CHINA HUARONG ENERGY COMPANY LIMITED
中國華榮能源股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01101)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2019 (the "**Year**") together with comparative figures.

The following discussion and analysis should be read in conjunction with the financial information of the Group, including the related notes, as set forth in this announcement.

BUSINESS REVIEW

Followed by the completion of the disposal of its shipbuilding, offshore engineering, engineering machinery and marine engine building segments in the PRC (the "**Shipbuilding and Engineering Businesses**", or the "**Discontinued Operations**") in March 2019 (the "**Disposal**"), the Group has continued to make orderly progress and proceeded with a number of significant achievements during the transition period, including (1) conducted a series of active discussions with lenders on debt restructuring, and (2) retained sustainable and consistent production in its energy exploration and production segment ("**Energy Business**"). The Group management has also reviewed the underlying operation in the Energy Business, and reset its business strategy and plan with an aim to continue and grow its operation in a sustainable fashion for the long run.

The Group recorded a revenue of approximately RMB47.7 million for the Year, compared to a revenue of approximately RMB49.0 million for the year ended 31 December 2018 (the "**Comparative Year**"). Profit attributable to the equity holders of the Company was approximately RMB137.3 million for the Year (Comparative Year: Loss RMB138.4 million).

The movement in profit was mainly driven by the Disposal of the loss-making Discontinued Operations and the recognition of net disposal gain.

Disposal

On 9 October 2018, the Company entered into a conditional sale and purchase agreement (the "**Agreement**") to dispose of the Shipbuilding and Engineering Businesses, together with the holding company of the Shipbuilding and Engineering Businesses (referred to as the "**Disposal Group**") with an independent third party, Unique Orient Limited (the "**Purchaser**"). The Disposal constituted a very substantial disposal for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**"). An extraordinary general meeting of the Company was held on 13 December 2018 in which the Disposal was approved by the shareholders.

The Shipbuilding and Engineering Businesses were classified as Discontinued Operations and their underlying assets and liabilities were classified as 'Assets classified as held for sale' and 'Liabilities directly associated with assets classified as held for sale' respectively in accordance with International Financial Reporting Standard 5, as at 31 December 2018.

The Company signed the second supplemental agreement on 3 March 2019 regarding the Disposal, pursuant to which (1) the transfer of sale share of Able Diligent Limited, the holding company of the Disposal Group, to the Purchaser shall take place on or before 31 March 2019; (2) the Purchaser agreed to procure the release or discharge of the relevant guarantees provided by the Company in respect of the borrowings owed by the Disposal Group (the "**Relevant Guarantees**"); and (3) the Purchaser agreed to execute a share charge over the sale share in favor of the Company.

The Disposal was completed on 10 March 2019 (the "**Disposal Day**") when the sale share of Able Diligent Limited (the "**Sale Share**") was transferred to the Purchaser. All the assets and liabilities associated to the Disposal were derecognised on the Disposal Day. The Company signed the third and fourth supplemental agreements on 29 August 2019 and 30 October 2019, respectively. According to the latest supplemental agreements, the Purchaser will procure the discharge or release the Relevant Guarantees and complete the relevant registration before 31 December 2020. As at 31 December 2019 and the date of this announcement, a number of the guarantees provided by the Company to the Disposal Group in respect of bank and other borrowings, inclusive of principals and interest, were still in the process of being discharged or released. In consideration of such guarantees, the Group recognised a provision for the financial guarantee contracts of RMB6,408.0 million as at Disposal Day which will be released upon the releasing or discharging of these guarantees. Details of the Disposal were disclosed in note 8 of the financial statements, and the announcements of the Company dated 9 October 2018, 15 November 2018, 25 December 2018, 4 March 2019 and 11 March 2019 and the circular of the Company dated 23 November 2018. A net disposal gain of RMB916.0 million was recognised in the profit and loss of the Year. Since the Disposal Day, the Company has discharged certain part of the Relevant Guarantees and recognised a gain of RMB13.3 million in the Year.

The Group and the Purchaser have been working closely to procure the release or discharge of all remaining Relevant Guarantees in full and it was agreed that all debts owing by the Disposal Group will be assigned to the Purchaser when the Relevant Guarantees have been released or discharged in full and the relevant registration have been completed.

Subsequent to the completion of the Disposal, management has devoted significant effort and resources into the Energy Business, especially on the operational review and strategic planning, with the ultimate goal to improve business return and develop sustainable growth in long term aspect. The Group's management has reviewed capital expenditure tendering process of the Energy Business with the aim to further optimise development costs. The Group's management has also been seeking opportunities to enhance the new oil production technique to increase production volume. The Group's management believe such continuous involvement and strategic review shall improve the Group overall financial performance. During the Year, the capital expenditures on new well drilling and exploration in the Energy Business has been delayed due to the fact that the release or discharge of the Relevant Guarantees were not completed as originally expected. However, the Board is confident that the Relevant Guarantees will be released or discharged throughout 2020 and financing will be available for the Energy Business once the legacy financial burden is lifted.

The Board believes that the Group's business will continue to expand and generate greater value to our shareholders.

Debt Restructuring

Together with the Disposal, the Group has also conducted and executed a series of debt restructuring arrangements with an aim to ease the financial burden of the Group during the Year. The lenders in general have been supportive to the Group and we expect to conclude the process with all lenders within the coming year.

(a) Conversion of certain convertible bonds

With the continuous negotiations with the convertible bondholders, the convertible bonds with an aggregate principal amount of approximately HKD327.1 million (equivalent to approximately RMB284.5 million) have been converted into ordinary shares during the Year. It represented approximately 39.0% of the total principal amount of all convertible bonds amounting to approximately HKD838.4 million (equivalent to approximately RMB736.4 million) as at 31 December 2018.

All convertible bonds of the Company expired by 30 November 2019. The Company has been negotiating with the convertible bondholders on the repayment options and expects that more repayments of the outstanding balance will take place from time to time. Up to the date of this announcement, the principal amount of HKD476.4 million remained outstanding. Neither did the bondholders exercise any conversion rights attaching to the Convertible Bonds, nor did the Company redeem any part of the Convertible Bonds since the expiry date.

As at the date of this announcement, the Company received no notice of event of default from the bondholders demanding immediate repayment, nor notice of exercise of the Convertible Bonds. The Company is in discussion with the bondholders as to the renewal and refinance of the convertible bonds and the bondholders have expressed their willingness to further negotiate with the Company in this regard.

(b) Repayment of bank loan

The Group has proceeded with repayment of the principal and interest payable of a secured bank loan amounting to approximately RMB144.5 million (USD20.9 million) during the Year. The outstanding principal and interest payable was therefore reduced to approximately RMB461.2 million. The Group has proceeded further payment of approximately RMB83.6 million (USD12.0 million) as of the date of this announcement. The Group intended to settle the remaining outstanding balance within the year of 2020.

(c) Extension of maturity date of promissory notes

The Group is also in the process of extending the terms with certain promissory note holders with an aggregate principal amount of approximately HKD2,394.6 million (equivalent to approximately RMB2,140.3 million).

These aforesaid debt-restructuring actions are devised to align with the Disposal and to improve the overall financial position of the Group. The Group expects that the completion of the discharged of Relevant Guarantees shall have a positive impact on the extension of maturity date of promissory notes.

Obtaining Financial Resources

To further improve the Group's financing position for its future development, the Group has continued to utilise certain financing arrangements during the Year, mainly being the US Dollar facility entered with a substantial shareholder in 2018. This US Dollar facility has a total amount of USD250.0 million. It is an interest-free and unsecured facility with a maturity of two years. Up to the date of this announcement, the Company had utilised approximately USD96.2 million, mainly for the oilfield development, repayment of remaining debts and general working capital.

The Group has also entered a new borrowing facility with a third party and drawn down RMB46.7 million (USD6.7 million) during the Year. The borrowing is attached with a market comparable interest rate and matures in December 2020. This loan facility has been utilised for the Group's working capital and repayment of the bank loan.

Energy Exploration and Production

The Group acquired 60% interest in the project involving five oilfields zones located in the Fergana Valley of the Republic of Kyrgyzstan (the "**Kyrgyzstan Project**"), which marked a breakthrough of the Group into the energy exploration and production industry in 2014.

Under the agreements entered into with the national oil company of Kyrgyzstan, КыргызжерНефтегаз ("**Kyrgyzjer Neftegaz**" Limited Liability Company), a subsidiary of the Company was granted rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfields zones, namely, Maili-Su IV, Eastern Izbaskent, Izbaskent, Changyrtash and Chigirchik. The first three oilfields zones are located at the northeastern part of the Fergana Valley while the latter two are located at the Southeastern part of Fergana Valley. The total area covered by these five fields is approximately 545 square kilometres.

For the Year, the Kyrgyzstan Project recorded sales of 149,314 barrels (bbl) (for the Comparative Year: 163,728 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB47.7 million for the Year decreased by approximately 2.7% from RMB49.0 million for the Comparative Year.

The decline of revenue in 2019 were driven by decrease in sales volume, offset by an increment in the average crude oil price in 2019. The Group is currently undergoing and implementing a new oil well development method which had been proved to improve and achieve a better production efficient on the oil well-drilling operation.

On the exploration front, the Group has drilled a total of 76 wells across the five oilfields zones, including 54 in exploration, and 22 currently being construction-in-progress. The Group has also held a number of appraisal wells for exploration and development.

The Group has been making continuous endeavours to implement its plan to accelerate the development of upstream and downstream energy exploration and production business, and to increase the production volume through various means to cope with the movements of oil price. This plan includes well-drilling operations and the construction of oil-production-related amenities to improve its operation efficiency and enhanced its production capacity. The Group's exploration strategy remains focused on proven reserves within the existing blocks, in hope of substantial breakthroughs.

On 1 March 2020, a new director, Mr. Niu Jianmin, was appointed as executive director to the board of the Company. Mr. Niu Jianmin has over 30 years of experience in oil and energy industry. He will be playing a leading role in the expansion and development of the Energy Business of the Group.

Proved and Probable Oil Reserve and Estimates

A competent person's report was prepared in September 2018 in accordance with Petroleum Resources Management System (PRMS) to estimate the oil resources and reserves as of 30 June 2018. The following table sets out the revised estimates of the Group's reserves as at 31 December 2019 by using the abovementioned report as the basis:

Unit: million tonnes	**Proved**	**Proved plus probable**
Maili-Su IV	13.6	18.17
East Izbaskent	5.10	8.15
Izbaskent	4.95	5.04
Total reserves as at 30 June 2018 (the basis date)	23.65	31.36
Less: production during second half of 2018	0.02	0.02
Total estimated reserves as at 31 December 2018	23.63	31.34
Less: production during 2019	0.04	0.04
Total estimated reserves as at 31 December 2019	23.59	31.30

Discontinued Operations

During the Year, the Disposal Group contributed a loss of RMB443.1 million (for the Comparative Year: RMB2,466.5 million).

The loss was largely attributable to finance cost, and the net losses decreased by approximately 63.4% from the Comparative Year. Whilst the Disposal Group was disposed of on the Disposal Day, the consolidated statements of comprehensive income only included the Disposal Group to that date.

FINANCIAL REVIEW

The Group's operating results for the Year were primarily contributed by the Company and its subsidiaries engaged in the energy exploration and production. As a result of adopting International Financial Reporting Standard 5, the results of the Disposal Group for the Year were included under the Discontinued Operations.

Revenue

For the Year, the Group recorded a revenue of approximately RMB47.7 million (for the Comparative Year: approximately RMB49.0 million), representing a year-on-year decrease of approximately 2.7%. The revenues are derived from the sales of crude oil produced from the Kyrgyzstan Project. The Group has proceeded sales of 149,314 barrels (bbl) during 2019 (for the Comparative Year: 163,728 bbl), with the average price per tonne of crude oil was approximately USD331 in the Year compared to approximately USD317 in the Comparative Year. The decline in sales volume was offset by the rise in oil price.

Cost of Sales

For the Year, while the Group's cost of sales remained steady at approximately RMB34.7 million (for the Comparative Year: RMB34.0 million), the cost per barrel has been increased due to the decline in oil production.

Gross Profit

Gross profit from the Group for the Year was approximately RMB13.1 million compared to gross profit of approximately RMB14.9 million for the Comparative Year. The increased in oil price of approximately 4.4% was offset by the increase in cost of production of approximately 11.8%.

Selling and Marketing Expenses

For the Year, the Group's distribution cost decreased by approximately 14.3% to RMB2.4 million (for the Comparative Year: RMB2.8 million), which was in line with the decrease in sales volume during the Year.

General and Administrative Expenses

For the Year, the Group's general and administrative expenses increased by approximately 14.1% to RMB62.4 million (for the Comparative Year: RMB54.7 million). The increase primarily related to the provision of asset impairment of RMB19.3 million for the Energy Business. The Group has implemented a number of cost control measures to minimise expenses.

Other Gains/(Losses) – Net

For the Year, the Group's other losses – net was RMB0.1 million (for the Comparative Year: gains RMB621.8 million), and the reduction was mainly due to lower foreign currency exchange fluctuations and the derecognition of derivative instruments in convertible bonds.

Finance Costs – Net

The Group's finance income for the Year decreased by approximately 26.8% to RMB34.4 million (for the Comparative Year: RMB47.0 million), which was mainly due to the unwinding of imputed interest of interest-free loan which was classified as an expense in the Year.

Finance costs for the Year decreased by approximately 26.6% to RMB356.8 million (for the Comparative Year: RMB486.4 million), and the reduction was mainly attributed by the decrease in net foreign exchange losses from financing activities for the Year.

Total Comprehensive Income/(Loss) for the Year

During the Year, the Group recorded total comprehensive income of approximately RMB134.9 million (for the Comparative Year: Loss RMB195.7 million), of which total comprehensive income attributable to the equity holders of the Company was approximately RMB160.3 million (for the Comparative Year: loss RMB74.5 million). The improvement on profit attributable to the equity holders of the Company was mainly driven by the recognition of the net disposal gain from the Disposal.

Discontinued Operations – Disposal Group

The turnover for the Discontinued Operations decreased by 76.5% to approximately RMB15.3 million in the Year (for the Comparative Year: revenue of RMB65.2 million), and the total comprehensive loss was reduced to approximately RMB440.5 million (for the Comparative Year: loss of RMB2,483.2 million). The majority of the losses are attributable to the incurrence of administrative expenses approximately of RMB349.9 million (for the Comparative Year: RMB700.0 million) and finance costs – net approximately of RMB412.9 million (for the Comparative Year: RMB1,643.1 million).

Liquidity and Going Concern

The Group recorded a net profit of RMB112.1 million (2018: net loss of RMB259.5 million) and had an operating cash outflow of RMB43.0 million (2018: outflow of RMB201.0 million) during the year ended 31 December 2019. As at 31 December 2019, the Group had a deficit of RMB8,563.3 million (2018: RMB9,630.1 million) and the Group's current liabilities exceeded its current assets by RMB9,911.5 million (2018: RMB11,326.2 million). The Group maintained cash and cash equivalents of RMB42.9 million (2018: RMB9.3 million) as at 31 December 2019.

As at 31 December 2019, borrowings of the Group, amounted to RMB3,594.5 million, out of which RMB2,564.3 million were overdue. As at 31 December 2019, overdue interest payables of the amounted to RMB322.4 million. Certain borrowings of the Group contain cross-default terms, causing Borrowings of the Group of RMB37.3 million at 31 December 2019 to become immediately repayable.

A series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial position of the Group. In order to enhance the liquidity and financial position of the Group, the Group has reduced its borrowings by issuing shares of the Company to satisfy certain of the Group's outstanding debts during the Year. Upon the completion of the disposal of the shipbuilding and engineering business, it will enable the Group to ease its debt burden immediately and to enhance the flexibility of fund utilisation.

Details regarding uncertainties on the going concern of the Group and the respective plans and measures are set out in the section headed "Going Concern Basis" in Note 2.1(b) to the notes to the consolidated financial statements.

Borrowings

The Group's short-term borrowings decreased by RMB228.4million from RMB2,885.8 million as at 31 December 2018 to RMB2,657.4 million as at 31 December 2019, and the Group long-term borrowings increased by RMB182.5 million from RMB754.6 million as at 31 December 2018 to RMB937.1 million as at 31 December 2019.

As at 31 December 2019, our total borrowings were RMB3,594.5 million (as at 31 December 2018: RMB3,640.4 million), of which RMB28.6 million (approximately 0.8%) was denominated in RMB(as at 31 December 2018: RMB28.1 million (approximately 0.8%)) and the remaining RMB3,565.9 million (approximately 99.2%) was denominated in other currencies such as USD and HKD (as at 31 December 2018: RMB3,612.3 million (approximately 99.2%)). Approximately 87.2% of the borrowings bear interests at fixed rate (as at 31 December 2018: approximately 83.5%).

Significant Investments

Save as disclosed in this announcement, the Group did not have any significant investments during the Year.

Material Acquisition and Disposal of Subsidiaries

Other than the disposal of Shipbuilding and Engineering Businesses, the Group did not undertake any material acquisition or disposal of investments during the Year.

Future Plans for Material Investments and Capital Assets

As at 31 December 2019, the Group did not have other plans for material investments and capital assets.

Foreign Exchange Risks

The Group incurred net foreign exchange loss of approximately RMB52.5 million (for the Comparative Year: gain of RMB407.1 million) due to the depreciation of RMB against USD and HKD during the Year, which resulted in exchange loss on certain USD-denominated and HKD-denominated liabilities, such as trade and other payables and borrowings of the Group.

Capital Expenditure

For the Year, our capital expenditure was approximately RMB5.7 million (for the Comparative Year: RMB128.3 million), which was mainly used in the energy exploration and production segment.

Gearing Ratio

Our gearing ratio (measured by total borrowings divided by the sum of total borrowings and total deficit) decreased from approximately 198.8% as at 31 December 2018 to approximately 72.3% as at 31 December 2019. Contributed by the profit of approximately RMB112.1 million for the year ended 31 December 2019, the total deficit was reduced to approximately RMB8,563.3 million as at 31 December 2019 (as at 31 December 2018: RMB9,630.1 million).

Contingent Liabilities

As at 31 December 2019, we had contingent liabilities of RMB853.7 million (as at 31 December 2018: RMB7,329.8 million), which was resulted from financial guarantees provided by the Company to Disposal Group.

Credit Assessment and Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, outstanding trade and other receivables. As at 31 December 2019, the continuing group had cash and cash equivalents of approximately RMB42.9 million (as at 31 December 2018: RMB9.3 million), of which approximately RMB4.2 million (approximately 9.8%) was denominated in RMB and the remaining RMB38.7 million (approximately 90.2%) was denominated in USD, HKD and other currencies. The Group does not use any financial instruments for hedging purposes.

All of the Group's cash and bank balances, short-term and long-term bank deposits were placed with reputable banks which the management believes are of high creditworthiness and without significant credit risk.

The Group carries out customer credit checks prior to entering into sales contract with customers. The Group offers credit lines after evaluating the customer's credit profiles, financial conditions, past experiences and other factors.

Human Resources

As at 31 December 2019, the Group had approximately 93 employees (as at 31 December 2018: approximately 470 employees). The decrease in the number of employees was mainly in relation to the Disposal and cost control implementation. Total staff costs (including directors' emoluments) for the Group were approximately RMB19.7 million for the Year (for the Comparative Year: approximately RMB19.4 million). The principal elements of remuneration package includes basic salary and other benefits, contribution to pension schemes, discretionary bonus and/or share options granted under an approved share option scheme. Such remuneration should reflect work complexity, time commitment, responsibility and performance with a view of attracting, motivating and retaining high performing individuals.

PROSPECTS

Subsequent to the completion of the Disposal, the Group has devoted significant focus on the production and sales of crude oil in the oil exploitation, with the propose of maintaining sustainable production while minimising production cost. The Group will also seek possible development on both upstream production and downstream trading operation to maximise overall group performance through all the possible synergies.

Throughout the Year, the Group has continued to focus and explore opportunities and adopted various measures to improve production capabilities and implemented several processes and controls to enhance management efficiency and profitability. These included but not limited to:

– Review the capital expenditure tendering process to further reduce development costs. The Group management has explored the possibilities and believes there is a substantial headroom that can be reduced. Subsequent to the process, the Group management has successfully re-negotiated with several suppliers on price reduction, which shall improve the overall return on the Group's investment and benefit the Group's financial performance for any development in the future.

– Enhance the new oil production technique to increase production volume. The Group has worked with oilfield experts and analysed the production method to improve productivity for the existing and newly developed wells. The Group has proposed new production techniques to local authority and the approval has been granted. It is expected the Group will receive additional economic benefit through the new techniques and further improve the Group's financial performance.

While the global economy is being affected by the Sino-US trade war and the spread out of coronavirus, the Group will continue to be cautious and be alert on demand of crude oil and the oil price fluctuation. However, the Group remains optimistic in the oil industry, with the target of extending the drilling activities in the region to further improve production level in the upcoming year. In addition, the Group is exploring the possibility to negotiate with the project partners to improve the co-operation terms, which will bring in significant financial benefit. The Group believes the abovementioned factors, and the implementation of measures on cost reduction and operational efficiency shall increase the return on the assets of the Company.

Furthermore, the Group is actively pursuing other related opportunities within the energy industry to broaden the revenue source to ease the sole reliance on the oil exploration, which include, but without limitation to:

(1) established a trading company for energy and mining related products during the Year, with the objective of creating a new income stream and improve the Group profit margin. Despite there is no business development since its established, the Group has conducted several feasibility studies and due diligent assessments on the potential opportunities during the Year; and aims to bring in the most appropriate investment to improve the Group performance; and

(2) actively pursuing oil and gas related storage and logistic projects which shall vertically expand the Group's energy business which will provide the Group a platform in a sustainable fashion in the long run.

The Group is also continuing to negotiate with lenders in relation to the extension of existing financial obligations of the Group that will require restructuring. The Group remains positive on the progress and the Group is exploring other initiatives to increase the liquidity of the Group including different financing option.

EVENT AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented globally. Since the COVID-19 outbreak and global negotiation on oil supply, the oil prices have dropped significantly subsequent to year end.

In preparing this set of consolidated financial statements, the Group tested property, plant and equipment and intangible assets for impairment and no provision for impairment was made. In performing this assessment, the Group determined the value-in-use by estimating the present value of future cash flows of the energy exploration and production segment based on the conditions as at 31 December 2019. In the impairment test on property, plant and equipment and intangible assets to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows will be considered. As at 31 December 2019, the carrying values of property, plant and equipment and intangible assets are RMB598,369,000 and RMB1,686,779,000 respectively.

Up to the date on which this set of consolidated financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the Group's performance in 2020 and is currently unable to estimate the quantitative impacts to the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

During the year ended 31 December 2019, the Company complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), apart from the deviations set out below.

Code provision A.2.1 of the Code stipulates that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2019, Mr. Chen Qiang has performed both the roles of Chairman and chief executive officer of the Company in deviation from code provision A.2.1 of the Code. The Company believes that it is more efficient and effective for the Company to develop its long term strategies and in execution of its business plans if Mr. Chen Qiang serves as both the Chairman and the chief executive officer of the Company.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of the directors of the Company, all directors confirmed that they complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2019.

Audit Committee

The unaudited consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's unaudited consolidated financial statements for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2019.

PUBLIC FLOAT

As far as the Company is aware, as at the date of this announcement, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

FINAL DIVIDEND

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company (the “**2020 AGM**”) will be held on Tuesday, 23 June 2020 and the notice will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 June 2020 to Tuesday, 23 June 2020, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 16 June 2020.

ANNUAL REPORT

The 2019 Annual Report containing the applicable information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.huarongenergy.com.hk) in due course. Printed copies will be despatched to shareholders in due course.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REPORT

Potential Disclaimer of Opinion

The Group's auditor, PricewaterhouseCoopers, is in the process of the audit of the Group's unaudited consolidated financial statements for the year ended 31 December 2019 and the audit process is yet to be completed. The Group's financial conditions, together with the other matters as described in note 2.1(b) to the unaudited consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Because of the multiple uncertainties relating to going concern and their possible cumulative effect on the unaudited consolidated financial statements and potential impairment of property, plant and equipment and intangible assets and impairment of the Company's investments in subsidiaries and amounts due from subsidiaries, management expects that it is not possible for the Group's auditor to form an opinion on the unaudited consolidated financial statements for the year ended 31 December 2019.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The Company expects the auditing process will be completed not later than 30 April 2020.

GRATITUDE

We would like to take this opportunity to express our sincere gratitude to the Directors and our employees for their dedicated and concerted efforts, and to all our shareholders and creditors and relevant institutions for their ardent and continued support to the Group.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Qiang (Chairman), Mr. HONG Liang, Ms. ZHU Wen Hua and Mr. NIU Jianmin; and the independent non-executive directors of the Company are Mr. WANG Jin Lian, Ms. ZHOU Zhan and Mr. LAM Cheung Mau.

On Behalf of the Board
China Huarong Energy Company Limited
CHEN Qiang
Chairman

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**598,369**	748,012
Intangible assets	*5*	**1,686,779**	1,668,765
Prepayments for non-current assets		**–**	33,939
		2,285,148	2,450,716
Current assets			
Inventories		**1,717**	3,022
Trade receivables	*6*	**2,777**	3,497
Other receivables, prepayments and deposits		**16,491**	5,265
Cash and cash equivalents		**42,851**	9,274
		63,836	21,058
Assets classified as held for sale	*8*	**–**	22,428,968
		63,836	22,450,026
Total assets		**2,348,984**	24,900,742

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**2,021,534**	1,737,050
Convertible preference shares		**3,100,000**	3,100,000
Share premium		**8,374,605**	8,345,372
Other reserves		**211,147**	3,704,672
Accumulated losses		**(22,253,809)**	(25,907,616)
		(8,546,523)	(9,020,522)
Non-controlling interests		**(16,982)**	(609,604)
Total deficit		**(8,563,505)**	(9,630,126)
LIABILITIES			
Non-current liabilities			
Borrowings		**937,125**	754,638
Current liabilities			
Trade and other payables	*7*	**772,802**	952,033
Borrowings		**2,657,418**	2,885,793
Derivative financial instruments		**–**	7,194
Financial guarantee contracts	*8*	**6,545,144**	–
		9,975,364	3,845,020
Liabilities directly associated with assets classified as held for sale	*8*	**–**	29,931,210
		9,975,364	33,776,230
Total liabilities		**10,912,489**	34,530,868
Total deficit and liabilities		**2,348,984**	24,900,742

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Continuing operations			
Revenue		**47,747**	48,956
Cost of sales	9	**(34,680)**	(34,027)
Gross profit		**13,067**	14,929
Selling and marketing expenses	9	**(2,393)**	(2,845)
General and administrative expenses	9	**(62,399)**	(54,678)
Other (losses)/gains – net	10	**(40)**	621,816
Operating (loss)/profit		**(51,765)**	579,222
Gain on extinguishment of financial liabilities upon issuance of convertible preference shares		**–**	2,067,284
		(51,765)	2,646,506
Finance income		**34,382**	46,951
Finance costs		**(356,821)**	(486,409)
Finance costs – net		**(322,439)**	(439,458)
(Loss)/profit before income tax		**(374,204)**	2,207,048
Income tax expense	11	**–**	–
(Loss)/profit for the year from continuing operations		**(374,204)**	2,207,048

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Discontinued operations		
Loss for the year from discontinued operations	**(443,074)**	(2,466,527)
Gain on the disposal of discontinued operations	**916,012**	–
Fair value gain on financial guarantee contracts	**13,333**	–
	486,271	(2,466,527)
Profit/(loss) for the year	**112,067**	(259,479)
Profit/(loss) attributable to:		
Equity holders of the Company	**137,320**	(138,361)
Non-controlling interests	**(25,253)**	(121,118)
	112,067	(259,479)
(Loss)/profit attributable to the equity holders of the Company arisen from:		
– Continuing operations	**(378,270)**	2,213,293
– Discontinued operations	**515,590**	(2,351,654)
	137,320	(138,361)
Other comprehensive income/(loss) for the year:		
Items that cannot be reclassified to profit or loss		
– Fair value gain/(loss) on a financial asset at fair value through other comprehensive income	**2,616**	(16,635)
Other comprehensive income/(loss) arising from discontinued operations	**2,616**	(16,635)
Items that may be reclassified to profit or loss		
– Exchange difference on translation of foreign operations	**20,223**	80,394
Other comprehensive income for the year, net of tax	**22,839**	63,759
Total comprehensive income/(loss) for the year	**134,906**	(195,720)

	Note	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Attributable to:			
Equity holders of the Company		**160,282**	(74,521)
Non-controlling interests		**(25,376)**	(121,199)
		134,906	(195,720)
Total comprehensive (loss)/income for the year attributable to the equity holders of the Company arise from:			
Continuing operations		**(357,924)**	2,293,166
Discontinued operations		**518,206**	(2,367,687)
		160,282	(74,521)
(Loss)/earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic	*12*	**(0.03)**	0.75
– Diluted	*12*	**(0.03)**	0.48
Earnings/(loss) per share for profit/(loss) from discontinued operations attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic	*12*	**0.04**	(0.80)
– Diluted	*12*	**N/A**	(0.80)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Huarong Energy Company Limited (the "**Company**") was incorporated in the Cayman Islands on 3 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The unaudited consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unaudited consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The unaudited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The unaudited consolidated financial statements have been prepared under the historical cost convention, except as modified by the accounting policies stated below.

The preparation of the unaudited consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Except as described below, the accounting policies adopted are consistent with all the year's presented rules unless otherwise stated.

(b) Going concern basis

The Group had an operating cash outflow of RMB43,016,000 (31 December 2018: outflow of RMB200,998,000) during the year ended 31 December 2019. As at 31 December 2019, the Group had a deficit of RMB8,563,505,000 (31 December 2018: RMB9,630,126,000) and the Group's current liabilities exceeded its current assets by RMB9,911,528,000 (31 December 2018: RMB11,326,204,000). The Group maintained cash and cash equivalents of RMB42,851,000 (31 December 2018: RMB9,274,000) as at 31 December 2019.

On 9 October 2018, the Company entered into a conditional sale and purchase agreement with Unique Orient Limited (the "**Purchaser**"), an independent third party, to dispose the core assets and liabilities of the Shipbuilding Business (the "**Disposal Group**") at a consideration of HKD1 (the "**Transaction**"). There are certain conditions precedent pursuant to the Transaction, which included, but not limited to, the successful issuance of certain Convertible Preference Shares ("**CPS**") to certain bank creditors of the subsidiaries of the Disposal Group, and the release or discharge of the relevant guarantees provided by the Company in respect of the debts of the Shipbuilding Business (the "**Relevant Guarantees**"). The conditional sale and purchase agreement and the issuance of CPS were approved by the shareholders of the Company and CPS were issued in December 2018. All the assets and liabilities of the Disposal Group were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified held for sale" as at 31 December 2018.

On 3 March 2019, supplemental agreements were signed with the Purchaser, such that (1) the transfer of the sale shares of Able Diligent Limited, the holding company of the Disposal Group, to the Purchaser shall take place on or before 31 August 2019; (2) the Purchaser agreed to procure the release or discharge of the Relevant Guarantees; and (3) the Purchaser agreed to execute a share charge over the sale shares in favour of the Company. On 10 March 2019, the Group transferred the sale shares of Able Diligent Limited to the Purchaser.

Following the completion of the transfer of sale shares, the Group has derecognised the Disposal Group's assets and liabilities which were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified held for sale", and recognised a disposal gain of RMB916,012,000. On 30 October 2019, a supplemental agreement was signed with the Purchaser, such that the share charge over the sale shares in favour of the Company executed by the Purchaser was replaced by a deed of indemnity provided by the Purchaser. Details of the disposal are disclosed in note 8.

As at 31 December 2019, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB6,545,144,000. The Group has considered the impact and recognised financial guarantee contracts as at 31 December 2019. Details are disclosed in note 8(c).

As at 31 December 2019, borrowings of the Group amounted to RMB3,594,543,000, out of which RMB2,564,253,000 were overdue, while borrowings of the Group amounting to RMB37,279,000 contained cross-default terms as at 31 December 2019 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB322,367,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB2,140,289,000 outstanding as at 31 December 2019, out of which approximately RMB810,083,000, RMB779,660,000 and RMB513,267,000 had been overdue since 2017, 2018 and 2019 respectively. The remaining outstanding promissory notes amounting to RMB37,279,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements.

(ii) The Group had bank borrowing of RMB461,243,000 which was overdue in accordance with the repayment date of the agreement as at 31 December 2019.

The above conditions indicate the existence of material uncertainties, which may cast significant doubt upon the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have, during the period and up to the date of the approval of these unaudited consolidated financial statements, taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group, to refinance its operation and to restructure its debts:

i) The Group has been actively negotiating with the relevant banks and lenders of the Disposal Group to release or discharge the Relevant Guarantees. Since the date of disposal until 31 December 2019, guarantees of RMB99,422,000 were discharged while RMB6,545,144,000 are expected to be released in year 2020.

ii) The Group is also maintaining its relationship with the banks and the lenders of the Disposal Group so that no action will be taken by them to demand immediate repayment of its outstanding borrowings under the Relevant Guarantees.

iii) The Group has also been actively negotiating with the banks and lenders regarding the borrowing of RMB2,601,532,000 to take the following actions:

   (a) As at 31 December 2019, outstanding promissory notes amounting to RMB2,103,010,000 which were not extended nor repaid upon the schedule repayment dates and thus became overdue and RMB37,279,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements. The Company is in the process of negotiating with these promissory note holders for further arrangements, including the extension of maturity dates and obtaining waiver from the lender for the due payment pursuant to the relevant cross-default terms.

   (b) As at 31 December 2019, the Group had bank borrowing of RMB461,243,000 which was overdue. The Group is in the process of negotiating with the relevant bank for extension of repayment and renewal of such borrowing.

iv) During the year ended 31 December 2019, the Group obtained security-free and interest-free loans from an entity controlled by a close family member of Mr. Zhang Zhi Rong amounting to RMB451,669,000, which will be due for repayment in June 2021.

v) As at 31 December 2019, the Group has drawn down USD83,784,000 (equivalent to approximately RMB583,407,000) in total from the loan agreement, provided by entity controlled by Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to USD250,000,000 (equivalent to approximately RMB1,740,800,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment.

vi) The Group has focused on its operations in development of the energy exploration and production segment. During the period, a number of wells were developed in the Republic of Kyrgyzstan ("**Kyrgyzstan**") and management expects to realise an increase of oil output through further development and expansion of this segment, thereby generating steady operating cash flows.

As at 31 December 2019, the Group has drawn down RMB9,100,000 from the loan agreement, provided by an entity controlled by Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment. The Group expects to draw down the remaining balance of the facility throughout 2020.

In addition, the Group also entered into a Co-operative Framework Agreement during the year ended 31 December 2018 with an independent third party who agreed to provide materials for the exploration and production of crude oil with an aggregate amount up to USD500,000,000, in exchange for an option to purchase up to 70% of the total crude oil produced by the Group at 92% to 95% of the market price as a form of repayment until all the liabilities are repaid. Such facility has not been utilised up to 31 December 2019.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 31 December 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the unaudited consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group' s ability to generate adequate financing and operating cash flows through the successful fulfillment of the following plans:

i) obtaining the agreement from the banks and lenders to release or discharge the Relevant Guarantees for the borrowings owed by the Disposal Group;

ii) convincing the banks and lenders not to demand for repayment of the outstanding loans of the Disposal Group before the completion of the release of the Relevant Guarantees;

iii) negotiating with all existing promissory note holders of outstanding principals of RMB2,140,289,000 together with accrued interests thereon for further arrangements including extension of the maturity dates;

iv) negotiating with the relevant bank for the renewal or extension for repayments for the bank borrowing of RMB461,243,000 that was overdue as at 31 December 2019;

v) obtaining waivers from the relevant promissory note holders for the due payment in relation to those notes that have cross-default terms and extend the repayment dates when they fall due;

vi) implementing a business plan for its energy and exploration and production segment to generate cash inflows; and

vii) obtaining additional sources of financing other than those mentioned above, including those to finance the energy exploration and production segment, and the successful drawdown of the various facilities made available to the Group by entities controlled by Mr. Zhang Zhi Rong, a close family member of Mr. Zhang Zhi Rong, as described in management's plan above, as and when needed.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these unaudited consolidated financial statements.

(c) New and amended standards, improvements and interpretation adopted by the Group

A number of new or amended standards became applicable for the current reporting period, amongst which the Group had to change its accounting policies as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are insignificant. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(d) Certain new and amended accounting standards have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. New standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these unaudited consolidated financial statements.

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business from both a geographic and product perspective. The shipbuilding segment derives its revenue primarily from the construction of vessels, and the offshore engineering segment derives its revenue from the construction of vessels for marine projects. The engineering machinery segment derives its revenue from manufacturing of excavators and crawler cranes while the marine engine building segment derives its revenue from building marine engines. The energy exploration and production segment derives its revenue from sales of crude oil. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. Segment results are calculated by offsetting segment revenue from external customers with segment cost of sales. The shipbuilding, offshore engineering, engineering machinery and marine engine building segments (the "**Disposal Group**") were disposed during the Year, and the information of the disposal is provided in Note 8. The result of Disposal Group are presented as discontinued operations. The segment information provided to the Executive Directors for the reportable segments for the years ended 31 December 2018 and 2019 is as follows:

	Discontinued operations										Continuing operations					
	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Sub-total		Energy Exploration and Production		Sub-total		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Revenue from sales of crude oil	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**47,747**	48,956	**47,747**	48,956	**47,747**	48,956
Revenue from sales of vessels	**-**	45,350	**-**	–	**-**	–	**-**	–	**-**	45,350	**-**	–	**-**	–	**-**	45,350
Revenue from shipbuilding and other contracts	**-**	–	**-**	–	**15,360**	19,914	**-**	–	**15,360**	19,914	**-**	–	**-**	–	**15,360**	19,914
Segment revenue	**-**	45,350	**-**	–	**15,360**	19,914	**-**	–	**15,360**	65,264	**47,747**	48,956	**47,747**	48,956	**63,107**	114,220
Segment results	**-**	(126,953)	**-**	–	**12,508**	15,837	**-**	–	**12,508**	(111,116)	**13,067**	14,929	**13,067**	14,929	**25,575**	(96,187)
Selling and marketing expenses									**-**	(2,077)			**(2,393)**	(2,845)	**(2,393)**	(4,922)
General and administrative expenses									**(349,869)**	(633,701)			**(62,399)**	(54,678)	**(412,268)**	(688,379)
(Provision for)/reversal of impairments and delayed penalties									**-**	(64,174)			**-**	–	**-**	(64,174)
Other income									**11,704**	59,212			**-**	–	**11,704**	59,212
Other gains/(losses) – net									**295,510**	(71,547)			**(40)**	621,816	**295,470**	550,269
Gain on extinguishment of financial liabilities upon issuance of convertible preference shares									**-**	–			**-**	2,067,284	**-**	2,067,284
Fair value gain on financial guarantee contract									**13,333**	–			**-**	–	**13,333**	–
Finance costs – net									**(412,927)**	(1,643,124)			**(322,439)**	(439,458)	**(735,366)**	(2,082,582)
Net gain on disposal									**916,012**	–			**-**	–	**916,012**	–
Profit/(loss) before income tax									**486,271**	(2,466,527)			**(374,204)**	2,207,048	**112,067**	(259,479)

	Discontinued operations										Continuing operations					
	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Sub-total		Energy Exploration and Production		Sub-total		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	-	4,495	-	1,034,807	-	166,679	-	2,479,957	-	3,685,938	**2,322,992**	2,459,032	**2,322,992**	2,459,032	**2,322,992**	6,144,970
Unallocated									-	18,743,030			**25,992**	12,742	**25,992**	18,755,772
Total assets									-	22,428,968			**2,348,984**	2,471,774	**2,348,984**	24,900,742
Segment liabilities	-	-	-	193,887	-	520,973	-	5,808,151	-	6,523,011	**387,710**	755,275	**387,710**	755,275	**387,710**	7,278,286
Unallocated									-	23,408,199			**10,524,779**	3,844,383	**10,524,779**	27,252,582
Total liabilities									-	29,931,210			**10,912,489**	4,599,658	**10,912,489**	34,530,868
Other segment disclosures:																
Depreciation	-	309,638	-	-	**73,804**	-	-	54,119	**73,804**	363,757	**23,080**	27,027	**23,080**	27,027	**96,884**	390,784
Amortisation	-	75,265	-	-	**19,481**	1,613	-	2,741	**19,481**	79,619	**2,520**	2,372	**2,520**	2,372	**22,001**	81,991
Additions to non-current assets	-	-	-	-	-	-	-	-	-	-	**39,659**	106,857	**39,659**	106,857	**39,659**	106,857

The unallocated items mainly included prepayments and deposits and cash and cash equivalents. Unallocated assets also included inventories and property, plant and equipment jointly used by the shipbuilding and offshore engineering segments.

Unallocated liabilities mainly included trade and other payables and borrowings, which are jointly shared by the shipbuilding and offshore engineering segments.

During the year ended 31 December 2019, revenue from continuing operations from the top customer of the energy exploration and production segment amounted to RMB10,121,000 (2018: RMB20,320,000), representing 21.2% (2018: 41.5%) of the total revenue.

There are three individual customers contributed more than 10% revenue of the Group's revenue from continuing operations, for the year ended 31 December 2019 (2018: 3 individual customers). The revenue of these customers during the year are RMB10,121,000, RMB9,372,000 and RMB8,790,000 (2018: RMB20,320,000 and RMB14,201,000 and RMB5,177,000) respectively.

During the year ended 31 December 2019, revenue from the top customer of the shipbuilding segment, amounted to RMB15,360,000 (2018: RMB45,350,000), representing 100% of the total revenue from discontinued operations (2018: 69.5%).

Geographically, management considers the operations of shipbuilding, offshore engineering, engineering machinery and marine engine building segments are all located in the PRC while the energy exploration and production segment is located in Kyrgyzstan, with revenue derived from different geographical locations, which is determined by the country in which the customer is located.

The Group's revenue is analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Kyrgyzstan	**47,747**	48,956
Discontinued operations		
PRC	**15,360**	65,264

Geographically, total assets and capital expenditures are allocated based on where the assets are located.

Non-current assets (excluding intangible assets) are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Kyrgyzstan	**597,514**	780,846
Hong Kong	**103**	124
PRC	**752**	981
	598,369	781,951

4 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Oil properties *RMB'000*	Buildings *RMB'000*	Plant and machinery *RMB'000*	Computer equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Year ended 31 December 2019 (Unaudited)								
Opening net book amount	**326,676**	**419,455**	**–**	**–**	**223**	**573**	**1,085**	**748,012**
Additions	**34,692**	**3,836**	**–**	**–**	**6**	**115**	**1,010**	**39,659**
Disposals	**(149,395)**	**(5,432)**	**–**	**–**	**(9)**	**–**	**–**	**(154,836)**
Transfer	**(26,088)**	**26,088**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation *(Note 9)*	**–**	**(22,659)**	**–**	**–**	**(9)**	**(226)**	**(186)**	**(23,080)**
Impairment loss *(Note)*	**(1,381)**	**(17,904)**	**–**	**–**	**–**	**–**	**–**	**(19,285)**
Exchange difference	**2,786**	**5,025**	**–**	**–**	**14**	**50**	**24**	**7,899**
Closing net book amount	**187,290**	**408,409**	**–**	**–**	**225**	**512**	**1,933**	**598,369**
At 31 December 2019 (Unaudited)								
Cost or valuation	**188,671**	**511,559**	**–**	**–**	**309**	**1,226**	**2,416**	**704,181**
Accumulated depreciation and impairment loss	**(1,381)**	**(103,150)**	**–**	**–**	**(84)**	**(714)**	**(483)**	**(105,812)**
Net book amount	**187,290**	**408,409**	**–**	**–**	**225**	**512**	**1,933**	**598,369**
Year ended 31 December 2018 (Audited)								
Opening net book amount	4,520,656	357,259	9,592,625	1,593,022	699	1,764	7,210	16,073,235
Additions	119,446	–	–	–	110	386	777	120,719
Disposals	(79,998)	–	(14,127)	(24,825)	–	–	(41)	(118,991)
Transfer	(68,999)	68,999	–	–	–	–	–	–
Depreciation	–	(26,691)	(188,599)	(172,838)	(32)	(344)	(2,280)	(390,784)
Transfer to assets classified as held for sale	(4,178,642)	–	(9,389,899)	(1,395,359)	(563)	(1,247)	(4,598)	(14,970,308)
Exchange difference	14,213	19,888	–	–	9	14	17	34,141
Closing net book amount	326,676	419,455	–	–	223	573	1,085	748,012
At 31 December 2018 (Audited)								
Cost or valuation	326,676	501,259	–	–	298	1,061	1,382	830,676
Accumulated depreciation and impairment loss	–	(81,804)	–	–	(75)	(488)	(297)	(82,664)
Net book amount	326,676	419,455	–	–	223	573	1,085	748,012

Note: Impairment loss mainly arises from the impairment of certain oil properties in energy exploration and production segment.

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of sales	**22,659**	26,795
Selling and marketing expenses	**–**	3
General and administrative expenses	**421**	229
	23,080	27,027
Discontinued operations	**–**	363,757
Charged to the profit or loss	**23,080**	390,784

Please refer to Note 5 for the impairment assessment associated with the property, plant and equipment of the energy exploration and production segment, together with the related intangible assets of the Cooperation Rights.

5 INTANGIBLE ASSETS

	2019 (Unaudited)						2018 (Audited)					
	Goodwill	**Co-operation Rights**	**Patents**	**Computer software**	**Development costs**	**Total**	Goodwill	Co-operation Rights	Patents	Computer software	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January costs	-	1,678,702	-	-	-	1,678,702	55,139	1,594,675	21,644	77,517	514,191	2,263,166
Accumulated impairment	-	-	-	-	-	-	(55,139)	–	(3,535)	(35,122)	(409,780)	(503,576)
Accumulated amortisation	-	(9,937)	-	-	-	(9,937)	–	(7,103)	(18,109)	(42,395)	(104,411)	(172,018)
Net book amount	-	1,668,765	-	-	-	1,668,765	–	1,587,572	–	–	–	1,587,572
Movement during the year												
Amortisation charge *(Note 9)*	-	(2,520)	-	-	-	(2,520)	–	(2,372)	–	–	–	(2,372)
Exchange difference	-	20,534	-	-	-	20,534	–	83,565	–	–	–	83,565
	-	18,014	-	-	-	18,014	–	81,193	–	–	–	81,193
At 31 December costs	-	1,699,373	-	-	-	1,699,373	–	1,678,702	–	–	–	1,678,702
Accumulated impairment	-	-	-	-	-	-	–	–	–	–	–	-
Accumulated amortisation	-	(12,594)	-	-	-	(12,594)	–	(9,937)	–	–	–	(9,937)
Closing net book amount	-	1,686,779	-	-	-	1,686,779	–	1,668,765	–	–	–	1,668,765

The intangible assets represent rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oil fields zones ("**Co-operation Rights**"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. As at 31 December 2019, 57 wells (2018: 54 wells) were at production stage. As a result, amortisation of RMB2,520,000 has been charged to the profit or loss during year (2018: RMB2,372,000) based on the unit-of-production method. The development of the energy exploration and production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration.

During the year ended 31 December 2018, the Group entered into a loan agreement with a related party who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment. As at 31 December 2019, the Group has drawn down RMB9,100,000 for exploration and drilling wells. The Group expects to draw down the rest by 2020.

In addition, the Group also entered into Co-operative Framework Agreement with an independent third party who agreed to provide materials for the exploration and production of crude oil with an aggregate amount up to USD500,000,000, in exchange for an option to purchase up to 70% of the total crude oil produced by the Group at 92% to 95% of the market price as a form of repayment until all the liabilities are repaid.

In accordance with IAS 36 "Impairment of Assets", the recoverable amount of a CGU, which represents the energy exploration and production segment, is determined based on the higher of fair value less costs of disposal or value-in-use calculations. These calculations use pre-tax (2018: same) cash flow forecast.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under energy exploration and production segment amounting to RMB1,686,779,000 (2018: RMB1,668,765,000) and RMB590,515,000 (2018: RMB734,345,000), respectively, the directors have evaluated the recoverable amounts based on value-in-use calculations using pre-tax cash flow projections. Key assumptions include international crude oil price of USD48-65 per barrel (2018: USD57-70 per barrel), a discount rate of 11.5% (2018: 11.5%) and that the Group can obtain adequate financing afterwards.

As a result of the above assessment, the recoverable amounts of the intangible assets and property, plant and equipment under energy exploration and production segment as estimated by the directors exceeded the carrying amounts of these assets and therefore, the directors are of the opinion that no impairment charge is considered necessary as at 31 December 2019.

The table below illustrates the sensitivity of the significant inputs to remove the headroom:

	2019	2018
Discount rate	**13.8%**	12.7%
Oil price	**Decreased by 10.9%**	Decreased by 3.4%

6 TRADE RECEIVABLES

	31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Trade receivables	**2,777**	3,497
Less: Provision for doubtful receivables	**–**	–
	2,777	3,497

The Group normally grants credit terms to its customers up to 30 days to 90 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
0 to 30 days	**384**	1
31 to 60 days	**657**	679
61 to 90 days	**51**	974
Over 90 days	**1,685**	1,843
	2,777	3,497

The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying amount of RMB2,777,000 (2018: RMB3,497,000).

The carrying amounts of trade receivables are denominated in USD.

7 TRADE AND OTHER PAYABLES

	31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**276,829**	362,349
Other payables		
– Third parties	**81,507**	205,391
– Related parties	**30,866**	33,808
Contract liabilities	**63**	120
Accrued expenses		
– Payroll and welfare	**21,606**	22,112
– Interest	**322,367**	165,011
– Exploration costs	**–**	132,554
– Custodian fee	**26,096**	24,263
– Others	**7,127**	4,071
Other tax-related payables	**6,341**	2,354
Total trade and other payables	**772,802**	952,033

At 31 December 2019 and 2018, the ageing analysis of the trade payables based on invoice date were as follows:

	31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 30 days	**28**	2,751
31 – 60 days	**1**	10,613
61 – 90 days	**14**	1,359
Over 90 days	**276,786**	347,626
	276,829	362,349

8 DISCONTINUED OPERATIONS

(a) Description

On 9 October 2018, the Company entered into a conditional sale and purchase agreement with the Purchaser to dispose of the Disposal Group at a consideration of HKD1. As at 31 December 2018, assets and liabilities of the Shipbuilding Business were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified held for sale" respectively in the consolidated statement of financial position.

There are certain conditions precedent pursuant to the Transaction, which included, but not limited to, the release or discharge of the Relevant Guarantees. The conditional sale and purchase agreement were approved by the shareholders of the Company and CPS were issued in December 2018.

On 10 March 2019, the Group transferred the sale share of Able Diligent Limited to the Purchaser. The Disposal Group is classified as discontinued operations in the period up to the date of disposal. Financial information relating to the discontinued operations for the period up to the date of disposal is set out below.

(b) **Financial performance and cashflow information**

The financial performance and cashflow information presented are for the period ended 10 March 2019 and the year ended 31 December 2018.

	For the period from 1 January 2019 to 10 March 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue	**15,360**	65,264
Cost of sales	**(2,852)**	(176,380)
Gross profit/(loss)	**12,508**	(111,116)
Other gains/(losses) – net	**295,510**	(71,547)
Other income	**11,704**	59,212
Expenses	**(349,869)**	(699,952)
Finance costs – net	**(412,927)**	(1,643,124)
Loss before income tax	**(443,074)**	(2,466,527)
Income tax expense	**–**	–
Loss from discontinued operations	**(443,074)**	(2,466,527)
Fair value gains/(losses) on a financial asset at fair value through other comprehensive income	**2,616**	(16,635)
Total comprehensive loss from discontinued operations	**(440,458)**	(2,483,162)
Net cash inflow/(outflow) from operation activities	**19,488**	(71,048)
Net cash (outflow)/inflow from investing activities	**(32,950)**	20,667
Net cash outflow from financing activities	**(500)**	(1,715)
Net decrease in cash and cash equivalents	**(13,962)**	(52,096)

(c) Gain on disposal of Discontinued Operations

	As at 10 March 2019 *RMB'000* **(Unaudited)**
Consideration	**–**
Carrying value of net liabilities of the Disposal Group	**23,820,910**
Less: Derecognition of non-controlling interest of the Disposal Group	**(617,998)**
Less: Transfer of amount due to the Disposal Group to Purchaser	**(15,877,596)**
Less: Transaction costs	**(1,273)**
Gain on disposal	**7,324,043**
Less: Financial guarantees contracts recognised *(note (i))*	**(6,408,031)**
Net gain on disposal	**916,012**

Note (i): Financial guarantee contracts are recognised upon the completion of the disposal as at 10 March 2019. As at 31 December 2019 and the date of the 2019 annual report, the release of the Relevant Guarantees were not yet completed. Approximately RMB6,545,144,000, which represented its fair value, of the Disposal Group's financial liabilities remained guaranteed by the Company as of 31 December 2019.

The carrying amounts of assets and liabilities of the Disposal Group as at the date of sale (10 March 2019) were as follows:

	As at 10 March 2019
	RMB'000
	(Unaudited)
Financial assets at fair value through other comprehensive income	**30,323**
Land use right	**3,425,509**
Property, plant and equipment	**14,962,869**
Prepayment for non-current assets	**143**
Inventories	**61,660**
Trade receivables	**4,459**
Other receivables, prepayments and deposits	**3,358,492**
Pledged deposits	**1,771**
Cash and cash equivalents	**38,855**
Total assets	**21,884,081**
Trade and other payables *(note)*	**30,466,991**
Contract liabilities	**39,236**
Borrowings	**15,198,764**
Total liabilities	**45,704,991**
Net liabilities of the discontinued operations	**23,820,910**

Note: Trade and other payables included amounts due to the Group by Disposal Group amounting to RMB15,877.6 million.

(d) Assets and liabilities of disposal group classified held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at 31 December 2018:

	2018
	RMB'000
	(Audited)
Assets classified as held for sale	
Financial assets at fair value through other comprehensive income	27,707
Land use right	3,425,755
Property, plant and equipment	14,970,308
Prepayment for non-current assets	153
Inventories	425,884
Trade receivables	4,459
Other receivables, prepayments and deposits	3,558,969
Pledged deposits	1,771
Cash and cash equivalents	13,962
Total assets of the Disposal Group held for sale	22,428,968
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	13,783,523
Advances from related parties	368,959
Contract liabilities	42,900
Borrowings	15,735,828
Total liabilities of the Disposal Group directly associated with assets classified as held for sale	29,931,210

9 EXPENSES BY NATURE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amortisation of intangible assets *(Note 5)*	**2,520**	2,372
Auditors' remuneration		
– audit services	**3,084**	4,654
– non-audit services	**–**	84
Bank charges	**86**	87
Consultancy and professional fees	**10,555**	12,348
Cost directly associated with inventories	**9,628**	9,379
Depreciation of property, plant and equipment *(Note 4)*	**23,080**	27,027
Employee benefits expenses	**19,708**	19,350
Insurance premiums	**695**	640
Impairment loss on property, plant and equipment	**19,285**	–
Other expenses	**10,831**	15,609
Total cost of sales, selling and marketing expenses, general and administrative expenses	**99,472**	91,550

10 OTHER (LOSSES)/GAINS – NET

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fair value change on derivative instruments – embedded derivative in convertible bonds	**4,680**	255,138
Net foreign exchange (losses)/gains	**(7,379)**	517,097
Gain on disposal of property, plant and equipment	**2,659**	26
Loss on recognition of obligation from financial guarantee *(Note)*	**–**	(150,445)
	(40)	621,816

Note: The amount represents the financial obligation taken up by the Company for the extinguishment of financial liabilities upon issuance of convertible preference shares.

11 INCOME TAX

No Hong Kong profits tax has been provided for the years ended 31 December 2019 and 2018 as the Group had no assessable profit in Hong Kong. All PRC subsidiaries and Kyrgyzstan subsidiary are subject to EIT rates of 25% and 10%, respectively.

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the results attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
(Loss)/earnings from continuing operations per share	**(0.03)**	0.75
Earnings/(loss) from discontinued operations per share	**0.04**	(0.80)
Earnings/(loss) per share	**0.01**	(0.05)

(b) Diluted earnings/(loss) per share

Diluted (loss)/earnings from continuing operations per share

Diluted loss from continuing operations per share for the year ended 31 December 2019 is the same as basic loss for continuing operations per share as the potential dilutive ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. (2018: the diluted earnings from continuing operations per share is calculated by dividing the results from continuing operations attributable to equity holders of the Company by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares).

	2018
	(Audited)
Earnings from continuing operations in calculating diluted earnings per share *(RMB'000)*	**2,365,007**
Weighted average number of ordinary shares in issue	**4,882,216,165**
Diluted earnings per share *(RMB per share)*	**0.48**

Diluted earnings/(loss) from discontinued operations per share

For the year ended 31 December 2019, since there is loss from continuing operations per share, no dilutive impact from discontinued operations is presented.

For the year ended 31 December 2018, diluted loss from discontinued operations per share is the same as basic loss from discontinued operations per share as the potential dilutive ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

(c) **Reconciliations of earnings used in calculating earnings/(loss) per share**

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Basic and diluted earnings/(loss) per share		
(Loss)/profit attributable to equity holders of the Company		
– Continuing operations	**(378,270)**	2,213,293
– Discontinued operations	**515,590**	(2,351,654)
	137,320	(138,361)

Diluted earnings per share

	2018
	RMB'000
	(Audited)
Profit from continuing operations attributable to the ordinary equity holders of the Company:	
Used in calculating basic earnings per share	2,213,293
Add: interest savings on convertible bonds	122,874
Add: exchange effect on convertible bonds	28,840
	2,365,007

(d) **Weighted average number of shares used as the denominator**

	2019	2018
	(Unaudited)	(Audited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,581,911,233**	2,941,266,904
Adjustment for calculating diluted earnings from continuing operations per share:		
– Convertible preference shares	**N/A**	268,723,288
– Convertible bonds	**N/A**	1,672,225,973
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**N/A**	4,882,216,165

13 DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year ended 31 December 2019 (2018: nil).