (CAD)					0.57	-	-	0.41	0.62

For the year ended December 31, 2021

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Exercise price per share	Number of share options				Outstanding at 12.31.2021
					Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Expired/forfeited during the year	
Employees and management	April 10, 2017	Immediately	10.4.2017 to 9.4.2022	CAD0.40	950,000	-	-	-	950,000
Employees and management	August 10, 2017	Immediately	10.8.2017 to 9.8.2025	CAD0.63	1,800,000	-	-	(150,000)	1,650,000
Employees and management	August 18, 2017	Immediately	18.8.2018 to 17.8.2025	CAD0.65	500,000	-	-	-	500,000
Directors, officers, management and a consultant	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.60	1,350,000	-	-	-	1,350,000
					4,600,000	-	-	(150,000)	4,450,000
Weighted average exercise price (CAD)					0.58	-	-	0.63	0.57

There were no share options exercised during the year ended December 31, 2022. In respect of the share options exercisable during the year and exercised during the prior year, the weighted average share price was CAD0.57 and CAD0.59 at the dates of exercise, respectively.

The number of share options exercisable as at December 31, 2022 was 3,450,000 (2021: 4,450,000).

Fair value of share options granted to directors and employees determined at the date of grant was expensed on the date of grant as all these share options granted were vested immediately.

40. SHARE-BASED COMPENSATION - continued

**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 Scheme 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 Scheme 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.

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.

There were no additional share awards granted during the year ended December 31, 2022.

**2021 Awards**

On December 18, 2020, a total of 2,090,000 share awards were granted to employees and management.

	<u>First Batch</u>	<u>Second Batch</u>	<u>Third Batch</u>
Share price at the date of grant	CAD0.43	CAD0.43	CAD0.43
No of awards	522,500	522,500	1,045,000
Lock-up period	Nil	1 year	3 years
Performance condition	Nil	Meeting one-year development goals set by the Company. A completion level of 80% or lower of such goals will result in the Award Shares being forfeited for no consideration.	Meeting three-year development goals set by the Company. A completion level of 80% or lower of such goals will result in the Award Shares being forfeited for no consideration.

## 40. SHARE-BASED COMPENSATION - continued

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

The following table discloses details of the specific category of share awards and the movements of the Award Scheme during the respective financial years.

For the year ended December 31, 2022

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Grant-date price per share	Number of share awards				
					Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Expired/forfeited during the year	Outstanding at 12.31.2022
Employees	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.43	-	-	-	-	-
		One year lockup & meeting of performance target	18.12.2021 to 17.12.2024	CAD0.43	-	-	-	-	-
		Three years lockup & meeting of performance target	18.12.2022 to 17.12.2025	CAD0.43	1,020,000	-	-	(1,020,000)	-
					<u>1,020,000</u>	<u>-</u>	<u>-</u>	<u>(1,020,000)</u>	<u>-</u>

For the year ended December 31, 2021

Category of grantees	Date of grant	Vesting conditions	Exercisable period	Grant-date price per share	Number of share awards				
					Outstanding at 1.1.2021	Granted during the year	Exercised during the year	Expired/forfeited during the year	Outstanding at 12.31.2021
Employees	December 18, 2020	Immediately	18.12.2020 to 17.12.2023	CAD0.43	522,500	-	(522,500)	-	-
		One year lockup & meeting of performance target	18.12.2021 to 17.12.2024	CAD0.43	522,500	-	-	(522,500)	-
		Three years lockup & meeting of performance target	18.12.2022 to 17.12.2025	CAD0.43	1,045,000	-	-	(25,000)	1,020,000
					<u>2,090,000</u>	<u>-</u>	<u>(522,500)</u>	<u>(547,500)</u>	<u>1,020,000</u>

During current year, 1,020,000 shares (2021: 547,500) were forfeited as the participants failed to satisfy the agreed performance condition and service condition.

The fair value of the share awards is estimated based on the Company's share price of CAD0.43 on the date of grant and amounted to RMB781,306 share-based payment expense recognised in prior periods. This expense has been fully reversed during the year ended December 31, 2022 as the related performance target is not satisfied.

40. SHARE-BASED COMPENSATION - continued

**New 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.

41. CAPITAL COMMITMENTS

	<u>2022</u> RMB'000	<u>2021</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	110,692	140,816
Capital injection in respect of the investment in Hainan Shanglian Investment Co., Ltd. contracted for but not provided in the financial statements	786	950

42. 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 December 31, 2022, the Company was in compliance with all of its covenants.

There were no changes in the Group's approach to capital management during the year ended December 31, 2022.

During the year ended December 31, 2022, nil dividend was declared to the shareholders (2021: nil).

## 43. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	<u>2022</u>	<u>2021</u>
	RMB'000	RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost	185,095	209,371
Equity instruments at FVTOCI	15,706	12,926
Derivative financial instrument	<u>18,505</u>	<u>7,081</u>
<b>Financial liabilities</b>		
Liabilities measured at amortized cost	<u>624,858</u>	<u>596,070</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.

## 43. 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>	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000	<u>2022</u> RMB'000	<u>2021</u> RMB'000
United States Dollars ("US\$")	-	-	151	149
CAD	(3,555)	(3,686)	4,844	3,428
Hong Kong Dollars ("HKD")	<u>(116)</u>	<u>(107)</u>	<u>75</u>	<u>513</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 (see notes 33 and 34 for details of these 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 year:

	Impact on profit for the year	
	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Interest rate + 1%	2,316	2,106
Interest rate - 1%	(2,316)	(2,106)

43. 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 interests of a subsidiaries. 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 December 31, 2022 and 2021, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at December 31, 2022 and 2021, in relation to each class of recognised financial assets is the carrying amount of those financial assets as stated in the 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 gain, net of reversal of RMB1,146,000 (2021: impairment loss of RMB1,301,000) is recognised for the year ended December 31, 2022. Details of the quantitative disclosures are set out below in this note.

*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 recognised as the amount involved is insignificant.

## 43. FINANCIAL INSTRUMENTS - continued

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

**Credit risk and impairment assessment** - continued*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 recognised 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 are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended December 31, 2022 and 2021, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

<u>Internal credit rating</u>	<u>Description</u>	<u>Trade receivables/ contract assets</u>	<u>Other financial assets/other items</u>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Normal risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

## 43. FINANCIAL INSTRUMENTS - continued

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

**Credit risk and impairment assessment - continued**

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount			
					2022		2021	
					RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets at amortized cost</b>								
Trade receivables - Gas sales	25	N/A	(note)	Lifetime ECL (Provision Matrix)				
				- Current (not past due)	9,165		17,329	
				- 1 - 90 days past due	6,152		1,795	
				- More than 90 days past due	2,967		76	
					18,284		19,200	
			Loss	Credit-impaired	481	18,765	481	19,681
Trade receivables - Pipeline installation and connection	25	N/A	(note)	Lifetime ECL (Provision Matrix)				
				- Low risk	15,633		11,618	
				- Normal risk	1,560		9,469	
				- High risk	4,097	21,290	4,091	25,178
Pipeline relocation receivables	26	N/A	N/A	12m ECL		17,521		21,592
Receivables on disposal of Pingxiang Xiniao CF	26	N/A	Loss	Credit-impaired		126		126
Bank balances	28	N/A	N/A	12m ECL		115,116		127,595
Fixed bank deposits	28	N/A	N/A	12m ECL		10,000		-
Restricted cash	28	N/A	N/A	12m ECL		-		3,234
Amount due from an associate	30	N/A	N/A	12m ECL		12,423		12,423
Amounts due from non-controlling interests of subsidiaries	30	N/A	N/A	12m ECL		2,414		2,296
<b>Other items</b>								
Contract assets	24	N/A	(note)	Lifetime ECL (Provision Matrix)				
				- Low risk	33,388		19,467	
				- Normal risk	-		136	
				- High risk	136	33,524	-	19,603

Note: For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired amounting to RMB481,000 (2021: RMB481,000) for the year ended December 31, 2022, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status and internal credit rating.

## 43. FINANCIAL INSTRUMENTS - continued

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

**Credit risk and impairment assessment** - continued*Trade receivables and contract assets*Note (a): collective assessment - debtors' aging (gas sales)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to natural gas sales and CNG vehicles refuelling station operation, because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group received security deposits from certain customers before the supply of natural gas. The following table provides information about the exposure to credit risk for trade receivables as at December 31, 2022 and 2021 within lifetime ECL (not credit impaired).

Gross carrying amount	Average <u>loss rate</u>	Trade <u>receivables</u>	
		<u>2022</u>	<u>2021</u>
		RMB'000	RMB'000
Current (not past due)	0.5%	9,165	17,329
1 - 90 days past due	0.5%	6,152	1,795
More than 90 days past due	15.7%	3,448	557
		<u>18,765</u>	<u>19,681</u>

Note(b): Provision matrix - internal credit rating (pipeline installation and connection)

The Group applies internal credit rating for its customers in relation to its pipeline connection and construction operation. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at December 31, 2022 and 2021 within lifetime ECL (not credit impaired).

Gross carrying amount	Loss rate <u>range</u>	Trade <u>receivables</u>		Contract <u>assets</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		RMB'000	RMB'000	RMB'000	RMB'000
A++ to A-: Low risk	0-10%	15,633	11,618	33,388	19,467
B to B-: Normal risk	20-30%	1,560	9,469	-	136
Lower than B-: High risk	50-100%	4,097	4,091	136	-
		<u>21,290</u>	<u>25,178</u>	<u>33,524</u>	<u>19,603</u>

## 43. FINANCIAL INSTRUMENTS - continued

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

**Credit risk and impairment assessment** - continued*Trade receivables and contract assets* - continuedNote(b): Provision matrix - internal credit rating (pipeline installation and connection)  
- continued

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

Trade receivables

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at January 1, 2021	3,364	481	3,845
Impairment losses recognised	1,388	-	1,388
Impairment losses reversed	(254)	-	(254)
As at December 31, 2021	4,498	481	4,979
Impairment losses recognised	1,121	-	1,121
Impairment losses reversed	(2,274)	-	(2,274)
As at December 31, 2022	3,345	481	3,826

Contract assets

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at January 1, 2021	40	-	40
Impairment losses recognised	65	-	65
As at December 31, 2021	105	-	105
Impairment losses recognised	27	-	27
Impairment losses reversed	(64)	-	(64)
As at December 31, 2022	68	-	68

## 43. FINANCIAL INSTRUMENTS - continued

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

**Credit risk and impairment assessment** - continued*Trade receivables and contract assets* - continuedNote(b): Provision matrix - internal credit rating (pipeline installation and connection)  
- continued

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

**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 utilisation 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 contractual maturities of the Group's long-term debts, convertible debentures and non-current portion of lease liability are described in note 34, 35 and 36, respectively. The remaining financial liabilities, consisting of 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, the current portion of the long-term debts and lease liability are expected to be realized within one year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	≥5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>2022</u>							
Trade and other payables	-	146,818	-	-	-	146,818	146,818
Dividend payable to non-controlling interest of a subsidiary	-	299	-	-	-	299	299
Amounts due to non-controlling interest of a subsidiary	-	1,345	-	-	-	1,345	1,345
Bank borrowings							
- fixed rate	4.2%	-	23,563	35,549	-	59,112	55,530
- variable rate	4.1%	16,962	46,835	193,353	252,404	509,554	410,500
Convertible debentures	10.7%	-	3,057	-	-	3,057	3,016
Lease liabilities	4.8%	666	1,777	4,845	260	7,548	6,831
At December 31, 2022		166,090	69,118	233,746	252,664	721,619	624,340

## 43. FINANCIAL INSTRUMENTS - continued

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

**Liquidity risk - continued**

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<u>2021</u>							
Trade and other payables	-	114,633	-	-	-	114,633	114,633
Dividend payable to non-controlling interest of a subsidiary	-	299	-	-	-	299	299
Amounts due to non-controlling interest of a subsidiary	-	100	-	-	-	100	100
Bank borrowings							
- fixed rate	4.4%	668	62,865	-	-	63,533	60,860
- variable rate	4.7%	9,745	70,672	220,546	213,774	514,737	409,734
Convertible debentures	10.7%	-	302	3,135	-	3,437	2,877
Lease liabilities	4.8%	634	2,267	5,445	1,300	9,646	7,567
At December 31, 2021		<u>126,079</u>	<u>136,106</u>	<u>229,126</u>	<u>215,074</u>	<u>706,385</u>	<u>596,070</u>

## (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).

There was no transfers between different levels during both years.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	<u>31/12/2022</u>	<u>31/12/2021</u>		
Derivative financial instruments	Asset - RMB18,505,000	Asset - RMB7,081,000	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 - RMB11,921,000	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.

## 43. FINANCIAL INSTRUMENTS - continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2022	31/12/2021		
Equity instrument	Asset – RMB1,219,000	Asset - RMB1,005,000	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 an appropriate discount rate.

**Fair value measurements and valuation processes***Derivative financial instruments*

As disclosed in note 27, 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 December 31, 2022, the market price of the common share is CAD0.32 (2021: CAD0.54) and the closing exchange rate for RMB1.0000 to CAD1.1963 (2021: RMB1.0000 to CAD0.1995) for the year ended December 31, 2022. 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 December 31, 2022 with the number of shares calculated using the initial subscription price.

## 44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible <u>debentures</u> RMB'000	Dividend payable to non-controlling interest of <u>subsidiaries</u> RMB'000	Short-term bank <u>borrowings</u> RMB'000	Long-term <u>debts</u> RMB'000	Lease <u>liabilities</u> RMB'000	<u>Total</u> RMB'000
At January 1, 2021	-	299	40,000	268,132	7,131	315,562
Financing cash flows	3,127	-	20,860	141,602	(2,708)	162,881
Non-cash transactions:						
New leases entered	-	-	-	-	3,144	3,144
Interest expenses	51	-	-	-	-	51
Exchange adjustments	(113)	-	-	-	-	(113)
Allocation of equity component and deferred tax	(188)	-	-	-	-	(188)
At December 31, 2021 and January 1, 2022	2,877	299	60,860	409,734	7,567	481,337
Financing cash flows	-	-	(18,260)	13,696	(2,378)	(6,942)
Non-cash transactions:						
New leases entered	-	-	-	-	2,121	2,121
Early termination of lease	-	-	-	-	(479)	(479)
Interest expenses	93	-	-	-	-	93
Exchange adjustments	46	-	-	-	-	46
Allocation of equity component and deferred tax	-	-	-	-	-	-
At December 31, 2022	<u>3,016</u>	<u>299</u>	<u>42,600</u>	<u>423,430</u>	<u>6,831</u>	<u>476,176</u>

## 45. PLEDGE OF OR RESTRICTIONS OF ASSETS

**Pledge of assets**

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Property, plant and equipment	228,589	239,392
Trade receivables and contract assets	69,433	58,707
Right-of-use assets	5,660	5,779
	<u>303,682</u>	<u>303,878</u>

## CF ENERGY CORP.

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

#### 46a. General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of Subsidiary	Place of incorporation/ operations	Registered capital	Issued and fully paid	Proportion ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2022	2021	2022	2021	
Hainan Energy Ltd. ("HEL")	British Virgin Islands	US\$910,001	US\$910,001	100%	100%	100%	100%	Investment holding
Indirectly owned by the Company:								
CF China	The PRC	US\$10,481,120	US\$10,481,120	100%	100%	100%	100%	Gas sales and distribution
CF Engineering	The PRC	RMB20,000,000	RMB20,000,000	100%	100%	100%	100%	Gas pipeline installation and connection
Sanya CF NEI	The PRC	RMB100,000,000	RMB100,000,000	100%	100%	100%	100%	Investment holding
Sanya Changfeng Offshore Natural Gas Design Co., Ltd. ("CF Design")	The PRC	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	Pipeline connection design
Human CNPC Energy Co., Ltd ("Hunan CF CNPC")	The PRC	RMB10,000,000	RMB5,000,000	58%	58%	58%	58%	CNG refuelling station
Hunan CNPC NEI	The PRC	RMB5,000,000	RMB5,000,000	60%	60%	60%	60%	Investment holding
Zhaoqing Gaoyao Hengtai Natural Gas Co., Ltd.	The PRC	RMB10,000,000	RMB10,000,000	61%	61%	61%	61%	Gas sales and distribution and pipeline installation and connection
Sanya Changfeng Clean Energy Co., Ltd.	The PRC	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	CNG refueling station
Zuhai Changfeng Energy Import & Export Co., Ltd.	The PRC	RMB10,000,000	-	100%	100%	100%	100%	Investment holding
Sanya Changfeng World Energy Forum Co., Ltd.	The PRC	RMB10,000,000	RMB3,000,000	100%	100%	100%	100%	Management service
Sanya Changfeng International Natural Gas Trading Co., Ltd.	The PRC	RMB50,000,000	RMB1,000,000	100%	100%	100%	100%	Gas-related technology development
Zhaoqing Gaoyao Changheng Xinmingzhu Energy Co., Ltd.	The PRC	RMB50,000,000	-	98%	98%	98%	98%	Gas and CNG distribution
Riheng	The PRC	RMB10,000,000	RMB10,000,000	60%	60%	60%	60%	Gas distribution
Zuhai Henghui Energy Co., Ltd.	The PRC	RMB10,000,000	RMB7,500,000	61%	61%	61%	61%	Gas sales and distribution and pipeline installation and construction
Meishan	The PRC	RMB10,000,000	RMB10,000,000	71.6%	71.6%	71.6%	71.6%	Gas sales and distribution and pipeline installation and construction
Hainan Hengtai Energy Co., Ltd.	The PRC	RMB5,000,000	RMB5,000,000	100%	100%	100%	100%	Gas sales and distribution and pipeline installation and construction
Hainan Huapu Energy Co., Ltd.	The PRC	RMB100,000,000	-	100%	100%	100%	100%	Inactive
CF Energy Group (Hainan) Co., Ltd.	The PRC	RMB100,000,000	-	100%	100%	100%	100%	Inactive
CF Energy (Hong Kong) Limited	Hong Kong	HKD1	HKD1	100%	100%	100%	100%	Investment holding and trading
EDF CF	The PRC	RMB119,100,000	RMB113,100,000	70%	70%	70%	70%	Design, construction and operation of a net work of cooling and hot water supply
Hainan Huapu Engineering Services Co., Ltd. ("Huapu ENG")	The PRC	RMB10,000,000	-	100%	100%	100%	100%	Construction and warehousing
Huapu Green Energy	The PRC	RMB100,000,000	RMB28,200,000	100%	100%	100%	100%	Inactive
Hainan Huapu Natural Gas Investment Co., Ltd. ("Huapu NG")	The PRC	RMB100,000,000	-	100%	100%	100%	100%	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

46a. General information of subsidiaries - continued

Name of Subsidiary	Place of incorporation/ operations	Registered capital	Issued and fully paid	Proportion ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2022	2021	2022	2021	
Hainan Huapu Smart Energy Co., Ltd.	The PRC	RMB100,000,000	RMB8,800,000	100%	100%	100%	100%	Investment holding
("EDF Huapu SM") (note 14)	The PRC	RMB100,000,000	RMB41,000,000	70%	70%	70%	70%	Investment holding
Zhuhai Huapu New Energy Co., Ltd. ("Zhuhai Huapu")	The PRC	RMB10,000,000	RMB6,200,000	100%	100%	100%	100%	Provision of EV battery swap service
Hainan Changfeng Charitable Donation ("CF Charitable Donation")	The PRC	RMB2,000,000	RMB2,000,000	100%	100%	100%	100%	Provision of charity activities
Yunnan Huapu New Energy Co., Ltd.	The PRC	RMB10,000,000	-	100%	100%	100%	100%	Inactive
Haikou Huapu New Energy Co., Ltd. ("Haikou Huapu")	The PRC	RMB10,000,000	RMB7,100,000	100%	100%	100%	100%	Provision of EV battery swap service
Liupanshui Huapu New Energy Co., Ltd.	The PRC	RMB20,000,000	RMB500,000	60%	-	60%	-	Provision of EV battery. swap service
Beihai Brighton Road New Energy Ltd ("Beihai Company")	The PRC	RMB50,000,000	RMB4,400,000	42%	-	42%	-	Provision of EV battery. swap service

None of the subsidiaries had issued any debt securities at the end of the year.

46b. Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation registration/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit and total comprehensive income for the year allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	31.12.2022	31.12.2021
				RMB'000	RMB'000	RMB'000	RMB'000
EDF CF	The PRC	30%	30%	(8,560)	(1,964)	30,596	39,995
Hunan CF CNPC	The PRC	42%	42%	(111)	741	12,046	12,157
Individual immaterial subsidiaries with non-controlling interests				(4,255)	(994)	5,552	(1,796)
				(12,926)	(2,217)	48,194	50,356

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

**46b. Details of non-wholly owned subsidiaries that have material non-controlling interests**  
- continued

Summarized financial information in respect of the subsidiaries that has material non-controlling interests is set out below. The Summarized financial information below represents amounts before intragroup elimination.

**Hunan CF CNPC**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Current assets	<u>26,226</u>	<u>25,791</u>
Non-current assets	<u>6,387</u>	<u>7,368</u>
Current liabilities	<u>1,349</u>	<u>1,211</u>
Non-current liabilities	<u>2,493</u>	<u>3,134</u>
Equity attributed to the owners of the Hunan CF CNPC	<u>16,725</u>	<u>16,657</u>
Non-controlling interests of Hunan CF CNPC	<u>12,046</u>	<u>12,157</u>
Revenue	<u>9,297</u>	<u>14,522</u>
Expenses	<u>(9,561)</u>	<u>(12,758)</u>
(Loss) profit and total comprehensive (expense) income for the year	<u>(264)</u>	<u>1,764</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to the owners of Hunan CF CNPC	<u>(153)</u>	<u>1,023</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to non-controlling interests of Hunan CF CNPC	<u>(111)</u>	<u>741</u>
Net cash inflow from operating activities	<u>1,029</u>	<u>2,037</u>
Net cash (outflow) inflow from investing activities	<u>(9,987)</u>	<u>6,050</u>
Net cash outflow from financing activities	<u>(433)</u>	<u>(186)</u>
Net cash (outflow) inflow	<u>(9,391)</u>	<u>7,901</u>

CF ENERGY CORP.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - continued

**46b. Details of non-wholly owned subsidiaries that have material non-controlling interests**  
- continued

**EDF CF**

	<u>2022</u> RMB'000	<u>2021</u> RMB'000
Current assets	19,964	48,360
Non-current assets	339,820	334,990
Current liabilities	57,878	60,985
Non-current liabilities	227,324	216,458
Equity attributed to the owners of EDF CF	43,981	65,911
Non-controlling interests of EDF CF	30,596	39,995
Revenue	6,579	6,696
Expenses	(35,113)	(13,244)
Loss and total comprehensive expense for the year	(28,534)	(6,548)
Loss and total comprehensive expense attributable to owners of EDF CF	(19,974)	(4,584)
Loss and total comprehensive expense attributable to non-controlling interests of EDF CF	(8,560)	(1,964)
Net cash outflow from operating activities	(3,604)	(6,652)
Net cash outflow from investing activities	(25,271)	(175,778)
Net cash inflow from financing activities	20,335	172,565
Net cash outflow	(8,540)	(9,865)

47. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group entered into new lease agreements for the use of leased properties for one to ten years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB2,177,000 and RMB2,121,000 (2021: RMB55,096,000 and RMB3,144,000) respectively.

48. SUBSEQUENT EVENTS

In March 2023, the Group entered into two agreements with the Bank of China, Sanya and the Bank of China, Beihai to secure long-term bank loans in an aggregate amount of RMB45,000,000.

In March 2023, the Group entered into an agreement with China International Financial Leasing Co. Ltd. to sell and lease back electric vehicle batteries at a transaction price amounting to RMB12,000,000.