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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2020 (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

The Group recorded a revenue of approximately RMB34.8 million for the Year, compared to a revenue of approximately RMB47.7 million for the year ended 31 December 2019 (the "**Comparative Year**"). Profit attributable to the equity holders of the Company was approximately RMB782.6 million for the Year (Comparative Year: RMB137.3 million).

The increase in profit was mainly driven by the discharge of Relevant Guarantees and changes in foreign currency translation, offset by the impairment losses on property, plant and equipment and intangible assets.

The Group's net deficit position as at 31 December 2020 was improved compared to that of 31 December 2019, with the net deficit decreased by RMB664.4 million. It was largely driven by the further discharge of the Relevant Guarantees, offset by the impairment losses on property, plant and equipment and intangible assets.

Disposal and Relevant Guarantee

On 9 October 2018, the Company entered into a conditional sale and purchase agreement (the "**Agreement**") to dispose of the core assets and liabilities of its shipbuilding, offshore engineering, engineering machinery and marine engine building segments (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**"). 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 Limited (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 Company signed the second supplemental agreement on 3 March 2019 regarding the Disposal, pursuant to which (1) the transfer of the sale share of Able Diligent Limited (the "**Sale Share**"), the holding company of Disposal Group, to the Purchaser shall take place on or before 31 March 2020; (2) the Purchaser agreed to procure the release or discharge of the relevant guarantees provided by the Company in respect of borrowings owed by the Disposal Group (the "**Relevant Guarantees**"); and (3) the Purchaser agreed to execute a share charge over the Sale Share in favour of the Company.

The Disposal was completed on 10 March 2019 (the "**Disposal Day**") when the Sale Share was transferred to the Purchaser. All the assets and liabilities associated to the Disposal, except the financial guarantee contract as mentioned hereafter, were derecognized on the Disposal Day. The Company signed the third, fourth and fifth supplemental agreements on 29 August 2019, 30 October 2019 and 25 March 2021, respectively. According to the latest supplemental agreements, the Purchaser will procure the release or discharge of the Relevant Guarantees and complete the relevant registration before 31 December 2021.

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.

Throughout the Year, the Company, together with the Purchaser, has successfully discharged the Relevant Guarantees in an amount of approximately RMB2 billion. In particular, the Company has taken the following actions in respect of the release and discharge of the Relevant Guarantees during the last two years:

(i) the Company has ongoing discussions with the Purchaser on a regular basis regarding the status and progress of the release or discharge of the Relevant Guarantees;

(ii) the Company, together with the Purchaser, has been actively negotiating with the relevant banks and lenders to release or discharge the Relevant Guarantees; and

(iii) the Company 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.

The Company and/or the Purchaser (as appropriate) have prepared and submitted discharging proposals to the relevant banks and lenders since 2018, with an initial goal of discharging the Relevant Guarantees in batches by 2020. However, despite that the above actions had been taken by the Company and the Purchaser, the Relevant Guarantees could not be fully discharged in 2020 because of (1) the distraction and suspension of business caused by the novel coronavirus pneumonia (the "**COVID-19**") in the most of 2020; and (2) the fact that the discharging process of banks was time-consuming and procedurally and administratively complicated, particularly given that each bank or lender would have its own internal review procedures as well as approval hierarchy. As the discharging progressed further, additional time was required for the relevant banks and lenders to conduct their internal risk assessment in respect of the discharging proposals. As the Company is only in the capacity as the guarantor of the Relevant Guarantees, the Company may not always be in the position to negotiate with the relevant banks and lenders concerning certain financial conditions or obligations which would be imposed on the Purchaser. Such discussions could only be initiated by the Purchaser, and the Company would not have control over the relevant progress and timing.

Nonetheless, both the Company and the Purchaser are committed to procuring the full discharge of the Relevant Guarantees by 2021.

As at the date of this announcement, the latest status of the Relevant Guarantees (classified by the Company as Relevant Guarantees A to D for ease of reference) and the expected time for discharging are summarised as follows:

Relevant Guarantees	2020 Interim Status	Current Status	Expected Time of Discharge
Relevant Guarantees A	A portion of the Relevant Guarantees A has been discharged. Pending relevant bank's final approval for discharging the remaining outstanding amount.	Relevant Guarantee A discharged in full on 30 September 2020.	—
Relevant Guarantees B	Discharging proposal has been submitted to the head office of the relevant bank in September 2019 and is currently under internal review.	The discharging proposal was approved by the relevant division before the end of 2020. The relevant bank has completed the disposal provision process, and it is in the finalization stage.	By the second quarter of 2021
Relevant Guarantees C	Relevant Guarantee C discharged in full on 30 June 2020.	Relevant Guarantee C discharged in full on 30 June 2020.	—
Relevant Guarantees D	Discharging proposal has been submitted to the relevant bank by the Purchaser in July 2018. Discharge progress shall expedite following the settlement of the outstanding secured bank loan.	The outstanding bank loan was not settled prior to 31 December 2020, hence the relevant bank has proposed a revising proposal in the fourth quarter of 2020, and it is subjected to finalization by the head office of the bank.	By the third quarter of 2021

As at 31 December 2020 and the date of this announcement, the Relevant Guarantees provided by the Company to the Disposal Group in the process of being discharged or released amounted to RMB5,938.6 million (31 December 2019: RMB3,728.0 million), inclusive of principals and interests. In consideration of such financial guarantees, the Group recognized financial guarantee contracts of RMB4,545.1 million (31 December 2019: RMB6,545.1 million) which will be released upon the releasing or discharging of these Relevant Guarantees. In the Year, the Company has further discharged certain part of the Relevant Guarantees amounting to RMB2,000.0 million. A gain was recognised accordingly in the profit and loss account.

Details of the Disposal were disclosed in note 18 of the 2019 annual report, and the announcements of the Company dated 9 October 2018, 15 November 2018, 25 December 2018, 4 March 2019, 11 March 2019, and the circular of the Company dated 23 November 2018.

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. The lenders have been supportive in general to the Group and the overall situation has been improved significantly compared to the Comparative Year.

(a) Repayment of a secured bank loan

It is the intention of the Company to repay such secured bank loan by utilizing the US dollar facility entered with a shareholder of the Company (the "**Shareholder**") in 2018 (the "**Facility**"). The Facility has a total amount of USD250 million. It is an interest-free and unsecured facility with an initial maturity date of 31 December 2021. The Company expects to utilise the Facility to repay the outstanding secured bank loan in batches and all such repayments shall be made by the third quarter of 2021. Based on the best knowledge and information available to the Company after discussions with the Shareholder, the Shareholder is committed to provide the Facility required by the Company to settle the outstanding secured bank loan in full in 2021. As at the date of this announcement, the Company has successfully extended the maturity date of the Facility to 31 December 2023.

The Group has repaid the principal and interest payable of the secured bank loan amounting to approximately RMB146.4 million during the Year. The outstanding principal was therefore reduced to approximately RMB314.8 million (31 December 2019: RMB461.2 million).

(b) Extension of maturity date of promissory notes

As at 31 December 2020, the Company had outstanding promissory notes of RMB1.9 billion (31 December 2019: RMB2.1 billion).

The Company has been in continuous discussions and negotiations with the promissory noteholders with the objective of obtaining their agreements to extend the overdue liabilities during the Year. The management of the Company has taken a proactive approach and had numerous discussions with all the promissory noteholders regarding the extension of maturity dates of the promissory notes. By 31 December 2020, the Company has successfully extended the maturity of a significant proportion, RMB860.7 million, beyond 12 months from the end of the Year.

Despite the remaining noteholders have not yet granted the final consents to the Company for extending the maturity of the remaining overdue liabilities, they have indicated their willingness to extend the maturity dates of the promissory notes. These negotiations were not finalized as at 31 December 2020 as certain commercial terms remain in discussion and finalization.

The Company is currently working out a plan to settle the outstanding promissory notes, which would depend on the Company's financial performance and upcoming discussions with the financial institutions on refinancing. As at the date of this announcement, no definite settlement terms have been reached by the Company with any relevant parties in this regard. The management of the Company has been actively following up on the status and progress of the above matters and has been continuously monitoring the relevant progress and development through regular meetings.

These aforesaid debt-restructuring actions are devised to align with the Disposal to improve the overall financial position of the Group. The Group expects that the successful release or discharge of Relevant Guarantees shall have a positive impact on the extension of maturity date, and settlement 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 Facility entered with a shareholder in 2018. This Facility has a total amount of USD250.0 million. It is an interest-free and unsecured facility with an initial maturity of two years. Up to the date of this announcement, the Company had utilised approximately USD119.7 million, mainly for the oilfield development, repayment of remaining debts and general working capital.

The Company also expects to continue to utilise the Facility for its repayment of debts, its capital expenditure on the Energy Business and for general working capital purpose. As a result of the outbreak of COVID-19, the Group's operations in Kyrgyzstan have been temporarily restricted. Coupled with the current low oil price and stagnant global demand on oil, it is expected that expenditures in the Energy Business would only start to be resumed by the Group by 2024, the earliest. The management of the Group is taking a prudent approach to manage the capital expenditure of the Energy Business and will continue to monitor the development of the oil market in making any capital expenditure decisions.

The Company and the Shareholder are engaged in ongoing discussions as to the provision of further financial assistance by the Shareholder to the Company, which is still preliminary and subject to further discussion. If any such plan is materialised, the Company will make announcement accordingly.

As at the date of this announcement, the Company has successfully extended the Facility maturity date to 31 December 2023.

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 kilometers.

On the exploration front, the Group has drilled a total of 73 wells across the five oilfields zones, including 54 in exploration, and 19 currently being construction-in-progress. The Group has also held a number of appraisal wells for exploration and development. As at 31 December 2020, 63 wells were at production (2019: 57 wells).

For the Year, the Kyrgyzstan Project recorded sales of 113,493 barrels (bbl) (for the Comparative Year: 149,314 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB22.0 million for the Year decreased by approximately 53.9% from RMB47.7 million for the Comparative Year.

The decline of revenue in 2020 was primarily driven by the decrease in both selling price and sales volume. The management of the Group is foreseeing that the oil exploration will continue to be restrained by COVID-19, and with the excess supply and lower demand in the region, it is reasonably expected that the oil price is unlikely to recover substantially in the near future. In general, both the selling price and sales volume will not return to pre-COVID-19 level within the next 12 to 18 months.

In response to the collapse in selling prices and demand for refined products, the management of the Group decided to postpone the capital expenditures plan, temporarily reduce production, and implement company-wide cost-saving measures, with an aim to maintain its financial positions while protecting value in an extended low-commodity-price environment. The Group has been 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. The Group remains positive with the business model in long term, and the Group is of the view that the new oil well development method shall improve and achieve a better production efficiency on the oil well-drilling operation.

Although the global commodity market has been heavily affected by the outbreak of COVID-19, there is a growing market demand for oil storage services. As disclosed in the interim report, the Group has been continuously looking for other strategic opportunities within the industry sector to broaden and diversify its revenue source to ease the sole reliance on the oil exploration business.

On 23 October 2020, a wholly-owned subsidiary of the Company entered into an acquisition agreement with Mr. Hou Maohua (the "**Vendor**") and Nantong Zhuosheng Petrochemical Co., Ltd ("**Nantong Zhuosheng**", or the "**Target Company**") (the "**Acquisition Agreement**"), pursuant to which the Group conditionally agreed to acquire approximately 50.46% of the equity interest of Nantong Zhuosheng. The transaction was approved by shareholders on 15 January 2021 and was completed on 22 January 2021 (the "**Acquisition**").

Nantong Zhuosheng possesses the facility, capacity and expertise in the provision of oil storage services. The Board believes that the Group can accumulate sufficient experience in the operation and management in this area, and further expand its business presence within the oil sector after acquiring Nantong Zhuosheng. This acquisition also reflected the Group's strategy of investing in oil-and-gas-related storage and logistic projects, which would enable the Group to expand its energy business vertically.

The management of the Group is committed to maintaining its liquidity and will manage its business through this unprecedented market cycle.

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 2020 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
Less: production during 2020	0.03	0.03
Total estimated reserves as at 31 December 2020	23.56	31.27

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 were included under the Discontinued Operations for the Comparative Year.

Revenue

For the Year, the Group recorded a revenue of approximately RMB34.8 million (for the Comparative Year: approximately RMB47.7 million), representing a year-on-year decrease of approximately 27%. The revenues are derived from: (1) sales of crude oil produced from the Kyrgyzstan Project: approximately RMB22.0 million (for the Comparative Year: approximately RMB47.7 million). The Group has proceeded sales of 113,493 barrels (bbl) during 2020 (for the Comparative Year: 149,314 bbl) from the Kyrgyzstan Project, with the average price per tonne of crude oil was approximately USD203 in the Year compared to approximately USD301 in the Comparative Year. The decline in both sales volume and selling price were mainly due to the effect of COVID-19, which impacted the overall crude oil market with a trend of oversupply while the demand has remained low; (2) commodity trading revenue of RMB12.8 million from the newly established trading businesses based in China (for the Comparative Year: NIL). The Group has entered into the energy-related commodity trading in China since July 2020, and it is expected that the newly established businesses will continue to grow throughout 2021.

Cost of Sales

For the Year, the Group's cost of sales increased by approximately 18.7% to RMB41.2 million (for the Comparative Year: RMB34.7 million), which was largely driven by the additional costs associated with the new trading revenue stream.

Gross Profit/Losses

The Group recorded gross losses of approximately RMB6.4 million for the Year compared to gross profit of approximately RMB13.1 million for the Comparative Year. The decreased in oil price and lower demand of crude oil have affected the Group's gross profit margin significantly.

General and Administrative Expenses

For the Year, the Group's general and administrative expenses increased by approximately 12.5% to RMB48.5 million (for the Comparative Year: RMB43.1 million). The increase was largely driven by the expected credit loss allowance on trade receivables, and professional expenses associated with the Acquisition. The recurring cost have been reduced as expected with the implementation of company-wide cost-saving measures to minimise expenses.

Impairment loss — Intangible Assets — Co-operation Rights

For the Year, the Group has recorded a total impairment loss of RMB1,157.2 million, of which RMB864.4 million has been allocated to the Co-operation Rights (for the Comparative Year: nil). This was primarily in line with the oil and gas industry where majority of the players were recognizing impairment due to the significant decline in oil price and the low demand within the market. The management of the Group has engaged an independent valuer to reassess the underlying recoverable amount of the Co-operation Rights.

The valuation assessments are predominantly established under the discounted cashflow framework, or "income method", and the underlying assumptions are based on market participant approach, as well as the internal decision on the development plan.

Despite the assessment approach and mechanism are largely consistent with previous year, the current year outcome has changed significant and it is due to change in the following assumptions: (1) the prospective oil price has reduced significantly in comparation to the Comparative Year, with the forecast oil price reduced from US48–65 per barrel, down to USD32–45 per barrel; (2) historically the Group has a proactive development plan which is heavily driven by the prospective oil price incremental. However, with the change in the market circumstances including low oil price and reduction in oil demand both locally and internationally, the Board and Group management considered it is appropriated to postpone development plan until 2024.

The changes of the abovementioned assumptions have not only indicated a significant impairment on the assets, but also addressed the concern that the auditor had raised in the past, i.e. whether the Group has the capability of obtaining sufficient financial resources to invest in oil assets development within the next 12 months while the Group has prolonged going concern uncertainty. With the postponement of the oil assets development plan up to 2024, it is considered that such uncertainty associated with ongoing financial capacity has been appropriately considered and factored in the evaluation of the impairment loss.

As an outcome of the assessment, the Group has provided an impairment loss of RMB1,157.2 million for the assets associated with the Group's operations in Kyrgyzstan, and a substantial portion of RMB864.4 million was applied against the Co-operation Rights within intangible assets.

Impairment loss — Property, plant and equipment

For the Year, the Group recorded an impairment loss on property, plant and equipment of RMB296.6 million (for the Comparative Year: RMB19.3 million). The majority of the impairment loss amounting to RMB292.8 million arose a part of the total impairment loss of RMB1,157.2 million as mentioned in the Impairment loss — Intangible Assets — Co-operation Rights.

The remaining impairment loss of RMB3.8 million is associated with certain specific oil assets of the Group. These oil assets were previously used for the Group's oil production but had become idle due to mechanical issues. Given the cost required to rectify such assets might exceed its benefit, the Company decided not to do so in the near future. As such, an impairment losses provision has been made based on the net book value of the specific assets.

Other Gains/Losses — Net

For the Year, the Group's other gain — net was RMB16.4 million (for the Comparative Year: net losses RMB0.04 million), and the gain was mainly due to foreign currency exchange fluctuations associated with working capital.

Finance Costs — Net

The Group's finance income for the Year increased by approximately 6.4% to RMB36.6 million (for the Comparative Year: RMB34.4 million), which was mainly due to the recognition of imputed interest gain of interest-free loans when they were extended in the Year.

Finance costs for the Year decreased by approximately 79.8% to RMB72.2 million (for the Comparative Year: RMB356.8 million), and the reduction was mainly attributed by the net foreign exchange gain associated with the borrowings for the Year.

Total Comprehensive Income for the Year

During the Year, the Group recorded total comprehensive income of approximately RMB664.4 million (for the Comparative Year: RMB134.9 million), of which total comprehensive income attributable to the equity holders of the Company was approximately RMB680.0 million (for the Comparative Year: RMB160.3 million). The improvement on total comprehensive income attributable to the equity holders of the Company was mainly driven by the further discharge of the Relevant Guarantees, offset by the impairment losses on property, plant and equipment and intangible assets.

Liquidity and Going Concern

The Group recorded a net profit of RMB765.0 million (2019: RMB112.1 million) and had an operating cash inflow of RMB15.8 million (2019: outflow of RMB43.0 million) during the year ended 31 December 2020. As at 31 December 2020, the Group had a deficit of RMB7,899.1 million (2019: RMB8,563.5 million) and the Group's current liabilities exceeded its current assets by RMB7,423.4 million (2019: RMB9,911.5 million). The Group maintained cash and cash equivalents of RMB16.1 million (2019: RMB42.9 million) as at 31 December 2020.

As at 31 December 2020, borrowings of the Group, amounted to RMB3,392.9 million, out of which RMB1,365.2 million were overdue. As at 31 December 2020, overdue interest payables amounted to RMB492.5 million. Certain borrowings of the Group contain cross-default terms, causing Borrowings of the Group of RMB8.6 million at 31 December 2020 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 improve the financial position of the Group, the Group has restructured its operations, refinancing its debts and proactively liaising with relevant financial institutions to discharge the Relevant Guarantees.

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 RMB713.8 million from RMB2,657.4 million as at 31 December 2019 to RMB1,943.6 million as at 31 December 2020, and the Group's long-term borrowings increased by RMB512.2 million from RMB937.1 million as at 31 December 2019 to RMB1,449.3 million as at 31 December 2020.

As at 31 December 2020, our total borrowings were RMB3,392.9 million (as at 31 December 2019: RMB3,594.5 million), of which RMB12.6 million (approximately 0.4%) was denominated in RMB (as at 31 December 2019: RMB28.4 million (approximately 0.8%)) and the remaining RMB3,380.3 million (approximately 99.6%) was denominated in other currencies such as USD and HKD (as at 31 December 2019: RMB3,566.1 million (approximately 99.2%)). Approximately 86.0% of the borrowings bear interests at fixed rate (as at 31 December 2019: approximately 87.2%).

Significant Investments

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

Material Acquisition and Disposal of Subsidiaries

On 23 October 2020, the Group entered into the Acquisition Agreement, pursuant to which the Group conditionally agreed to acquire 50.46% of the equity interest of Nantong Zhuosheng. For details of the acquisition, please refer to the announcements dated 23 October 2020, 16 November 2020, 4 December 2020, 14 December 2020 and circular dated 23 December 2020 respectively. Save for the above, the Group had no other material acquisitions or disposals of investments during the Year under review.

Future Plans for Material Investments and Capital Assets

As at 31 December 2020, the Group did not have other plans for material investments and capital assets.

Foreign Exchange Risks

The Group incurred net foreign exchange gain of approximately RMB151.3 million (for the Comparative Year: losses of RMB62.8 million) due to the appreciation of RMB against USD and HKD during the Year, which resulted in exchange gain 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 RMB13.7 million (for the Comparative Year: RMB39.7 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) increased from approximately 72.3% as at 31 December 2019 to approximately 75.3% as at 31 December 2020. Contributed by the profit of approximately RMB765.0 million for the year ended 31 December 2020, the total deficit was reduced to approximately RMB7,899.1 million as at 31 December 2020 (as at 31 December 2019: RMB8,563.5 million).

Contingent Liabilities

As at 31 December 2020, we had contingent liabilities of RMB895.0 million (as at 31 December 2019: RMB853.7 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 2020, the Group had cash and cash equivalents of approximately RMB16.1 million (as at 31 December 2019: RMB42.9 million), of which approximately RMB10.6 million (approximately 66%) was denominated in RMB and the remaining RMB5.5 million (approximately 34%) 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 2020, the Group had approximately 95 employees (as at 31 December 2019: approximately 93 employees). Total staff costs (including directors' emoluments) for the Group were approximately RMB17.9 million for the Year (for the Comparative Year: approximately RMB19.7 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 in March 2019, the Group has devoted significant focus on the production and sales of crude oil, with the objective of maintaining sustainable production while minimising production cost. In the meanwhile, the management of the Group has proactively sought opportunities to improve the Group's overall performance, including establishing trading division in PRC China, and entering into the Acquisition Agreement to acquire 50.46% of the equity interest of Nantong Zhuosheng.

However, the outbreak of COVID-19 since the beginning of 2020 has created greater uncertainty to the global economy, and the Group performance has been disrupted significantly since then. Despite most countries have coupled with the impact, and with the availability of vaccination bringing in positive implication, the Group management is of the view that COVID-19 shall still have a prolonged impact to the demand of crude oil and sales price fluctuation, in particular the significant disruption in cargo logistics and mobility.

Given the Group's Energy business will be operating under pressure in the current low oil price environment and the unpredictable market outlook, the Group will continue to be stringent with variable costs and capital expenditures, in order to maintain strong and resilient financial positions through prudent management of debt levels and liquidity across the board.

In response to the collapse in selling prices and demand for refined products, the management of the Group decided to postpone the capital expenditures plan, temporarily reduce production, and implement company-wide cost-saving measures, with an aim to maintain its financial positions while protecting value in an extended low commodity price environment. The Group has been 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. The Group remains positive with the business model in long term, and the Group is of the view that the new oil well development method shall improve and achieve a better production efficiency on the oil well-drilling operation.

The Group has successfully pursued into other related opportunities within the energy industry to broaden the revenue source to ease the sole reliance on the oil exploration since the beginning of the Year. The Group has established several trading companies in China for energy and mining related commodity with the objective of creating a new income stream and improve the Group profit margin. The Group has crystalized a number of business development since July 2020 and it has brought in positive impacts to the revenue of the Group.

The Group has also completed the Acquisition of 50.46% of the equity interest in Nantong Zhuosheng on 22 January 2021. It is understood that Nantong Zhuosheng has achieved a number of post completion undertakings, including the profit guarantee target for 2020. Such achievement has indicated that the demand of oil storage is strong, and its performance shall bring in positive impact to the Group's 2021 results. The Group management is of the view that the acquisition of Nantong Zhuosheng shall bring in synergy and create greater platform for the newly established trading entities. The Group are able to offer boarder varieties of services to build up our customers portfolio and solidify the underlying turnover and profit.

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

EVENT AFTER THE REPORTING PERIOD

On 22 January 2021, the Group completed the Acquisition of 50.46% equity interest in Nantong Zhuosheng Petrochemical Co., Ltd. All the conditions precedent as set out in the Acquisition Agreement have been fulfilled on the same date. The Directors consider that the Acquisition can lay a foundation for the Group to develop a vertically-integrated business model for its participation in the energy sector in the long run. The Acquisition will result in potential synergy with the Group's newly established oil and gas trading business, by securing a stable and reliable storage of oil as part of the supply chain of the Group at competitive price, improving operational efficiency and saving costs of the Group as a whole. In this connection, the Acquisition shall lay a solid foundation and create a positive operating condition for the Group's long-term development of oil and gas business.

We are currently in the process of finalizing the accounting for the Acquisition and expect to complete our preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the second quarter of 2021.

As at the date of this announcement, the Company has successfully extended the maturity date of the Facility entered with a shareholder of the Company, to 31 December 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

During the year ended 31 December 2020, the Company complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to 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 2020, 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 2020.

Audit Committee

The consolidated financial statements of the Group for the year ended 31 December 2020 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 consolidated financial statements for the year ended 31 December 2020.

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 2020.

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 2020 (2019: nil).

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company (the "**2021 AGM**") will be held on Thursday, 3 June 2021 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 Monday, 31 May 2021 to Thursday, 3 June 2021, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 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 Friday, 28 May 2021.

ANNUAL REPORT

The 2020 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.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Disclaimer of Opinion

The following is an extract of the independent auditor's report of the Group's consolidated financial statements for the year ended 31 December 2020 which has included a disclaimer of opinion.

Basis for Disclaimer of Opinion

Material Uncertainty Relating to Going Concern

As set out in Note 2.1(b) to the consolidated financial statements, the Group incurred and had an operating cash inflow of RMB15,836,000 during the year ended 31 December 2020. As at 31 December 2020, the Group had a deficit of RMB7,899,066,000 and the Group's current liabilities exceeded its current assets by RMB7,423,414,000. The Group maintained cash and cash equivalents of RMB16,064,000 as at 31 December 2020.

On 9 October 2018, the Group entered into a conditional sale and purchase agreement to dispose of the core assets and liabilities of shipbuilding, offshore engineering, engineering machinery and marine engine building segments (the "**Shipbuilding Business**", together with the holding company of the Shipbuilding Business referred to as the "**Disposal Group**") with an independent third party (the "**Transaction**"). Pursuant to certain supplemental agreements signed with Unique Orient Limited (the "**Purchaser**"), an independent third party, the sale shares of Able Diligent Limited, the holding company of the Disposal Group, was transferred to the Purchaser on 10 March 2019. As at 31 December 2020, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB4,545,132,000. The Group has considered the impact and recognised financial guarantee contract of the same amount as at 31 December 2020.

During the year, the Group's operation was focused primarily on the energy exploration and production segment (the "**Energy Business**", together with the corporate headquarters referred to as the "**Remaining Group**"), the development of which has however been limited due to market conditions and availability of funds for investing in exploration and drilling of wells. As at 31 December 2020, borrowings of the Group (the "**Borrowings of Remaining Group**"), amounted to RMB3,392,891,000, out of which RMB1,365,178,000 were overdue. As at 31 December 2020, overdue interest payables of the Remaining Group amounted to RMB492,486,000. Certain borrowings of the Remaining Group contain cross-default terms, causing Borrowings of Remaining Group of RMB8,618,000 as at 31 December 2020 to become immediately repayable. The Remaining Group had cash and cash equivalents of RMB16,064,000 as at 31 December 2020.

These conditions, together with others described in Note 2.1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its debts which are set out in Note 2.1(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties, including (i) whether the Group is able to obtain the agreement from the banks and lenders to release or discharge the Company's guarantees for the borrowings owed by the Disposal Group; (ii) whether the Group is able to convince 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 Company's guarantees; (iii) whether the Group is able to negotiate with all existing promissory note holders to make further arrangements including extension of the maturity dates; (iv) whether the Group is able to negotiate with the relevant bank for the renewal or extension for repayment for the bank borrowing; (v) whether the Group is able to obtain 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) whether the Group can successfully implement a business plan for its Energy Business to generate cash inflows; and (vii) whether the Group can obtain additional sources of financing, including those to finance the Energy Business and draw down from the various facilities made available to the Group by entities controlled by Mr. Zhang Zhi Rong and a close family member of Mr. Zhang Zhi Rong, during the year 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 the consolidated financial statements.

Opening balances and comparative figures — Impairment of property, plant and equipment and intangible assets and impairment of the Company's investments in subsidiaries and amounts due from subsidiaries

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Financial Statements**"), which form the basis for the comparative figures presented in the current year's consolidated financial statements, was disclaimed by the predecessor auditor because of unable to obtain sufficient appropriate audit evidence on impairment of (a) property, plant and equipment and intangible assets; and (b) the Company's investments in subsidiaries and amounts due from subsidiaries.

As at 31 December 2019, the Group's property, plant and equipment and intangible assets amounted to RMB598,369,000 and RMB1,686,779,000 respectively. Such assets pertain to the Energy Business. In determining the recoverable amounts of these non-current assets, the directors of the Company used value-in-use calculations, taking into consideration the proven oil reserve and new sources of financing for oil exploration. As the value-in-use amounts for the Energy Business exceeded the carrying values of the corresponding non-current assets, the directors of the Company are of the opinion that there was no impairment of these non-current assets as at 31 December 2019. The recoverable amounts of these non-current assets are estimated based on the assumption that the Group will obtain adequate financing for oil exploration in the future.

The predecessor auditor were unable to obtain sufficient appropriate audit evidence they consider necessary to assess the recoverable amounts of the non-current assets amounting to RMB2,285,148,000 of the Remaining Group, as the recoverable amount of the non-current assets of the Remaining Group is dependent on the availability of financing for oil exploration. There were no alternative audit procedures that the predecessor auditor could perform to satisfy themselves as to the recoverable amounts of these property, plant and equipment and intangible assets and whether any impairment charge should be made. Any impairment provision for these assets found to be necessary would affect the Group's net assets as at 1 January 2020, the Group's net loss for the year ended 31 December 2019 and the related note disclosures to the consolidated financial statements.

In addition, as these assets were held by a material subsidiary, any impairment provision for these assets found to be necessary would also affect the carrying amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as well as the Company's accumulated losses, which amounted to RMB1,514,410,000, RMB141,221,000 and RMB22,270,682,000, respectively, as at 1 January 2020 as well as the related disclosures in the consolidated financial statements.

As explained above, we have been unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2020 of the impairment and carrying amounts of (a) the Group's property, plant and equipment and intangible assets; and (b) the Company's investments in subsidiaries and amounts due from subsidiaries were free from material misstatements. Since opening balances of these assets as at 1 January 2020 are entered into the determination of the impairment loss of these assets and the financial performance of the Group for the year ended 31 December 2020, we were unable to determine whether such adjustments might have been found to be necessary in respect of the impairment loss of these assets and financial performance for the year ended 31 December 2020. Our audit opinion on was disclaimed in this respect accordingly.

Also, as mentioned above, the audit opinion for the year ended 31 December 2019 was disclaimed by the predecessor auditor, our opinion on the comparability of the current year's figures and the corresponding figures was also disclaimed because of the possible effects of these matters.

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, 26 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**258,913**	598,369
Intangible assets	*5*	**714,757**	1,686,779
		973,670	2,285,148
Current assets			
Inventories		**818**	1,717
Trade receivables	*6*	**1,005**	2,777
Other receivables, prepayments and deposits		**14,376**	16,491
Cash and cash equivalents		**16,064**	42,851
		32,263	63,836
Total assets		**1,005,933**	2,348,984
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**2,021,534**	2,021,534
Convertible preference shares		**3,100,000**	3,100,000
Share premium		**8,374,605**	8,374,605
Other reserves		**103,199**	211,147
Accumulated losses		**(21,465,874)**	(22,253,809)
		(7,866,536)	(8,546,523)
Non-controlling interests		**(32,530)**	(16,982)
Total deficit		**(7,899,066)**	(8,563,505)
LIABILITIES			
Non-current liabilities			
Borrowings		**1,449,322**	937,125

	Note	**2020**	2019
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	*7*	**966,976**	772,802
Borrowings		**1,943,569**	2,657,418
Financial guarantee contracts		**4,545,132**	6,545,144
		7,455,677	9,975,364
Total liabilities		**8,904,999**	10,912,489
Total deficit and liabilities		**1,005,933**	2,348,984

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue	3	**34,800**	47,747
Cost of sales	9	**(41,227)**	(34,680)
Gross (loss)/profit		**(6,427)**	13,067
Selling and marketing expenses	9	**(14)**	(2,393)
General and administrative expenses	9	**(48,473)**	(43,114)
Impairment loss on property, plant and equipment	4	**(296,559)**	(19,285)
Impairment loss on intangible assets	5	**(864,374)**	—
Other gains/(losses)-net	10	**16,393**	(40)
Operating loss		**(1,199,454)**	(51,765)
Finance income		**36,641**	34,382
Finance costs		**(72,233)**	(356,821)
Finance costs — net		**(35,592)**	(322,439)
Loss before income tax		**(1,235,046)**	(374,204)
Income tax expense	11	**(8)**	—
Loss for the year from continuing operations		**(1,235,054)**	(374,204)
Discontinued operations	8		
Loss for the year from discontinued operations		**—**	(443,074)
Gain on the disposal of discontinued operations		**—**	916,012
Change in provision for financial guarantee contracts		**2,000,011**	13,333
Profit for the year arising from discontinued operations		**2,000,011**	486,271

	Note	**2020**	2019
		RMB'000	*RMB'000*
Profit for the year		**764,957**	112,067
Profit/(loss) attributable to:			
Equity holders of the Company		**782,599**	137,320
Non-controlling interests		**(17,642)**	(25,253)
		764,957	112,067
Profit/(loss) attributable to the equity holders of the Company arisen from:			
– Continuing operations		**(1,217,412)**	(378,270)
– Discontinued operations		**2,000,011**	515,590
		782,599	137,320
Other comprehensive (loss)/income for the year:			
Items that cannot be reclassified to profit or loss			
– Fair value gain on a financial asset at fair value through other comprehensive income		**—**	2,616
Other comprehensive income arising from discontinued operations		**—**	2,616
Items that may be reclassified to profit or loss			
– Exchange difference on translation of foreign operations		**(100,518)**	20,223
Other comprehensive (loss)/income for the year, net of tax		**(100,518)**	22,839
Total comprehensive income for the year		**664,439**	134,906

	Note	2020 RMB'000	2019 RMB'000
Attributable to:			
Equity holders of the Company		**679,987**	160,282
Non-controlling interests		**(15,548)**	(25,376)
		664,439	134,906
Total comprehensive (loss)/income for the year attributable to the equity holders of the Company arisen form:			
— Continuing operations		**(1,320,024)**	(357,924)
— Discontinued operations		**2,000,011**	518,206
		679,987	160,282

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

The preparation of the 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 inflow of RMB15,836,000 during the year ended 31 December 2020 (2019: outflow of RMB43,016,000). As at 31 December 2020, the Group had a deficit of RMB7,899,066,000 (31 December 2019: RMB8,563,505,000) and the Group's current liabilities exceeded its current assets by RMB7,423,414,000 (31 December 2019: RMB9,911,528,000). The Group maintained cash and cash equivalents of RMB16,064,000 as at 31 December 2020 (31 December 2019: RMB42,851,000).

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 of the core assets and liabilities of the Shipbuilding Business (the "**Disposal Group**") at a consideration of HKD1 (the "**Transaction**"). There were 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.

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.

As at 31 December 2020, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB4,545,132,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 31 December 2020.

As at 31 December 2020, borrowings of the Group amounted to RMB3,392,891,000, out of which RMB1,365,178,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 31 December 2020 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB492,486,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB1,945,592,000 outstanding as at 31 December 2020, out of which approximately RMB762,863,000, RMB242,106,000 and RMB45,360,000 had been overdue since 2017, 2018 and 2020 respectively. The remaining outstanding promissory notes amounting to RMB8,618,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements.

(ii) The Group had bank borrowing of RMB314,849,000 which was overdue in accordance with the repayment date of the agreement as at 31 December 2020.

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 Year and up to the date of the approval of these 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 the Disposal till 31 December 2020, guarantees of RMB2,210,636,000 had been discharged while RMB4,545,132,000 are expected to be released in year 2021.

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 promissory note holders regarding the borrowings of RMB2,260,441,000 to take the following actions:

(a) As at 31 December 2020, outstanding promissory notes amounting to RMB1,006,600,000 were not extended nor repaid upon the schedule repayment dates and thus became overdue, and RMB8,618,000 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 lenders for the due payment pursuant to the relevant cross-default terms.

(b) As at 31 December 2020, the Group had bank borrowing of RMB314,849,000 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) As at 31 December 2020, the Group obtained unsecured and interest-free loans from an entity controlled by a close family member of Mr. Zhang Zhi Rong amounting to RMB360,140,000, which will be due for repayment in December 2022.

v) As at 31 December 2020, the Group has drawn down USD119,708,000 (equivalent to approximately RMB781,297,000) 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 RMB1,631,675,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment. The carrying amount is RMB719,927,000 and it is payable between December 2021 and December 2022.

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 2020, 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. In addition, the Group also entered into a Cooperative 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 2020.

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 2020. 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 appropriated to prepare the 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 RMB1,945,592,000 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 RMB314,849,000 that was overdue as at 31 December 2020;

v) obtaining waiver's 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 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 and 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 abovementioned 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 consolidated financial statements.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2020 and not been early adopted by the Group as of the reporting period are as follows:

		Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual improvements to IFRS standards 2018–2020 Cycle	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2020 or not been early adopted by the Group which are relevant to the Group's operation. The Group believes that the application of amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

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 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, offshore engineering, engineering machinery and marine engine building segments (the "**Disposal Group**") were disposed in 2019. The result of Disposal Group are presented as discontinued operations. The discontinued operations derives its revenue primarily from the construction of vessels, the construction of vessels for marine projects, manufacturing of excavators and crawler cranes and building marine engines. The energy exploration and production segment derives its revenue from sales of crude oil, key commodities and products handled and traded. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. The segment information provided to the Executive Directors for the reportable segments for the years ended 31 December 2019 and 2020 is as follows:

	Discontinued operation		Continuing operation					
	The Disposal Group		**Energy exploration and production**		**Sub-total**		**Total**	
	Year ended 31 December		**Year ended 31 December**		**Year ended 31 December**		**Year ended 31 December**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue								
— Revenue from sales of crude oil	**—**	—	**22,000**	47,747	**22,000**	47,747	**22,000**	47,747
— Revenue from trading	**—**	—	**12,800**	—	**12,800**	—	**12,800**	—
— Revenue from sales of excavators	**—**	15,360	**—**	—	**—**	—	**—**	15,360
Segment revenue	**—**	15,360	**34,800**	47,747	**34,800**	47,747	**34,800**	63,107
Segment results	**—**	12,508	**(6,427)**	13,067	**(6,427)**	13,067	**(6,427)**	25,575
Selling and marketing expenses	**—**	—			**(14)**	(2,393)	**(14)**	(2,393)
General and administrative expenses	**—**	(349,869)			**(48,473)**	(43,114)	**(48,473)**	(392,983)
Provision for impairments of property, plant and equipment	**—**	—			**(296,559)**	(19,285)	**(296,559)**	(19,285)
Provision for impairments of intangible assets	**—**	—			**(864,374)**	—	**(864,374)**	—
Other income	**—**	11,704			**—**	—	**—**	11,704
Other gains/(losses)	**—**	295,510			**16,393**	(40)	**16,393**	295,470
Net gain on disposal	**—**	916,012			**—**	—	**—**	916,012
Finance costs — net	**—**	(412,927)			**(35,592)**	(322,439)	**(35,592)**	(735,366)
Change in provision for financial guarantee contracts	**2,000,011**	13,333			**—**	—	**2,000,011**	13,333
Profit/(loss) before income tax					**(1,235,046)**	(374,204)	**764,965**	112,067
Segment assets	**—**	—	**997,943**	2,322,992	**997,943**	2,322,992	**997,943**	2,322,992
Unallocated	**—**	—	**—**	—	**7,990**	25,992	**7,990**	25,992
Total assets	**—**	—	**997,943**	2,322,992	**1,005,933**	2,348,984	**1,005,933**	2,348,984
Segment liabilities	**—**	—	**373,662**	387,710	**373,662**	387,710	**373,662**	387,710
Unallocated	**—**	—	**—**	—	**8,531,337**	10,524,779	**8,531,337**	10,524,779
Total liabilities	**—**	—	**373,662**	387,710	**8,904,999**	10,912,489	**8,904,999**	10,912,489
Other segment disclosures:								
Depreciation	**—**	73,804	**18,165**	23,080	**18,165**	23,080	**18,165**	96,884
Amortisation	**—**	19,481	**1,966**	2,520	**1,966**	2,520	**1,966**	22,001
Additions to non-current assets	**—**	—	**13,743**	39,659	**13,743**	39,659	**13,743**	39,659

During the year ended 31 December 2020, revenue from the top customer of the energy exploration and production segment amounted to RMB6,228,000 (2019: RMB10,121,000), representing 17.9% (2019: 21.2%) of the total revenue.

There are three individual customers contributed more than 10% revenue of the Group's revenue for the year ended 31 December 2020 (2019: 3 individual customers). The revenue of these customers during the year are RMB6,228,000, RMB4,973,000 and RMB4,404,000 (2019: RMB10,121,000, RMB9,372,000 and RMB8,790,000) respectively.

During the year ended 31 December 2019, revenue from the top customer of the shipbuilding segment, excluding cancellation of construction contracts, amounted to RMB15,360,000, representing 100% of the total revenue from discontinued operations excluding revenue related to the cancellation of the construction contracts.

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 and PRC, 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:

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Kyrgyzstan	**22,000**	47,747
PRC	**12,800**	—
Discontinued operations		
PRC	**—**	15,360

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:

	2020	2019
	RMB'000	*RMB'000*
Kyrgyzstan	**258,315**	597,514
Hong Kong	**68**	103
PRC	**530**	752
	258,913	598,369

4 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Oil properties *RMB'000*	Computer equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Year ended 31 December 2020						
Opening net book amount	**187,290**	**408,409**	**225**	**512**	**1,933**	**598,369**
Additions	**550**	**13,186**	**–**	**7**	**–**	**13,743**
Disposals	**–**	**(405)**	**–**	**–**	**(1,103)**	**(1,508)**
Transfer	**(20,250)**	**20,250**	**–**	**–**	**–**	**–**
Depreciation	**–**	**(17,520)**	**(8)**	**(293)**	**(344)**	**(18,165)**
Impairment loss (Note 5)	**(84,741)**	**(211,818)**	**–**	**–**	**–**	**(296,559)**
Exchange difference	**(10,700)**	**(26,223)**	**–**	**–**	**(44)**	**(36,967)**
Closing net book amount	**72,149**	**185,879**	**217**	**226**	**442**	**258,913**
At 31 December 2020						
Cost or valuation	**158,184**	**508,003**	**309**	**1,233**	**1,220**	**668,949**
Accumulated depreciation and impairment loss	**(86,035)**	**(322,124)**	**(92)**	**(1,007)**	**(778)**	**(410,036)**
Net book amount	**72,149**	**185,879**	**217**	**226**	**442**	**258,913**
Year ended 31 December 2019						
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	—	(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						
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

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

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

	2020	2019
	RMB'000	*RMB'000*
Cost of sales	**17,872**	22,659
Selling and marketing expenses	**—**	—
General and administrative expenses	**293**	421
Charged to profit or loss	**18,165**	23,080

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

	Co-operation Rights
	RMB'000
For the year ended 31 December 2019	
Opening net book amount	1,668,765
Amortisation	(2,520)
Exchange differences	20,534
Closing net book amount	1,686,779
At 31 December 2019	
Cost	1,699,373
Accumulated depreciation and impairment losses	(12,594)
Net book amount	1,686,779
For the year ended 31 December 2020	
Opening net book amount	1,686,779
Amortisation	(1,966)
Provision of impairment	(864,374)
Exchange differences	(105,682)
Closing net book amount	714,757

	Co-operation Rights *RMB'000*
At 31 December 2020	
Cost	1,592,845
Accumulated depreciation and impairment losses	(878,088)
Net book amount	714,757

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 2020, 63 wells (2019: 57 wells) were at production. As a result, amortisation of RMB1,966,000 has been charged to profit or loss during the Year (2019: RMB2,520,000) based on the units-of production method.

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 2020, the Group has drawn down RMB9,100,000 for exploration and drilling wells.

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.

During the year ended 31 December 2020, due to the significant decline in crude oil price and continuing low global oil prices, the management performed impairment assessments on oil properties and construction-in-progress and the Cooperation Rights relating to the energy exploration and production segment, representing an individual cash generating unit ("**CGU**") in accordance with IAS 36 "Impairment of Assets". The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal or value-in-use calculations. These calculations use pretax (2019: same) cash flow forecast covering a period from year 2021 to year 2058 based on production plan for wells within the operating periods granted under the Co-operation Rights.

The directors of the Company have engaged an independent valuer, Valtech Valuation Advisory Limited ("**Valtech**"), to determine the recoverable amount of the CGU. Valtech and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving financial instruments. The professional valuers of Valtech involved in this valuation include professional members of the Society of Petroleum Engineers and Chartered Professional Engineers with over 20 years of experience in the petroleum industry, in relation to the technical assessment of reservoir and evaluation oil and gas projects.

In valuing the oil assets, Valtech has followed the Hong Kong Financial Reporting Standard. When appropriate, Valtech also made cross reference to the International Valuation Standards laid down by the International Valuation Standards Council.

The estimate of the recoverable amount of the CGU was determined based on a value-in-use calculation, using a discounted cash flow ("**DCF**") model, which requires various parameters and inputs, among which the projection of amount and timing of future capital expenditures to enable the exploration and development of new oil production wells is a critical input. This projection, nonetheless, hinges on the overall financial position of the Company.

After careful consideration, the management decided to use conservative parameters and inputs in the projection of the amount and timing of the capital expenditures to be invested in the energy exploration and production operation, due to the following reasons -

- Oil prices fell dramatically in the early stages of COVID-19 and have only partially regained pre-pandemic price levels. Global oil prices and demand, despite some recovery in late 2020, are expected to stabilize below pre-pandemic levels over the next years.

- Partially due to the distraction and stagnation caused by COVID-19, the discharge of the Financial Guarantee and reinstallation of the financial creditability of the Company have been prolonged significantly.

As a result, in working out the valuation, the management assumed that no further capital expenditure shall be invested in the energy exploration and production operation until 2024. Accordingly, the energy exploration and production operation will be relying on its own production and cash flow to sustain its operation over the next three years.

Among other things, the management also scrutinized other assumptions and updated them where appropriate, including crude oil price of USD35–55 per barrel (31 December 2019: USD48–65 per barrel) and a discount rate of 11.33% (31 December 2019: 11.5%).

As a result of the above assessment, the recoverable amount of the CGU falls significantly below its carrying value, and the Group has recognised a total impairment loss of RMB1,157,185,000 in the energy exploration and production operation, of which RMB864,374,000 was allocated to the Co-operation Rights and RMB292,811,000 was allocated to property, plant and equipment proportionally in accordance to IAS 36.

6 TRADE RECEIVABLES

	31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**3,832**	2,777
Less: loss allowance	**(2,827)**	–
	1,005	2,777

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:

	2020	2019
	RMB'000	*RMB'000*
0 to 30 days	**2,210**	384
31 to 60 days	**171**	657
61 to 90 days	**—**	51
Over 90 days	**1,451**	1,685
	3,832	2,777

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 RMB1,055,000 (2019: RMB2,777,000).

The carrying amounts of trade receivables are denominated in USD and RMB.

7 TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	2019 RMB'000
Trade payables	**262,493**	276,829
Other payables		
– Third parties	**91,877**	81,507
– Related parties	**42,706**	30,866
Contract liabilities	**—**	63
Accrued expenses		
– Payroll and welfare	**23,807**	21,606
– Interest	**492,486**	322,367
– Custodian fee	**26,521**	26,096
– Others	**15,915**	7,127
Other tax-related payables	**11,171**	6,341
Total trade and other payables	**966,976**	772,802

At 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date were as follows:

	31 December 2020 RMB'000	2019 RMB'000
0–30 days	**2,081**	28
31–60 days	**—**	1
61–90 days	**—**	14
Over 90 days	**260,412**	276,786
	262,493	276,829

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.

	For the period from 1 January 2019 to 10 March 2019 *RMB'000*
Revenue	15,360
Cost of sales	(2,852)
Gross profit	12,508
Other gains — net	295,510
Other income	11,704
Expenses	(349,869)
Finance costs — net	(412,927)
Loss before income tax	(443,074)
Income tax expense	–
Loss from discontinued operations	(443,074)
Fair value gains on a financial asset at fair value through other comprehensive income	2,616
Total comprehensive loss from discontinued operations	(440,458)
Net cash inflow from operation activities	19,488
Net cash outflow from investing activities	(32,950)
Net cash outflow from financing activities	(500)
Net decrease in cash and cash equivalents	(13,962)

(c) Gain on disposal of Discontinued Operations

	As at 10 March 2019
	RMB'000
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
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.

9 EXPENSES BY NATURE

	2020	2019
	RMB'000	*RMB'000*
Amortisation of intangible assets *(Note 5)*	**1,966**	2,520
Auditors' remuneration		
– audit services	**2,665**	3,084
Bank charges	**47**	86
Consultancy and professional fees	**17,210**	10,555
Cost directly associated with inventories	**16,073**	9,628
Depreciation of property, plant and equipment *(Note 4)*	**18,165**	23,080
Employee benefits expenses	**16,298**	19,708
Insurance premiums	**399**	695
Other expenses	**16,891**	10,831
Total cost of sales, selling and marketing expenses, general and administrative expenses	**89,714**	80,187

10 OTHER GAINS/(LOSSES) — NET

	2020	2019
	RMB'000	*RMB'000*
Fair value change on derivative instruments		
— embedded derivative in convertible bonds	**—**	4,680
Net foreign exchange gains/(losses)	**16,287**	(7,379)
Gain on disposal of property, plant and equipment	**106**	2,659
	16,393	(40)

11 INCOME TAX

Income tax expense of RMB8,000 represents provision for EIT in the PRC for the year.

No Hong Kong profits tax has been provided for the years ended 31 December 2020 and 2019 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.

	2020	2019
	RMB	*RMB*
Loss from continuing operations per share	**(0.10)**	(0.03)
Earnings from discontinued operations per share	**0.17**	0.04
Earnings per share	**0.07**	0.01

(b) Diluted earnings/(loss) per share

Diluted loss from continuing operations per share

Diluted loss from continuing operations per share for the year ended 31 December 2020 and 31 December 2019 are 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.

Diluted earnings from discontinued operations per share

For the years ended 31 December 2020 and 2019, since there is loss from continuing operations, no dilutive impact from discontinued operations is presented.

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

	2020	2019
	RMB'000	*RMB'000*
Basic and diluted earnings/(loss) per share		
(Loss)/profit attributable to equity holders of the Company		
– Continuing operations	**(1,217,412)**	(378,270)
– Discontinued operations	**2,000,011**	515,590
	782,599	137,320

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

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,776,491,507**	11,581,911,233

13 DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year ended 31 December 2020 (2019: nil).