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延長石油國際有限公司
YANCHANG PETROLEUM INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 00346)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Director(s)") of Yanchang Petroleum International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	4	**27,256,800**	8,197,422
Other revenue	4	**4,120**	11,484
		27,260,920	8,208,906
Expenses			
Purchases		**(27,007,663)**	(7,878,319)
Royalties		**(9,144)**	(26,700)
Field operation expenses		**(54,688)**	(72,007)
Exploration and evaluation expenses		**(2,047)**	(2,337)
Selling and distribution expenses		**(46,030)**	(13,347)
Administrative expenses		**(66,532)**	(75,974)
Depreciation, depletion and amortisation		**(98,178)**	(145,585)
Other gains and losses	5	**(705,121)**	(304,891)
		(27,989,403)	(8,519,160)

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Loss from operating activities	6	**(728,483)**	(310,254)
Finance costs	7	**(51,013)**	(61,850)
Loss before taxation		**(779,496)**	(372,104)
Taxation	8	**(13,173)**	(62,660)
Loss for the year		**(792,669)**	(434,764)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong			
– Exchange differences arising during the year		**42,090**	41,429
Other comprehensive income for the year, with nil tax effect		**42,090**	41,429
Total comprehensive income for the year		**(750,579)**	(393,335)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(795,765)**	(443,742)
Non-controlling interests		**3,096**	8,978
		(792,669)	(434,764)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(761,997)**	(400,306)
Non-controlling interests		**11,418**	6,971
		(750,579)	(393,335)
Loss per share attributable to the owners of the Company			
Basic and diluted, HK cents	10	**(4.96)**	(3.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	14	**955,951**	1,653,657
Investment properties		**17,533**	16,718
Exploration and evaluation assets		**–**	16,802
Right-of-use assets		**99,631**	24,656
Goodwill and intangible asset		**58,149**	58,149
Other non-current assets		**5,609**	6,757
		1,136,873	1,776,739
Current assets			
Inventories		**195,992**	31,541
Trade receivables	11	**344,351**	170,711
Prepayments, deposits and other receivables		**522,712**	267,705
Cash and bank balances		**436,084**	298,688
		1,499,139	768,645
Total assets		**2,636,012**	2,545,384
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**366,701**	242,911
Reserves		**304,424**	721,150
Total equity attributable to the owners of the Company		**671,125**	964,061
Non-controlling interests		**130,011**	129,285
Total equity		**801,136**	1,093,346

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	12	**743,764**	302,846
Lease liabilities		**5,949**	3,077
Tax payables		**2,929**	2,227
Bank borrowings		**572,112**	257,025
Convertible bonds		**–**	467,755
		1,324,754	1,032,930
Non-current liabilities			
Decommissioning liabilities		**144,667**	129,114
Lease liabilities		**82,719**	7,323
Deferred tax liabilities		**11,352**	11,287
Secured term loan		**271,384**	271,384
		510,122	419,108
Total liabilities		**1,834,876**	1,452,038
Total equity and liabilities		**2,636,012**	2,545,384
Net current assets/(liabilities)		**174,385**	(264,285)
Total assets less current liabilities		**1,311,258**	1,512,454

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020, but is extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Investment properties

– Petroleum and natural gas properties

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The Group incurred a loss of HK$792,669,000, including recognition of an impairment loss of HK$671,427,000 in respect of petroleum and natural gas properties for the year ended 31 December 2020. In addition, the Group has financial liabilities totaling HK$841,509,000 that are on demand or have a contractual maturities within one year. The Group will be unable to repay these borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or other sources. As at 31 December 2020, the Group only had cash and cash equivalents of HK$436,084,000.

These events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

For assessing going concern, the Directors have prepared a cash flow forecast covering a period of one year from the date of approval of these consolidated financial statements. The Directors are of the opinion that the Group will be able to general sufficient cash flows to finance its operations and meet its financial obligations as and when they fall due over the forecast period after taking account of the followings:

(i) the Group expects to generate operating cash inflows for the next twelve months;

(ii) obtaining additional finance from various sources including but not limited to banks, shareholders and other potential investors; and

(iii) disposal of certain assets to obtain funding.

Accordingly, the consolidated financial statements are prepared on going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business;
- Amendments to HKAS 1 and HKAS 8, Definition of Material; and
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform.

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRSs and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

New or amended HKFRSs, that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16, Proceeds before Intended Use[3]
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3, Reference to the Conceptual Framework[4]
Amendments to HKFRS 16, COVID-19-Related Rent Concessions[1]
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2[2]
Annual Improvements to HKFRSs 2018–2020[3]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The Directors anticipate that the application of the amendments will not impact on the Group's accounting policies in respect of the construction of assets.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The Directors anticipate that the application of the amendments will not impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arises.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

(a) the exploration, exploitation and operation business segment involves oil and gas exploration, exploitation, sale and operation; and

(b) the supply and procurement business segment involves storage, transportation, trading and distribution of oil related products.

No operating segments have been aggregated to form the above reportable segments.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Exploration, exploitation and operation		**Supply and procurement**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**95,827**	228,803	**27,160,973**	7,968,619	**27,256,800**	8,197,422
Segment (loss)/profit	**(68,239)**	(52,173)	**57,342**	42,370	**(10,897)**	(9,803)
Other revenue					**4,120**	11,484
Fair value change on investment properties					**(297)**	1,100
Net foreign exchange gain					**6,000**	1,333
Impairment loss of property, plant and equipment					**(692,563)**	(286,043)
Impairment loss of exploration and evaluation assets					**(14,045)**	–
Unallocated corporate expenses					**(20,801)**	(28,325)
Loss from operating activities					**(728,483)**	(310,254)
Finance costs					**(51,013)**	(61,850)
Loss before taxation					**(779,496)**	(372,104)
Taxation					**(13,173)**	(62,660)
Loss for the year					**(792,669)**	(434,764)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2019: nil).

Segment (loss)/profit represents the loss incurred/profit earned by each segment without allocation of other revenue, fair value change on investment properties, net foreign exchange gain, impairment loss, unallocated corporate expenses, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Exploration, exploitation and operation		Supply and procurement		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**751,229**	1,489,515	**1,854,403**	1,003,579	**2,605,632**	2,493,094
Unallocated assets					**30,380**	52,290
Total assets					**2,636,012**	2,545,384
Segment liabilities	**445,421**	435,914	**1,379,320**	515,536	**1,824,741**	951,450
Unallocated liabilities					**10,135**	500,588
Total liabilities					**1,834,876**	1,452,038

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

- all assets are allocated to reportable segments other than unallocated corporate financial assets; and
- all liabilities are allocated to reportable segments other than unallocated corporate financial liabilities.

Other segment information

	Exploration, exploitation and operation		Supply and procurement		Unallocated		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Depreciation of property, plant and equipment	**164**	234	**14,995**	8,210	**1,394**	832	**16,553**	9,276
Depreciation of right-of-use assets	**203**	183	**1,406**	794	**2,554**	1,490	**4,163**	2,467
Depletion of property, plant and equipment	**77,462**	133,842	**–**	–	**–**	–	**77,462**	133,842
Written off of expired exploration and evaluation assets	**3,107**	6,311	**–**	–	**–**	–	**3,107**	6,311
Impairment loss of property, plant and equipment	**671,427**	286,043	**21,136**	–	**–**	–	**692,563**	286,043
Impairment loss of exploration and evaluation assets	**14,045**	–	**–**	–	**–**	–	**14,045**	–
Additions to non-current assets*	**33,775**	100,527	**94,259**	17,471	**137**	11,578	**128,171**	129,576

* The amount represents additions to property, plant and equipment, right-of-use assets and exploration and evaluation assets for the years ended 31 December 2020 and 31 December 2019.

Revenue from major products and services

The Group's revenue from its major products and services was from sale of crude oil and gas as well as trading and distribution of oil related products.

Geographical information

The Group's operations are located in Canada, the People's Republic of China (the "PRC") and Hong Kong.

Information about the Group's revenue from external customers and information about the Group's non-current assets by geographical location are detailed below:

	Revenue from external customers		**Non-current assets** *(note)*	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**27,160,973**	7,968,619	**408,581**	333,843
Canada	**95,827**	228,803	**717,154**	1,426,802
Hong Kong and others	**–**	–	**5,529**	9,337
	27,256,800	8,197,422	**1,131,264**	1,769,982

Note: Non-current assets excluded other non-current assets.

Information about major customers

Included in revenue arising from supply and procurement business segment of HK$27,160,973,000 (2019: HK$7,968,619,000) are revenue of HK$7,610,142,000 (2019: HK$2,209,277,000) which arose from two (2019: two) customers of the Group, each of which contributed 10% or more to the Group's total revenue for the year.

Revenues from major customers of the Group's total revenue, are set out below:

	2020	2019
	HK$'000	*HK$'000*
Customer A *(Note 2)*	**4,619,547**	–
Customer B *(Note 2)*	**2,990,595**	152,673
Customer C *(Note 1)*	**1,162,675**	1,283,351
Customer D *(Note 1)*	**687,115**	925,926

Notes:

1. The corresponding revenues from customer C and D did not contribute over 10% of the total revenue of the Group during the year ended 31 December 2020.

2. The corresponding revenues from customer A and B did not contribute over 10% of the total revenue of the Group during the year ended 31 December 2019.

4. REVENUE AND OTHER REVENUE

Revenue represents the net invoiced value of goods sold which are recognised under point in time under HKFRS 15. All significant intra-group transactions have been eliminated on consolidation.

The Group considers the indicators under the transfer-of-control approach in HKFRS 15 and determines that the Group is acting as an agent in certain sales transactions of oil related products, although the Group still exposes to credit risk in these sales transactions, while the Group does not have sufficient control over the specific goods provided by the suppliers before goods transferred to customers. When the Group acts as an agent, it recognises revenue on a net basis to which it expects to be entitled in exchange for arranging for the specified goods to be provided by the other party.

An analysis of the Group's revenue and other revenue are as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of crude oil and gas	**95,827**	228,803
Trading and distribution of oil related products	**27,160,973**	7,968,619
	27,256,800	8,197,422

The Group's revenue is mainly derived from the sales of goods to customers in the PRC and Canada and recognised under point in time.

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 3.

	2020	2019
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**1,910**	2,945
Rental income	**571**	880
Storage fee income	**577**	5,777
Others	**1,062**	1,882
	4,120	11,484

Total future minimum lease payments receivable by the Group

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2020	2019
	HK$'000	*HK$'000*
Not later than one year	**470**	512
Later than one year and not later than two years	**423**	47
Later than two years and not later than three years	**190**	–
Later than three years and not later than four years	**–**	–
Later than four years and not later than five years	**–**	–
Later than five years	**–**	–
	1,083	559

5. OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Net foreign exchange gain	**6,000**	1,333
Fair value change on investment properties	**(297)**	1,100
Gain on disposal of property, plant and equipment	**39**	76
Written off of expired exploration and evaluation assets	**(3,107)**	(6,311)
Impairment loss of property, plant and equipment	**(692,563)**	(286,043)
Impairment loss of exploration and evaluation assets	**(14,045)**	–
Fair value change on derivative financial instruments	**–**	(15,046)
Others	**(1,148)**	–
	(705,121)	(304,891)

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**2,384**	3,656
– Non-audit services	**412**	507
Cost of inventories sold	**27,007,663**	7,878,319
Depreciation and depletion of property, plant and equipment	**94,015**	143,118
Depreciation of right-of-use assets	**4,163**	2,467
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**–**	3,134
Expense relating to variable lease payments not included in the measurement of lease liabilities	**27,114**	1,240
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**2,165**	1,817
Staff costs (including Directors' remuneration)		
– Salaries and wages	**53,607**	60,658
– Share-based payment expenses	**–**	327
– Pension scheme contributions	**1,419**	2,734

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest expenses on bank borrowings and secured term loan wholly repayable within five years	**32,696**	26,683
Interest expenses on convertible bonds	**11,858**	31,688
Interest expenses on lease liabilities	**4,303**	381
Accretion expenses of decommissioning liabilities	**2,156**	3,098
	51,013	61,850

8. TAXATION

Taxation in the consolidated statement of profit or loss and other comprehensive income represent:

	2020	2019
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – Outside Hong Kong		
Provision for the year	**13,977**	14,194
Deferred tax		
Reversal and origination of temporary differences	**(804)**	48,466
	13,173	62,660

The provision for Hong Kong Profits tax for 2020 is calculated at 16.5% (2019: 16.5%) of estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rate of taxation ruling in the relevant countries. The Canada blended statutory tax rate and PRC corporate income tax rate applicable to the Group's subsidiaries in Canada and the PRC are 25% (2019: 27%) and 25% (2019: 25%) respectively.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(795,765)**	(443,742)

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**16,052,044**	12,145,573

Diluted loss per share for the years ended 31 December 2020 and 31 December 2019 were the same as the basic loss per share. The computation of diluted loss per share for the years ended 31 December 2020 and 31 December 2019 does not assume the Company's outstanding convertible bonds and the outstanding share options since the assumed conversion of convertible bonds and the assumed exercise of share options would result in a decrease in loss per share.

11. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of up to 90 days (2019: up to 90 days), are recognised and carried at the original invoiced amount less allowance for doubtful debt. Trade receivables are non-interest bearing.

The following is an ageing analysis of trade receivables presented based on the invoice dates at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**341,941**	168,429
31 to 60 days	**195**	135
61 to 90 days	**176**	40
Over 90 days	**2,039**	2,107
	344,351	170,711

The Directors believe that no loss allowance is necessary in respect of these balances as there has not been a significant change in credit quality of these debtors and the balances are still considered fully recoverable. The amount of HK$2,039,000 (2019: HK$2,107,000) was past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collaterals or other credit enhancements over these balances.

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**115,313**	150,778
Contract liabilities	**510,779**	50,860
Other payables	**117,672**	101,208
	743,764	302,846

An ageing analysis of the trade payables at the end of the reporting period, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**115,139**	149,099
31 to 60 days	**174**	734
61 to 90 days	**–**	–
Over 90 days	**–**	945
	115,313	150,778

As at 31 December 2020 and 31 December 2019, the trade payables are non-interest bearing and have an average credit period on purchases of up to 90 days.

13. IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic persisted during the year resulting in the suppress demand and sharp decline in crude oil price, it brought uncertainty in the Group's operating environment and impacted the Group's operations and financial position. The Group has been actively monitoring the impact of the pandemic on the Group's business and has undertaken numerous unprecedented steps to respond to the global market turmoil.

The Group regularly performs assessment on the liquidity risks, where appropriate, to assess the potential impact on the Group's capital sufficiency and liquidity position. The latest Group's financial position showed that level of capital and liquidity are adequate to mitigate the risks of pandemic on operation. Prompt actions of management will be undertaken to cope with the potential impacts whenever necessary.

The Group has evaluated the accounting estimates and other matters that require the use of projected financial data to assess the impact of the COVID-19 epidemic. Accounting estimates and other matters mainly include the allowance for expected credit losses of trade receivables from customers, valuation of inventories, and impairment assessment of oil and gas assets. The global demand and international oil prices are expected to demonstrate positive trends but may be affected by further COVID-19 development. At the date of this announcement, the Group continues to assess the impact of the above factors on its financial position and future cash flows as well as thoroughly monitoring market developments. As additional information becomes available, the future assessment of these estimates, including expectations about the severity, duration and scope of the pandemic, could differ materially in the future reporting periods.

14. PROPERTY, PLANT AND EQUIPMENT

Impairment loss of petroleum and natural gas properties

The Group's petroleum and natural gas properties are aggregated into different CGUs, based on management's judgment in defining the smallest identifiable groups of assets. The recoverable amount of each CGU was determined on the basis of fair value less costs of disposal calculations for the year ended 31 December 2020 and value-in-use calculations for the year ended 31 December 2019 based on certain assumptions. Oil and natural gas prices beyond the fourth year are escalated at 2.0% per annum (2019: escalated at 2.0% per annum). All fair value less costs of disposal use post-tax and value-in-use calculations use pre-tax future cash flow projection based on the drilling proposals on proved and probable reserves approved by the management and discounted at rates ranging from 11% to 15%. In determining the discount rates, the Group considered acquisition metrics of recent transactions completed on assets similar to those in the specific CGU's and industry peer group weighted average cost of capital. The methodologies of fair value less costs of disposal and value in use are in compliance with HKAS 36, Impairment of Assets.

At 31 December 2020, the Group assessed for indicators of impairment or recovery for all its CGUs of petroleum and natural gas properties. The primary source of cash flow information was derived from the Group's petroleum and natural gas reserves, which were prepared by an independent qualified reserve evaluator (Level 3 of the fair value hierarchy). The Group determined that there were indicators of impairment at 31 December 2020 at its CGUs. The main indicator of impairment was the third party reserves evaluation which included a decrease in the forward price deck resulting in a decrease in reserve and net present value across all CGUs. During the year ended 31 December 2020, the Group recognised an impairment loss on petroleum and natural gas properties of HK$671,427,000. The recoverable amount of the petroleum and natural gas properties has been determined on the basis of their fair value less costs of disposal.

At 31 December 2019, the Group assessed for indicators of impairment or recovery for all its CGUs of petroleum and natural gas properties. The primary source of cash flow information was derived from the Group's petroleum and natural gas reserves, which were prepared by an independent qualified reserve evaluator. The Group determined that there were indicators of impairment at 31 December 2019 at its CGUs. The main indicator of impairment was the third party reserves evaluation which included a decrease in the forward price deck resulting in a decrease in reserve and net present value across all CGUs. During the year ended 31 December 2019, the Group recognised an impairment loss on petroleum and natural gas properties of HK$286,043,000. The recoverable amount of the petroleum and natural gas properties has been determined on the basis of their value in use.

The aggregate recoverable amount of the Group's petroleum and natural gas properties amounted to HK$716 million (2019: HK$1,409 million).

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE DRAFT FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2020

"We draw attention to Note 3(b) in the consolidated financial statements, which indicates that the Group incurred loss of HK$792,669,000 during the year ended 31 December 2020. This condition, along with other matters set forth in Note 3(b) in the consolidation financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

BUSINESS REVIEW AND PROSPECTS

In 2020, the global pandemic of COVID-19 continued its rampage and most of the world's major economies had experienced negative growth. The acute contraction in demand in the oil and gas industry continued to cause a downturn in oil prices. With so many unfavourable factors, the survival and development of the energy industry faced unprecedented challenges. Challenges and opportunities always co-exist. The upstream business of Yanchang Petroleum International Ltd. (the "Company") is centralized in Saskatchewan and Alberta, Canada, which is one of the most matured oil and gas markets in the world, while its downstream business includes PRC refined oil distribution in Henan, and domestic and international oil and by-products trade in Zhejiang. In the past few years, the Company has initially formed a comprehensive business chain integrating the oil and gas production, import, sub-contracted processing and distribution sectors.

UPSTREAM OIL AND GAS PRODUCTION BUSINESS IN CANADA

In the first half of 2020, Novus Energy Inc. ("Novus") lowered its costs to the greatest extent through increasing single well tanks and gathering stations inventory, and further leveraged the favourable oil price rising situation when entering the third quarter to increase crude oil sales, reduced inventory and increased income. Novus produced 445,000 barrels of equivalent ("BOE") for the year when compared with 746,000 BOE of last year, of which 363,000 barrels of crude oil and 13.99 million cubic meters of natural gas. The annual average crude oil selling price in the "Viking" play and the "Success" play were CAD41.16/barrel and CAD31.74/barrel respectively, and natural gas selling price was CAD0.07/m^3. Sales revenue for the year was CAD15.84 million.

Production and Operation

The net well drilling by Novus in 2020 was 2.5, of which one well was a co-operation project in which Novus owned 50% equity, while the other two were new drillings and were put into production in late December. As of December 2020, we had 402.5 horizontal wells and 75.4 vertical wells were in production.

Novus implemented the most stringent measures in 2020 through adjusting and optimizing staff deployment and temporarily closed down some wells with poor productivity performance, so as to minimize losses and ensure the liquidity to the greatest extent during the pandemic and plummet crude oil price period.

The operating expenses in 2020 were CAD9 million in total, down by CAD3.2 million when compared with CAD12.2 million in 2019. The Novus site staff strived to cut down costs while keeping as many wells as possible in normal operation. Many on-site workers worked for Novus without pay to ensure the normal and safe operation of the oil fields.

The administrative and management expenses in 2020 were CAD2.6 million, a decrease of CAD1.2 million or 31.6% when compared with CAD3.8 million in 2019. By cutting down administrative expenses and applying for federal subsidies, the administrative and management expenses of Novus in 2020 were reduced to its lowest level in history.

Novus re-negotiated and signed a pipeline transportation agreement with Inter Pipeline, a pipeline transportation company, in April 2020. According to the new agreement, Novus receives approximately CAD2 per barrel discount until July 2021. As of the end of 2020, the new agreement has saved the Company about CAD600,000 and will save another CAD150,000 in 2021.

DOWNSTREAM OIL AND BY-PRODUCTS SALES BUSINESS IN CHINA

(i) Henan Yanchang refined oil business

In 2020, Henan Yanchang Petroleum Sales Co., Ltd. ("Henan Yanchang") sold a total of 6.024 million tonnes of refined oil, a year-on-year increase of 49% and achieved operating income of RMB22.18 billion total profit of RMB17.043 million. Receivables recovery was 100%. Integrated controls on production and financial operations have been conducted in a safe and efficient manner with no accidents reported.

Expanding direct sales business scale with quantity and efficiency both increasing

Sales along highways are mainly selling external sourcing products, and is supplemented by direct factory sales. The development of direct sales selling external sourcing products has broadened our procurement channels and improved factory sales potential. In 2020, the proportion of sales along highways to external sourcing sales was 1:3. While fortifying the dominant position in the south-western China market, railway direct sales deepened the strategic co-operation with Sinopec beyond Henan Province, and gradually developed towards north-western China, Hubei and Hunan. Sales in north-western China have increased significantly, accounted for 22.77%. The monthly sales volume of railway direct sales exceeded 100,000 tonnes, hitting historic high.

Sales from external sourcing advancing optimistically, achieving transformation and breakthrough

In 2020, Henan Yanchang continued to deepen the partnerships with key customers, accelerated business transformation, forged professional teams, paid close attention to risk management and control, and extended business chain, with sales volume and results both achieved substantive breakthrough. Especially in terms of non-oil products trade, Henan Yanchang opened up the non-ferrous metals, liquid wax, residual oil, LNG and other business sectors of new non-oil products during the year. In 2020, the cumulative sales volume from external sourcing was 3.266 million tonnes, over 200% increase year-on-year. Sales revenue was RMB18.069 billion and gross profit was RMB30.88 million, both of which had dominantly accounted for over 50% of total business of Henan Yanchang.

Terminal development leaping forward to foster brand equity

Resting on the development concept of "mutual facilitation among tanks and gas stations" and with precise market positioning, a total of 3 oil tanks and 4 gas stations were added in 2020. 2 strategic co-operative oil tanks were layout in Ningxia, and completed the signing of 1 franchised gas station. The annual sales of oil products were over 60,000 tonnes, of which gasoline monthly sales reached more than 3,000 tonnes, which had accumulated valuable experience for the co-operation business of oil tanks for Henan Yanchang beyond Henan Province, while also effectively enhanced the brand effect of Shaanxi Yanchang Petroleum (Group) Co., Ltd. ("Yanchang Petroleum Group") in the north-western China market. Henan Yanchang completed the leasing co-operation of 1 oil tank and 3 gas stations in Zhoukou, Henan, and marched a big step forward in the terminal business expansion of the Henan regional market. Henan Yanchang became the first company under Yanchang Petroleum Group to carry out franchising and gas station leasing business, and has accumulated experience for the multi-channel oil tanks and gas stations layout of Yanchang Petroleum Group. Henan Yanchang continued to strengthen the operation and management of the existing 4 gas stations, enhance branding, service and marketing promotion. Since the second quarter, the average daily sales of gas stations have remained at about 40 tonnes, with good word of mouth, brand strength and reputation in the regional market.

(ii) Yanchang Zhejiang oil and by-products business

In 2020, Yanchang Petroleum (Zhejiang FTZ) Ltd. ("Yanchang Zhejiang") achieved sales volume of 333,000 tonnes, which were mainly bitumen products, achieving an 18-fold increase year on year. Sales revenue was RMB680 million, including revenue of raw oil import business of RMB350 million, domestic trade sales revenue of RMB230 million, and revenue from factory finished product sales of RMB100 million. Achieved profit was RMB7.66 million in 2020, and receivables recovery rate was 100%.

Expand trade to ensure survival, and double-wheel drive mode to improve results

In order to effectively cope with the impact of low oil prices and win the battle, Yanchang Zhejiang built timely position in the import trade link, which hedged the cost of goods in high-priced range, and realized profit in 2020. Meanwhile, Yanchang Zhejiang seized the market opportunity of funds shortage and inability to start production in many high-quality local refineries in China, and successfully carried out in-depth co-operation with Chongqing Longhai Refinery in the face of fierce competition, to realize the "double-wheel drive" mode of trade plus sub-contracted processing.

Comprehensively plan risks control, and dig deep into the high-price regional markets

In accordance with the strategic deployment of "guaranteeing production, operation for further development", Yanchang Zhejiang made strict control of major risks, improved the management and control principles and transaction mode of trading business, and established internal management and control systems and risk prevention and control measures. At present, Yanchang Zhejiang has seized the favourable opportunity of rising market prices to actively carry out sales in the high-priced regions of Yunnan, Guizhou, Sichuan, and Chongqing, while rapidly establishing a sales team.

OUTLOOK

In May 2020, after the US$60 million convertible bonds held by Yanchang Petroleum Group (Hong Kong) Co., Limited ("Yanchang Petroleum HK") were fully converted, the Company's financial position has been significantly improved. In order to further consolidate the capital structure, optimize equity structure, and enrich the Company's capital strengths, our management team proactively explored different aspects, and discussed strategic co-operation possibility with numerous fund and investment companies, striving for early implementation of strategic co-operation.

The world's major economies have already adapted to the impact of COVID-19, and as vaccinations are already rollout over the world, major economies have adjusted their economic growth targets upwards for 2021, and market confidence has increased and also stabilised international crude oil prices. Through the efforts in the past few years, the Company has consolidated its existing assets, improved its financial situation, and built a basic framework for future development. The Company will grasp the favourable environment of global economic and crude oil prices bounce back to increase revenue, earn profit, establish an intrinsic regime for sustainable profitability, continuous business expansion, and seek maximum benefits for shareholders of the Company.

FINANCIAL REVIEW

Highlights on financial results

	2020	2019	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**27,256,800**	8,197,422	233%
Other revenue	**4,120**	11,484	(64%)
Purchases	**(27,007,663)**	(7,878,319)	243%
Royalties	**(9,144)**	(26,700)	(66%)
Field operation expenses	**(54,688)**	(72,007)	(24%)
Exploration and evaluation expenses	**(2,047)**	(2,337)	(12%)
Selling and distribution expenses	**(46,030)**	(13,347)	245%
Administrative expenses	**(66,532)**	(75,974)	(12%)
Depreciation, depletion and amortisation	**(98,178)**	(145,585)	(33%)
Other gains and losses	**(705,121)**	(304,891)	131%
Finance costs	**(51,013)**	(61,850)	(18%)
Taxation	**(13,173)**	(62,660)	(79%)
Loss for the year	**(792,669)**	(434,764)	82%

Segment revenue and segment results

For the year under review, the Group's operating segments comprised (i) exploration, exploitation and operation business, and (ii) supply and procurement business. During the year ended 31 December 2020, the Group's turnover was mainly derived from the production of oil and natural gas in Canada as well as the trading of oil and by-products in the PRC.

Novus is engaged in the business of exploration, exploitation and production of oil and natural gas in Western Canada. Novus achieved production of oil and gas of 463,000 BOE and contributed production income of HK$95,827,000 during the year under review as compared to production of 746,000 BOE and production income of HK$228,803,000 of the previous year. Due to the suppressed demand and sharp decline in oil prices as a result of the COVID-19 pandemic persisted during the year under review, the exploration, exploitation and operation business recorded an operating loss of HK$68,239,000 this year as compared to an operating loss of HK$52,173,000 last year.

Due to an increase in sales volume from the previous year of 3.70 million tonnes to this year of 6.36 million tonnes, the revenue of oil and by-products trading business of the PRC increased by 240.8% from the previous year of HK$7,968,619,000 to this year of HK$27,160,973,000 and contributed a segment operating profit of HK$57,342,000, as compared to a profit of HK$42,370,000 in the previous year.

Other revenue

Apart from the aforesaid segment results, other revenue of HK$4,120,000 which mainly represented interest income from bank deposits and storage fee, oil card income from the PRC was recorded for the year under review, compared to that of HK$11,484,000 in the previous year.

Purchases

Purchases were wholly derived from the oil and by-products trading business in the PRC, which increased from the previous year of HK$7,878,319,000 to this year of HK$27,007,663,000. The increase of purchases was mainly due to the increase in sales of the refined oil trading business.

Royalties

Royalties, including crown, freehold and overriding royalties incurred by Novus for the oil and natural gas production in Canada, decreased from the last year of HK$26,700,000 to the current year of HK$9,144,000 due to drop in oil prices and sale volume.

Field operation expenses

Due to the austerity measures by Novus, field operation expenses decreased to this year of HK$54,688,000 from the previous year of HK$72,007,000. Such expenses were incurred by Novus in the production of oil and natural gas in Canada, which included labour costs, repairs and maintenance, processing costs, fluid hauling, lease rentals and workovers etc.

Exploration and evaluation expenses

Exploration and evaluation expenses amounted to HK$2,047,000 which represented the holding costs, mainly lease rentals, on the interests of non-producing lands held by Novus, compared to that of HK$2,337,000 in the previous year.

Selling and distribution expenses

Selling and distribution expenses, increased from the previous year of HK$13,347,000 to the current year of HK$46,030,000. Such increase in the expenses was mainly incurred by Henan Yanchang and Yanchang Zhejiang as a result of increase in trading volume of oil and by-products trading business in the PRC.

Administrative expenses

Administrative expenses including directors' remuneration, staff costs, office rentals, professional fees and listing fee etc., amounted to HK$66,532,000 this year, compared to HK$75,974,000 of the previous year. Such decrease was mainly attributable to the saving of expenditure for the year under review.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation decreased from the previous year of HK$145,585,000 to the current year of HK$98,178,000. This was mainly due to the decrease in depletion of Novus in Canada during the year under review.

Other gains and losses

Other losses of HK$705,121,000 recorded this year mainly including (i) the impairment loss on the oil and gas assets of the Group amounting to HK$706,608,000, (ii) written off of expired exploration and evaluation assets of HK$3,107,000, (iii) share of loss on other non-current assets of HK$1,148,000, and after offsetting (iv) net foreign exchange gains of HK$6,000,000.

Finance costs

Finance costs of HK$51,013,000 comprised (i) bank borrowing costs and secured term loan interest totally HK$32,696,000 related to the businesses of Henan Yanchang and Novus, (ii) accretion expenses totaling HK$2,156,000 related to the provision of the decommissioning liabilities incurred by Novus, (iii) imputed interest of HK$11,858,000 arising from the issue of the convertible bonds, and (iv) imputed interest of HK$4,303,000 related to lease liabilities.

Taxation

Taxation of HK$13,173,000 comprised (i) provision for the PRC enterprise income tax on the profit earned from the oil and by-products trading business of the PRC amounted to HK$13,977,000 and after off-setting (ii) recognition of deferred tax assets amounted to HK$804,000.

Loss for the year

During the year under review, oil and by-products trading business of the PRC still performed well and remained profitable. However, due to the suppressed demand in crude oil and sharp decline in oil prices, the exploration, exploitation and operation business in Canada recorded an operating loss and the significant impairment of oil and gas assets. The Group as a whole recorded a loss of HK$792,669,000 for the year as compared to a loss of HK$434,764,000 for the previous year.

Highlights on financial position

	2020	2019	Change in
	HK$'000	*HK$'000*	%
Property, plant and equipment	**955,951**	1,653,657	(42%)
Investment properties	**17,533**	16,718	5%
Exploration and evaluation assets	**–**	16,802	N/A
Right-of-use assets	**99,631**	24,656	304%
Goodwill and intangible asset	**58,149**	58,149	–
Inventories	**195,992**	31,541	521%
Trade receivables	**344,351**	170,711	102%
Prepayments, deposits and other receivables	**522,712**	267,705	95%
Cash and bank balances	**436,084**	298,688	46%
Trade and other payables	**(743,764)**	(302,846)	146%
Bank borrowings	**(572,112)**	(257,025)	123%
Convertible bonds	**–**	(467,755)	N/A
Decommissioning liabilities	**(144,667)**	(129,114)	12%
Lease liabilities	**(88,668)**	(10,400)	753%
Secured term loan	**(271,384)**	(271,384)	–

Property, plant and equipment

Property, plant and equipment consisted of buildings, furniture, fixtures and equipment, plant and machineries, motor vehicles, petroleum and natural gas properties and construction-in-progress amounted to HK$955,951,000. The decrease for the year was mainly attributable to the recognition of impairment loss on petroleum and natural gas properties of Novus in Canada and recognition of impairment loss on construction-in-progress in the PRC.

Investment properties

Investment properties comprised properties in the PRC owned by Henan Yanchang leased out in return of receiving rental income.

Exploration and evaluation assets

Exploration and evaluation assets mainly represented the undeveloped land held by Novus as at 31 December 2020, and the amount had been fully impaired.

Right-of-use assets

Right-of-use assets consisted of leasehold lands and gas stations in the PRC owned by Henan Yanchang and office rentals operated in the PRC, Hong Kong and Canada by the Group.

Goodwill and intangible asset

Goodwill and intangible asset was arisen on the acquisition of 70% interest in Henan Yanchang by the Group in 2011. No impairment had been made for such asset during the year, hence the amount remained the same as the previous year.

Inventories

Inventories mainly represented the refined oil held in oil storage tanks of Henan Yanchang and inventory of oil products of Yanchang Zhejiang in the PRC as at 31 December 2020.

Trade receivables

Trade receivables represented account receivables from customers of Novus in Canada, Henan Yanchang and Yanchang Zhejiang in the PRC as at 31 December 2020. The outstanding amounts had been mostly recovered in February 2021.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased to this year of HK$522,712,000 from the previous year of HK$267,705,000. Such increase was mainly due to the increase in prepayments made for the purchases of refined oil by Henan Yanchang and for the purchase of oil and by-products by Yanchang Zhejiang, for the trading business in the PRC.

Cash and bank balances

As at 31 December 2020, cash and bank balances increased by HK$137,396,000 and maintained at HK$436,084,000 as compared to the last year of HK$298,688,000.

Trade and other payables

Trade and other payables mainly represented trade payables to suppliers and prepayments received in advance from customers of oil and by-products trading business in the PRC as at 31 December 2020.

Bank borrowings

The amount represented loans from banks of the PRC to finance the refined oil trading business of Henan Yanchang.

Convertible bonds

The amount represented the US$60,000,000 2-year convertible bonds with coupon interest rate of 6% issued to Yanchang Petroleum HK in November 2018. The aggregate principal amount of US$60,000,000 convertible bonds were fully converted into ordinary shares of the Company on 15 May 2020.

Decommissioning liabilities

The amount represented the expected future costs associated with the plugging and abandonment of wells, facilities dismantlement and site reclamation in Canada incurred by Novus.

Lease liabilities

The amount represented the obligation to make lease payments in relation to leasehold lands in the PRC owned by Henan Yanchang and office rentals in the PRC, Hong Kong and Canada.

Secured term loan

The amount represented the US$35,000,000 3-year secured term loan granted to Novus by Yanchang Petroleum HK as general working capital for operation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by its internal resources together with bank borrowings, convertible bonds and secured term loan for the year ended 31 December 2020.

	2020	2019
	HK$'000	*HK$'000*
Current assets	**1,499,139**	768,645
Total assets	**2,636,012**	2,545,384
Current liabilities	**1,324,754**	1,032,930
Total liabilities	**1,834,876**	1,452,038
Total equity	**801,136**	1,093,346
Gearing ratio	**229.0%**	132.8%
Current ratio	**113.2%**	74.4%

The Group had outstanding variable interest rates bank borrowings amounted to HK$572,112,000 (equivalent to RMB480,000,000) as at 31 December 2020 (31 December 2019: HK$257,025,000) under Henan Yanchang. The Group has obtained bank facilities of HK$750,897,000 (equivalent to RMB630,000,000) from banks in the PRC in verbal form.

On 28 November 2018, the Company raised fund from the issue of convertible bonds to Yanchang Petroleum HK in the principal amount of US$60,000,000 (equivalent to HK$471,000,000) which carry coupon interest with 6% and mature on the second anniversary date from the date of issue. Part of the fund raised amounted to HK$383,897,000 had been used for the repayment of the convertible bonds issued to China Construction Bank Corporation ("CCBC") in 2015 and the balance is used as general working capital for the Group's business needs. The aggregate principal amount of US$60,000,000 convertible bonds were fully converted into ordinary shares on 15 May 2020.

On 20 December 2019, Novus has drawn down the secured term loan of US$35,000,000 granted by Yanchang Petroleum HK which bears interest rate at 4.8% per annum and repayable in 3 years. The secured term loan granted to Novus by Yanchang Petroleum HK as general working capital for operation. The principal amount of secured term loan was still outstanding as at 31 December 2020.

As at 31 December 2020, the Group had cash and bank balances of HK$436,084,000 (31 December 2019: HK$298,688,000). In view of the cash on hand together with the available bank facilities, the Group has enough working capital to finance its business operation.

As at 31 December 2020, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, was 229.0% as compared to 132.8% of the previous year. The current ratio of the Group, measured on the basis of current assets as a percentage of current liabilities stood at 113.2% as at 31 December 2020 (31 December 2019: 74.4%).

COMMODITY PRICE MANAGEMENT

Novus is engaged in crude oil and gas development, production and selling activities. Prices of crude oil and gas are affected by both domestic and global factors which are beyond the control of Novus. The fluctuations in such prices may have favourable or unfavourable impacts to the Group. Therefore the Group was exposed to general price fluctuations of crude oil and gas. No commodity contract was entered for the year ended 31 December 2020.

TREASURY MANAGEMENT AND POLICIES

The Group adopts a prudent approach for its cash management and risk control. The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates.

Cash has been generally placed in short-term deposits denominated in Hong Kong dollar, US dollar, Canadian dollar and Renminbi. The Group has obtained bank facilities and borrowings with stable interest rates. The Group does not foresee any significant interest rate risks. The Group's transactions and investment are mostly denominated in Hong Kong dollar, US dollar, Canadian dollar and Renminbi. As the Group's policy is to have its operating entities to operate in their corresponding local currencies to minimise currency risks, therefore the Group does not anticipate any material foreign exchange exposures and risks.

During the year under review, no hedging transactions related to foreign exchange had been made, proper steps will be taken when the management considers appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals for the year ended 31 December 2020 (31 December 2019: nil).

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments as at 31 December 2020 (31 December 2019: nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had commitments related to property, plant and equipment amounted to HK$8,585,000 (31 December 2019: HK$1,713,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2020.

PLEDGE OF ASSETS

US$35,000,000 secured term loan granted by Yanchang Petroleum HK, available to Novus, is secured by the debenture of US$70,000,000 with first and fixed charge over all of Novus's right, title and interest, with floating charge over all assets of Novus.

Save as the aforesaid, none of the Group's other assets had been pledged for granting the bank and other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: nil).

LITIGATION

As at 31 December 2020, the Group had no material litigation (31 December 2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group's total number of staff was 218 (2019: 163). Salaries of employees are maintained at a competitive level with total staff costs for the year ended 31 December 2020 amounted to HK$55,026,000 (2019: HK$63,719,000). Remuneration policy is based on principle of equality, motivation, performance and prevailing market practice and remuneration packages are normally reviewed on an annual basis. Other staff benefits including provident fund, medical insurance coverage and etc. There is also a share option scheme offered to employees and eligible participants. No share option was granted under the Company's share option scheme during the years ended 31 December 2020 and 2019.

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2020 (31 December 2019: nil).

HEALTH, SAFETY AND ENVIRONMENT POLICIES

The Group is committed to ensuring a safe and healthful workplace and the protection of the environment. The Company believes that safety and protecting the environment is important to good business and that all work-related injuries, illnesses, property losses and adverse environmental impacts are preventable. There are no loss time accidents occurred in 2020 and 2019.

The Group's health, safety and environment polices include:

– Make health, safety and environmental considerations a top priority.

– Work actively to continuously improve safety and environmental performance.

– Identify potential risks and hazards before work begins.

– Encourage personnel to be individually responsible for identifying and eliminating hazards.

– Ensure personnel have sufficient training, resources and systems.

– Provide and maintain properly engineered facilities, plants and equipment.

– Actively monitor, audit and review to improve systems, processes, environmental and safety performance.

– As a minimum, ensure regulatory compliance at all times.

No environmental claims, lawsuits, penalties or administrative sanctions were reported to the Company's management. The Company is of the view that the Group were in compliance with all relevant laws and regulations in Hong Kong, Canada and the PRC, regarding environmental protection in all material respects during the year under review. The Group has also adopted and implemented the environmental policies on a standard which is not less stringent than the prevailing environmental laws and regulations of Hong Kong, Canada and the PRC.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group has built up long-term relationship with suppliers and customers. During the year under review, there were no material and significant dispute between the Group and its suppliers and/or customers.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to achieve a high standard of corporate governance practices and procedures with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. The Board will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for the shareholders.

In the opinion of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules during the year ended 31 December 2020, except for the following deviations:

1. code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The position of the chief executive officer of the Company was temporarily vacant following the resignation of Mr. Bruno Guy Charles Deruyck as an executive Director and chief executive officer on 1 June 2019 as the Company needs times to identify a suitable candidate to assume the role of the chief executive officer.

2. code provision A.4.2 of the CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following annual general meeting of the Company is less than one year and is considered to be short.

3. code provision A.6.7 of the CG Code provides that independent non-executive Directors and other non-executive Directors should also attend general meetings and develop a balanced understanding of the views of shareholders. One of the independent non-executive Directors, Mr. Ng Wing Ka was unable to attend at the annual general meeting ("2020 AGM") of the Company held on 5 June 2020 due to other ad hoc engagements.

4. code provision E.1.2 of the CG Code provides that the chairman of the board should attend the AGM. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. The chairman of the Board, Mr. Li Yi was unable to attend the AGM due to the impact of the COVID-19 pandemic. Besides, the chairman of the nomination committee, Mr. Ng Wing Ka was unable to attend the 2020 AGM due to other ad hoc engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Sun Liming. Mr. Leung Ting Yuk is the chairman of the audit committee.

The audit committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the risk management, internal control systems and financial reporting matters. The audit committee has reviewed the results of the Group for the year ended 31 December 2020.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, BDO, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO, Certified Public Accountants, in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement for the year ended 31 December 2020 is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.yanchanginternational.com). The Company's annual report for 2020 will be despatched to the shareholders of the Company and available on the above websites in due course.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the Company will be held on 28 May 2021 and the notice of the 2021 AGM of the Company will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 25 May 2021 to 28 May 2021 (both days inclusive), during which period, no transfer of share(s) will be registered. In order to qualify for attending the AGM of the Company to be held on 28 May 2021, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited located at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on 24 May 2021.

By Order of the Board
Yanchang Petroleum International Limited
Li Yi
Chairman

Hong Kong, 26 March 2021

Executive Directors:

Mr. Li Yi *(Chairman)*
Ms. Sha Chunzhi
Mr. Feng Yinguo
Mr. Li Jun

Independent Non-Executive Directors:

Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Sun Liming
Dr. Mu Guodong