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 2021

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 2021 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	4	**19,776,474**	27,256,800
Other revenue	4	**8,545**	4,120
		19,785,019	27,260,920
Expenses			
Purchases		**(19,315,716)**	(27,007,663)
Royalties		**(25,088)**	(9,144)
Field operation expenses		**(56,695)**	(54,688)
Exploration and evaluation expenses		**(2,512)**	(2,047)
Selling and distribution expenses		**(97,203)**	(46,030)
Administrative expenses		**(110,465)**	(66,532)
Depreciation, depletion and amortisation		**(86,296)**	(98,178)
Other gains and losses	5	**332,302**	(705,121)
		(19,361,673)	(27,989,403)

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Profit/(loss) from operating activities	*6*	**423,346**	(728,483)
Finance costs	*7*	**(45,790)**	(51,013)
Profit/(loss) before taxation		**377,556**	(779,496)
Taxation	*8*	**(19,101)**	(13,173)
Profit/(loss) for the year		**358,455**	(792,669)
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		**24,790**	42,090
Other comprehensive income for the year, with nil tax effect		**24,790**	42,090
Total comprehensive income for the year		**383,245**	(750,579)
Profit/(loss) for the year attributable to:			
Owners of the Company		**353,601**	(795,765)
Non-controlling interests		**4,854**	3,096
		358,455	(792,669)
Total comprehensive income for the year attributable to:			
Owners of the Company		**374,836**	(761,997)
Non-controlling interests		**8,409**	11,418
		383,245	(750,579)
Earnings/(losses) per share			
Basic and diluted, *HK cents*	*10*	**1.93**	(4.96)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**1,480,631**	955,951
Investment properties		**17,890**	17,533
Exploration and evaluation assets		**592**	–
Right-of-use assets		**94,334**	99,631
Goodwill and intangible asset		**58,149**	58,149
Other non-current assets		**2,000**	5,609
		1,653,596	1,136,873
Current assets			
Inventories		**460,653**	195,992
Trade receivables	*12*	**664,890**	344,351
Prepayments, deposits and other receivables		**1,335,434**	522,712
Cash and bank balances		**394,132**	436,084
		2,855,109	1,499,139
Total assets		**4,508,705**	2,636,012
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**366,701**	366,701
Reserves		**669,666**	304,424
Total equity attributable to the owners of the Company		**1,036,367**	671,125
Non-controlling interests		**131,077**	130,011
Total equity		**1,167,444**	801,136

	Notes	**2021** *HK$'000*	2020 *HK$'000*
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**2,198,499**	743,764
Lease liabilities		**5,270**	5,949
Tax payables		**5,204**	2,929
Bank borrowings		**427,350**	572,112
Secured term loans		**270,298**	–
		2,906,621	1,324,754
Non-current liabilities			
Decommissioning liabilities		**169,863**	144,667
Lease liabilities		**79,643**	82,719
Deferred tax liabilities		**12,434**	11,352
Secured term loans		**172,700**	271,384
		434,640	510,122
Total liabilities		**3,341,261**	1,834,876
Total equity and liabilities		**4,508,705**	2,636,012
Net current (liabilities)/assets		**(51,512)**	174,385
Total assets less current liabilities		**1,602,084**	1,311,258

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 2021, 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 2021 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 investment properties are stated at their fair value.

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 had net current liabilities of HK$51,512,000 as at 31 December 2021. In addition, the Group has financial liabilities totaling HK$1,387,095,000 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 2021, the Group only had cash and cash equivalents of HK$394,132,000.

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 generate 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 from the date of approval of these consolidated financial statements;

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

(iii) the Group will renew the existing banking facilities from the banks; and

(iv) 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 HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

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

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

The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

The amendments do not have an impact on the Group's consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the interest rate benchmark reform.

Amendments 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.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As no rent concessions arose during the current and the previous financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2021 on initial application of the amendment.

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.

- Amendment to HKFRS 16, COVID-19-Related Rent Concessions Beyond 30 June 2021[1]
- Annual Improvements to HKFRSs 2018–2020[2]
- Amendments to HKAS 16, Proceeds before Intended Use[2]
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract[2]
- Amendments to HKFRS 3, Reference to the Conceptual Framework[3]
- 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[4]
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies[4]
- Amendments to HKAS 8, Definition of Accounting Estimates[4]

- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]

- Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] 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.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] 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 HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

Effective 1 April 2021, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(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) Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

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

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

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 right-of-use assets and lease liabilities.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits 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 clarifies 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 amends 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 removes 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.

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 and revision in the future will have an impact on the consolidated financial statements.

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 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The HKICPA amended HKAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is "material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed, if it is disclosed, it should not obscure material accounting information.

To support this amendment, the HKICPA also amended HKFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

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 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occurs on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities; and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

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 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.

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	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**199,774**	95,827	**19,576,700**	27,160,973	**19,776,474**	27,256,800
Segment profit/(loss)	**23,913**	(68,239)	**81,687**	57,342	**105,600**	(10,897)
Other revenue					**8,545**	4,120
Fair value change on investment properties					**(122)**	(297)
Net foreign exchange gain					**2,882**	6,000
Impairment reversal/(loss) of property, plant and equipment					**333,161**	(692,563)
Impairment loss of exploration and evaluation assets					**–**	(14,045)
Unallocated corporate expenses					**(26,720)**	(20,801)
Profit/(loss) from operating activities					**423,346**	(728,483)
Finance costs					**(45,790)**	(51,013)
Profit/(loss) before taxation					**377,556**	(779,496)
Taxation					**(19,101)**	(13,173)
Profit/(loss) for the year					**358,455**	(792,669)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2020: nil).

Segment profit/(loss) represents the profit earned/loss incurred by each segment without allocation of other revenue, fair value change on investment properties, net foreign exchange gain, impairment reversal/(loss) of property, plant and equipment, 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**	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,379,631**	751,229	**3,113,345**	1,854,403	**4,492,976**	2,605,632
Unallocated assets					**15,729**	30,380
Total assets					**4,508,705**	2,636,012
Segment liabilities	**676,923**	445,421	**2,658,103**	1,379,320	**3,335,026**	1,824,741
Unallocated liabilities					**6,235**	10,135
Total liabilities					**3,341,261**	1,834,876

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	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	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	**101**	164	**11,391**	14,995	**1,357**	1,394	**12,849**	16,553
Depreciation of right-of-use assets	**205**	203	**5,145**	1,406	**2,554**	2,554	**7,904**	4,163
Depletion of property, plant and equipment	**65,543**	77,462	**–**	–	**–**	–	**65,543**	77,462
Written off of property, plant and equipment	**–**	–	**3,667**	–	**–**	–	**3,667**	–
Written off of expired exploration and evaluation assets	**–**	3,107	**–**	–	**–**	–	**–**	3,107
Impairment (reversal)/loss of property, plant and equipment	**(373,169)**	671,427	**40,008**	21,136	**–**	–	**(333,161)**	692,563
Impairment loss of exploration and evaluation assets	**–**	14,045	**–**	–	**–**	–	**–**	14,045
Additions to non-current assets*	**240,797**	33,775	**18,537**	94,259	**27**	137	**259,361**	128,171

* The amount represents additions to property, plant and equipment, right-of-use assets and exploration and evaluation assets for the years ended 31 December 2021 and 31 December 2020.

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)*	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**19,576,700**	27,160,973	**376,369**	408,581
Canada	**199,774**	95,827	**1,273,581**	717,154
Hong Kong and others	**–**	–	**1,646**	5,529
	19,776,474	27,256,800	**1,651,596**	1,131,264

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$19,576,700,000 (2020: HK$27,160,973,000) are revenue of HK$2,355,468,000 (2020: HK$7,610,142,000) which arose from one (2020: two) customer 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:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**2,355,468**	4,619,547
Customer B *(Note)*	**1,187,760**	2,990,595

Note: The corresponding revenues from customer B did not contribute over 10% of the total revenue of the Group during the year ended 31 December 2021.

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:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of crude oil and gas	**199,774**	95,827
Trading and distribution of oil related products	**19,576,700**	27,160,973
	19,776,474	27,256,800

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.

	2021	2020
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**4,949**	1,910
Rental income	**721**	571
Storage fee income	**–**	577
Others	**2,875**	1,062
	8,545	4,120

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:

	2021	2020
	HK$'000	*HK$'000*
Not later than one year	**724**	470
Later than one year and not later than two years	**210**	423
Later than two years and not later than three years	**–**	190
	934	1,083

5. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Net foreign exchange gain	**2,882**	6,000
Fair value change on investment properties	**(122)**	(297)
Gain on disposal of property, plant and equipment	**–**	39
Written off of expired exploration and evaluation assets	**–**	(3,107)
Reversal/(recognition) of impairment loss of property, plant and equipment	**333,161**	(692,563)
Impairment loss of exploration and evaluation assets	**–**	(14,045)
Others	**(3,619)**	(1,148)
	332,302	(705,121)

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	2021	2020
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**2,624**	2,384
– Non-audit services	**413**	412
Cost of inventories sold	**19,315,716**	27,007,663
Depreciation and depletion of property, plant and equipment	**78,392**	94,015
Depreciation of right-of-use assets	**7,904**	4,163
Written off of property, plant and equipment	**3,667**	–
Expense relating to variable lease payments not included in the measurement of lease liabilities	**36,240**	27,114
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**2,447**	2,165
Staff costs (including Directors' remuneration)		
– Salaries and wages	**74,366**	53,607
– Pension scheme contributions	**4,288**	1,419

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest expenses on bank borrowings and secured term loans wholly repayable within five years	**39,992**	32,696
Interest expenses on convertible bonds	**–**	11,858
Interest expenses on lease liabilities	**4,421**	4,303
Accretion expenses of decommissioning liabilities	**1,377**	2,156
	45,790	51,013

8. TAXATION

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

	2021	2020
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**86**	–
Current tax – Outside Hong Kong		
Provision for the year	**18,293**	13,977
Deferred tax		
Origination/(reversal) of temporary differences	**722**	(804)
	19,101	13,173

The provision for Hong Kong Profits tax for 2021 is calculated at 16.5% (2020: 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% (2020: 25%) and 25% (2020: 25%) respectively.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

10. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share attributable to the owners of the Company is based on the following data:

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basic and diluted earnings/(losses) per share	**353,601**	(795,765)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(losses) per share	**18,335,047**	16,052,044

Diluted earnings/(losses) per share for the years ended 31 December 2021 and 31 December 2020 were the same as the basic earnings/(losses) per share as the Company had no dilutive potential ordinary shares in existence during the years ended 31 December 2021 and 31 December 2020. The computation of diluted earnings/(losses) per share for the year ended 31 December 2020 does not assume the conversion of the Company's outstanding convertible bonds since the assumed conversion would result in a decrease in earnings/(losses) per share.

11. 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. Oil and natural gas prices beyond the fourth year are escalated at 2% per annum (2020: escalated at 2% per annum). All fair values less costs of disposal use post-tax future cash flow projection based on the drilling proposals on proved and probable reserves approved by management and discounted at 10.5% (2020: 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 2021, 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 reversal at 31 December 2021 at its CGUs. The main indicator of reversal of impairment was the third party reserves evaluation which included an increase in the forward price deck resulting in an increase in reserve and net present values across all CGUs. During the year ended 31 December 2021, the Group recognised an impairment reversal on petroleum and natural gas properties of HK$373,169,000. The recoverable amount of the petroleum and natural gas properties has been determined on the basis of their fair values less costs of disposal, which is assessed to be higher than their value in use.

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 values 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 values less costs of disposal, which is assessed to be higher than their value in use.

The aggregate recoverable amount of the Group's petroleum and natural gas properties amounted to HK$1,272 million (2020: HK$716 million).

12. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of up to 90 days (2020: 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:

	2021	2020
	HK\$'000	*HK\$'000*
0 to 30 days	**597,539**	341,941
31 to 60 days	**64,151**	195
61 to 90 days	**1,402**	176
Over 90 days	**1,798**	2,039
	664,890	344,351

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\$1,798,000 (2020: HK\$2,039,000) 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.

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK\$'000	*HK\$'000*
Trade payables	**315,589**	115,313
Contract liabilities	**1,565,757**	510,779
Other payables	**317,153**	117,672
	2,198,499	743,764

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

	2021	2020
	HK\$'000	*HK\$'000*
0 to 30 days	**242,785**	115,139
31 to 60 days	**34,126**	174
61 to 90 days	**850**	–
Over 90 days	**37,828**	–
	315,589	115,313

As at 31 December 2021 and 31 December 2020, the trade payables are non-interest bearing and have an average credit period on purchases of up to 90 days.

14. RESPONSE TO COVID-19 PANDEMIC

Since the outbreak of COVID-19 pandemic, the Group has, in a timely manner, put in place numerous precautionary measures with procuring protective supplies and implementing various flexible workings arrangement to ensure the health and safety of employees in different regions.

The ongoing virus variant will continue to pose a challenge to the economy in the foreseeable future. With the launch of vaccination program, it is expected that the global immunisation, suppression and control of COVID-19 pandemic will be further improved.

At the date of this result announcement, the Group continues to assess the impact of the COVID-19 pandemic 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.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2021

"**Material Uncertainty Related to Going Concern**

We draw attention to Note 3(b) in the consolidated financial statements, which indicates that the Group had net current liabilities of HK$51,512,000 as at 31 December 2021. As stated in Note 3(b), these conditions 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 2021 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

Starting from the second half of 2021, the petroleum market underwent changes from oversupply to undersupply. The energy crisis in Europe triggered by the natural gas shortage had spread worldwide, which led to a significant rebound in international oil prices as compared with 2020, and climbed to its height since 2014. From the supply side perspective, in the absence of upfront investment in the international oil and gas industry has limited idle production capacity. From the demand side perspective, although the COVID-19 virus variant has exerted an impact on certain countries in Asia as well as a number of countries in Europe, with the significant increase in vaccination rate of major economies in Europe and USA and the gradual lifting of lockdown measures, the overall demand of oil market is robust. The Company seized the opportunity to layout the upstream business in advance while optimizing the operation efficiency of oil and gas business chain and had recorded its best performance in past seven years, turning loss into profit for the year under review.

UPSTREAM OIL AND GAS PRODUCTION BUSINESS IN CANADA

In the first half of 2021, Novus Energy Inc. ("Novus") restarted its long-closing wells into operation and increased its production volume, and made reasonable inventory adjustment according to oilfield operation in a bid to control costs and optimize economic benefits. For the year ended 31 December 2021, Novus produced 460,000 barrels of equivalent ("BOE") as compared with 446,000 BOE of the last year, of which 409,000 barrels were crude oil and 12.41 million cubic meters of natural gas. The annual average crude oil selling price in the "Viking" play was CAD77.09/barrel, and natural gas selling price was CAD0.12/m^3. Sales revenue in 2021 was CAD32.8 million, representing an increase of CAD16.97 million as compared to that of 2020.

Production and Operation

In 2021, the epidemic situation in Canada was acute and especially after Christmas, the number of single day new confirmed cases in Canada exceeded 40,000. However, due to the high proportion of vaccination, the ratio of patients in critical conditions had decreased significantly. Currently, the local government has gradually lifted the epidemic lockdown measures and social order has progressively recovered. It is expected that in the next few months, the impact of the epidemic will come to an end completely.

The net drilling by Novus in 2021 was 33 wells. As of 31 December 2021, Novus had 427.2 horizontal wells and 71.8 vertical wells were in production.

The operating expenses in 2021 were CAD9.3 million in total, up by CAD270,000 as compared with CAD9.03 million in 2020. The Novus site staff strived to cut down costs while keeping as many wells as possible in normal operation.

The administrative and management expenses in 2021 were CAD4.06 million, as compared with CAD2.66 million in 2020. The 2021 Federal Wage Subsidy Program of Canada caused a total saving of CAD400,000 for Novus while the Federal Rental Subsidy saved CAD100,000 for Novus. The governments of Alberta and Saskatchewan have issued the "Accelerated Closure and Recovery Plan", in which they will provide funds for Novus to dispose of old oil wells and restore well sites. Currently, Novus has already received a subsidy of CAD1.0 million in aggregate.

DOWNSTREAM OIL SALES BUSINESS IN CHINA

(i) Henan Yanchang refined oil and by-products business

Developing according to actual needs, seeking changes actively, focusing on customers, treating employees as the core and putting innovation as the driver, Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang") sold a total of 4.095 million tonnes of refined oil, and achieved operating income of RMB23.36 billion with total operating profit before tax of RMB31.141 million in 2021.

Effective oil distribution

Firstly, Henan Yanchang actively developed regional markets such as Ningxia, Sichuan, Gansu and Qinghai, and developed 7 new customers throughout the year. Secondly, Henan Yanchang actively sought breakthroughs and expanded sales channels. Henan Yanchang leased oil tanks through the co-operation with Sinopec to balance market fluctuations. Thirdly, Henan Yanchang strengthened the strategic co-operation with oil tanks and state-owned reserve enterprises in other provinces, increased revenue while relieving inventory pressure significantly.

Promoting sales from external sourcing steadily

Firstly, Henan Yanchang vigorously developed and maintained customers and continued to deepen the co-operation with large customers. At the same time, Henan Yanchang actively expanded its business in Ningxia, Hubei and Henan acquiring 19 new customers and 35 suppliers throughout the year. Secondly, Henan Yanchang continued to explore new markets. Henan Yanchang actively expanded the markets in Hunan and Hubei, riverside and coastal markets, and comprehensively accelerated the development of water transportation trade business.

Remarkable achievement in terminal development

Henan Yanchang completed the upgrading and transformation of 3 gas stations in Xiangcheng, and put them into operation. The intraday retail sales volume exceeded 22.5 tonnes, demonstrating the brand influence of Yanchang Petroleum. Henan Yanchang successfully signed contracts with 2 direct-supply gas stations in Ningxia region, out-performed the annual development task for terminal gas stations.

(ii) Yanchang Zhejiang oil and by-products business

In 2021, Yanchang Petroleum (Zhejiang FTZ) Ltd. ("Yanchang Zhejiang") achieved oil and by-products product sales volume of 1.12 million tonnes, representing a year-on-year increase of 236%. Sales revenue was RMB3,760 million, including sales revenue realised from domestic raw oil trade of RMB2,888 million, and revenue from factory finished product sales of RMB872 million. The achieved operating profit before tax was RMB19.93 million in 2021, and receivables recovery rate was 100%.

Paying constant attention to international oil prices and taking immediate counter-measures

The market became panic with the emergence of the new mutant virus strains. Meanwhile, USA allied with many other countries to free their national oil reserves to the market in an attempt to suppress the rising oil prices. Facing uncertainties in market fluctuations, Yanchang Zhejiang braced itself for the risks and took a pre-price setting approach to safeguard against risks proactively while maintaining its strengths in imported raw material price and quality.

Taking initiative in responding to changes in domestic market environment and adopting prudent approach in adjusting business operation plans

After the implementation of the new taxation policy, local refineries and traders who were unable to adapt to the new mechanism were gradually being eliminated from the market. At the same time, consumption tax was imposed on diluted asphalt and other products under the of new policy, which would increase our procurement cost and demand higher requirements for cash flow strengths. As an integrated trading and sub-contracted refining company, Yanchang Zhejiang took the initiative to adjust its operation plans to cope with external changes.

OUTLOOK

It is expected the international crude oil market will fall short of supply for most of the periods in 2022, and the global energy crisis that started in the second half of 2021 may continue to escalate in the first half of 2022. The geopolitical conflicts have profoundly shaken the global energy landscape, resulting in continuous volatility in international oil prices. Looking ahead, petroleum will remain indispensable, but hovering oil prices will curb the recovery of world economy. For most countries or regions, accelerating the pace of energy transformation has become a choice in reality. Facing the complicated situation, the Company will continue to strengthen its investments in technology, capital and management, while adjusting its organisational structure and business model to cope with its development strategy in a flexible manner, so as to gear up for the challenges in the new round of industry cycle.

FINANCIAL REVIEW

Highlights on financial results

	2021	2020	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**19,776,474**	27,256,800	(27%)
Other revenue	**8,545**	4,120	107%
Purchases	**(19,315,716)**	(27,007,663)	(28%)
Royalties	**(25,088)**	(9,144)	174%
Field operation expenses	**(56,695)**	(54,688)	4%
Exploration and evaluation expenses	**(2,512)**	(2,047)	23%
Selling and distribution expenses	**(97,203)**	(46,030)	111%
Administrative expenses	**(110,465)**	(66,532)	66%
Depreciation, depletion and amortisation	**(86,296)**	(98,178)	(12%)
Other gains and losses	**332,302**	(705,121)	N/A
Finance costs	**(45,790)**	(51,013)	(10%)
Taxation	**(19,101)**	(13,173)	45%
Profit/(loss) for the year	**358,455**	(792,669)	N/A

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 2021, 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 People's Republic of China ("PRC").

Novus is engaged in the business of exploration, exploitation and production of oil and natural gas in Western Canada. Novus achieved sales volume of oil and gas of 482,000 barrel of equivalent (“BOE”) and contributed revenue of HK$199,774,000 during the year under review as compared to sale volume of 463,000 BOE and revenue of HK$95,827,000 of the previous year. Due to the significant rebound of oil prices as a result of the economy recovered from COVID-19 pandemic during the year under review, the exploration, exploitation and operation business recorded an operating profit of HK$23,913,000, as compared to an operating loss of HK$68,239,000 in the last year.

Due to a decrease in sales volume from the previous year of 6.36 million tonnes to this year of 4.89 million tonnes, the revenue of oil and by-products trading business in the PRC decreased from the previous year of HK$27,160,973,000 to this year of HK$19,576,700,000, but taking benefit of higher oil products prices, contributed a segment operating profit of HK$81,687,000, as compared to an operating profit of HK$57,342,000 in the previous year.

Other revenue

Apart from the aforesaid segment results, other revenue of HK$8,545,000 which mainly represented interest income from bank deposits and oil card income from the PRC for the year under review, compared to that of HK$4,120,000 in the previous year.

Purchases

Purchases were wholly derived from the oil and by-products trading business in the PRC, which decreased from the previous year of HK$27,007,663,000 to this year of HK$19,315,716,000. The decrease of purchases was mainly due to the decrease 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, increased from the last year of HK$9,144,000 to the current year of HK$25,088,000 due to increase in oil prices and sale volume.

Field operation expenses

Due to increase in production, field operation expenses increased to this year of HK$56,695,000 from the previous year of HK$54,688,000. 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$2,512,000 which represented the holding costs, mainly lease rentals, on the interests of non-producing lands held by Novus, compared to that of HK$2,047,000 in the previous year.

Selling and distribution expenses

Selling and distribution expenses, increased from the previous year of HK$46,030,000 to the current year of HK$97,203,000. Such increase in the expenses was mainly incurred by 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, listing fee, etc., amounted to HK$110,465,000 this year, compared to HK$66,532,000 of the previous year. Such increase was mainly attributable to the increase in expenditure incurred by the Group, for its oil products trading business expansion in the PRC.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation decreased from the previous year of HK$98,178,000 to the current year of HK$86,296,000. This was mainly due to the decrease in depletion rate of oil and gas assets in Canada during the year under review.

Other gains and losses

Other gains of HK$332,302,000 recorded this year mainly including (i) the net impairment reversal on the oil and gas assets of the Group amounting to HK$333,161,000, (ii) net foreign exchange gains of HK$2,882,000, and (iii) share of loss on other non-current assets of HK$3,609,000.

Finance costs

Finance costs of HK$45,790,000 comprised (i) bank borrowing costs and secured term loan interests totalling HK$39,992,000 related to the businesses of Henan Yanchang, Novus and the Company, (ii) accretion expenses totalling HK$1,377,000 related to the provision of the decommissioning liabilities incurred by Novus, and (iii) imputed interest of HK$4,421,000 related to lease liabilities.

Taxation

Taxation of HK$19,101,000 comprised (i) provision for the PRC enterprise income tax on the profit earned from the oil and by-products trading business in the PRC amounted to HK$18,293,000, (ii) provision for Hong Kong profit tax of HK$86,000, and (iii) recognition of deferred tax liabilities amounted to HK$722,000.

Profit/(Loss) for the year

During the year under review, due to sharp rebound of oil price, the exploration, exploitation and operation business in Canada recorded an operating profit and the significant impairment reversal of oil and gas assets. While oil and by-products trading business of the PRC still performed well and remained profitable. The Group as a whole recorded a profit of HK$358,455,000 for the current year as compared to a loss of HK$792,669,000 for the previous year.

Highlights on financial position

	2021	2020	Change in
	HK$'000	*HK$'000*	*%*
Property, plant and equipment	**1,480,631**	955,951	55%
Investment properties	**17,890**	17,533	2%
Exploration and evaluation assets	**592**	–	N/A
Right-of-use assets	**94,334**	99,631	(5%)
Goodwill and intangible asset	**58,149**	58,149	–
Inventories	**460,653**	195,992	135%
Trade receivables	**664,890**	344,351	93%
Prepayments, deposits and other receivables	**1,335,434**	522,712	155%
Cash and bank balances	**394,132**	436,084	(10%)
Trade and other payables	**(2,198,499)**	(743,764)	196%
Bank borrowings	**(427,350)**	(572,112)	(25%)
Decommissioning liabilities	**(169,863)**	(144,667)	17%
Lease liabilities	**(84,913)**	(88,668)	(4%)
Secured term loans	**(442,998)**	(271,384)	63%

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$1,480,631,000. The increase for the year was mainly attributable to the additions of assets and the reversal of impairment loss on petroleum and natural gas properties of Novus in Canada.

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 2021.

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 2021.

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 2021. The outstanding amounts had been mostly recovered in February 2022.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased to this year of HK$1,335,434,000 from the previous year of HK$522,712,000. Such increase was mainly due to the increase in prepayments made for the purchases of oil products by Yanchang Zhejiang, for the oil products trading business in the PRC.

Cash and bank balances

As at 31 December 2021, cash and bank balances decreased by HK$41,952,000 and maintained at HK$394,132,000 as compared to the last year of HK$436,084,000.

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 2021.

Bank borrowings

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

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 loans

The amount represented the US$35,000,000 3-year secured term loan granted to Novus by Yanchang Petroleum Group (Hong Kong) Co., Limited ("Yanchang Petroleum HK") and US$22,000,000 3-year secured term loan granted to the Company 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 and secured term loans for the year ended 31 December 2021.

	2021	2020
	HK$'000	*HK$'000*
Current assets	**2,855,109**	1,499,139
Total assets	**4,508,705**	2,636,012
Current liabilities	**2,906,621**	1,324,754
Total liabilities	**3,341,261**	1,834,876
Total equity	**1,167,444**	801,136
Gearing ratio	**286.2%**	229.0%
Current ratio	**98.2%**	113.2%

The Group had outstanding variable interest rates bank borrowings amounted to HK$427,350,000 (equivalent to RMB349,000,000) as at 31 December 2021 (31 December 2020: HK$572,112,000) under Henan Yanchang. The Group has obtained bank facilities of HK$673,475,000 (equivalent to RMB550,000,000) from banks in the PRC.

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 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 drew down a 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 relevant secured term loan granted to Novus by Yanchang Petroleum HK as general working capital for operation. The principal amount of relevant secured term loan was still outstanding as at 31 December 2021.

On 3 September 2021, the Company drew down a secured term loan of US$22,000,000, granted by Yanchang Petroleum HK which bears interest rate at 4.8% per annum and repayable in 3 years. The relevant secured term loan granted to the Company by Yanchang Petroleum HK as general working capital for operation. The principal amount of relevant secured term loan was still outstanding as at 31 December 2021.

As at 31 December 2021, the Group had cash and bank balances of HK$394,132,000 (31 December 2020: HK$436,084,000). 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 2021, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, was 286.2% as compared to 229.0% 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 98.2% as at 31 December 2021 (31 December 2020: 113.2%).

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 2021 (31 December 2020: nil).

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 2021 (31 December 2020: nil).

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments as at 31 December 2021 (31 December 2020: nil).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had commitments related to property, plant and equipment amounted to HK$4,144,000 (31 December 2020: HK$8,585,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2021.

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.

US$22,000,000 secured term loan granted by Yanchang Petroleum HK, available to the Company, is secured by 350 ordinary shares of Sino Union Energy International Limited ("Sino Union Energy") (representing 35% of the issued share capital of Sino Union Energy which is a direct wholly-owned subsidiary of the Company) under the share charge deed pursuant to which the Company agreed to provide a guarantee in favour of Yanchang Petroleum HK that the Company shall procure on the best effort basis the carrying valuation of Henan Yanchang will be not less than US$104,800,000.

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 2021, the Group did not have any significant contingent liabilities (31 December 2020: nil).

LITIGATION

As at 31 December 2021, the Group had no material litigation (31 December 2020: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group's total number of staff was 240 (2020: 218). Salaries of employees are maintained at a competitive level with total staff costs for the year ended 31 December 2021 amounted to HK$78,654,000 (2020: HK$55,026,000). 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 include provident fund, medical insurance coverage, 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 2021 (31 December 2020: nil).

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2021 (31 December 2020: 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 2021 and 2020.

The Group's health, safety and environment policies 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 and as at the date of the annual report. 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 2021, except for the following deviations:

1. code provision C.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 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. In addition, the Board considers that the balance of power and authority, accountability and independent decision-making under present arrangement is not impaired because of the diverse background and experience of the executive Directors and independent non-executive Directors. The audit committee of the Company has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is not significant in such circumstance.

2. code provision F.2.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting. 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. Feng Yinguo, was unable to attend the annual general meeting held on 28 May 2021 due to the impact of the COVID-19 pandemic.

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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, 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 2021.

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 2021 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 2021 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 2021 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 27 May 2022 and the notice of the 2022 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 24 May 2022 to 27 May 2022 (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 27 May 2022, 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 23 May 2022.

By Order of the Board
Yanchang Petroleum International Limited
Feng Yinguo
Chairman

Hong Kong, 25 March 2022

Executive Directors:

Mr. Feng Yinguo *(Chairman)*
Mr. Zhang Jianmin
Mr. Ding Jiasheng

Independent Non-Executive Directors:

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