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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2022 (the "**Year**") together with comparative figures.

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

BUSINESS REVIEW

Against a vulnerable global macro-economy backdrop, the Group's revenue decreased to RMB102.8 million for the Year, compared to revenue of approximately RMB316.8 million for the year ended 31 December 2021 (the "**Comparative Year**"). The Group generated a gross profit of RMB45.8 million (for the Comparative Year: RMB53.1 million) from the oil exploration business, as well as the oil storage business and the trading business.

Loss attributable to the equity holders of the Company was approximately RMB682.7 million for the Year, while loss attributable to the equity holders of the Company was RMB185.1 million for the Comparative Year.

The increase of loss attributable to equity holders of the Company was mainly driven by the currency exchange fluctuation. The Group recorded a net foreign exchange loss of RMB332.4 million during the Year, which was mainly caused by the significant appreciation of borrowings denominated in USD and Hong Kong dollar. This is compared with a foreign exchange gain of the Group of RMB101.0 million for the Comparative Year. In addition, the imputed interest income for interest-free loans amounted to RMB27.0 million for the Year (for the Comparative Year: RMB74.0 million).

Disposal and Relevant Guarantee

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

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

The Disposal was completed on 10 March 2019 (the "**Disposal Day**") when the Sale Share was transferred to the Purchaser. All the assets and liabilities associated with the Disposal, except the financial guarantee contract as mentioned hereafter, were derecognized on the Disposal Day. The Company signed the third, fourth, fifth and sixth supplemental agreements on 29 August 2019, 30 October 2019, 25 March 2021 and 25 March 2022, respectively. According to the latest supplemental agreements, the Purchaser will procure the release or discharge of the Relevant Guarantees and complete the relevant registration before 31 December 2023.

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

Despite there has been no Relevant Guarantees discharged in the Year, the Company has taken the following actions in respect of the release and discharge of the Relevant Guarantees since the Disposal Day:

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

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

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

The Company and/or the Purchaser (as appropriate) have prepared and submitted discharging proposals to the relevant banks and lenders since 2018, with an initial goal of discharging the Relevant Guarantees in batches by 2020. However, despite that the above actions had been taken by the Company and the Purchaser, the Relevant Guarantees could not be fully discharged in 2020, 2021 and 2022 because of (1) the ongoing distraction and suspension of business caused by the novel coronavirus pneumonia (the "**COVID-19**") throughout 2020, 2021 and 2022; (2) outbreaks of more contagious COVID-19 variants and lockdown in major cities in Mainland China in 2022; and (3) the fact that the discharging process of banks was time-consuming and procedurally and administratively complicated, particularly given that each bank or lender would have its own internal review procedures as well as approval hierarchy. As the discharging progressed further, additional time was required for the relevant banks and lenders to conduct their internal risk assessment in respect of the discharging proposals. As the Company is only in the capacity as the guarantor of the Relevant Guarantees, the Company may not always be in the position to negotiate with the relevant banks and lenders concerning certain financial conditions or obligations which would be imposed on the Purchaser. Such discussions could only be initiated by the Purchaser, and the Company would not have control over the relevant progress and timing.

Nonetheless, both the Company and the Purchaser are committed to procuring the full discharge of the Relevant Guarantees by 2023.

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

Relevant Guarantees	**2022 Interim Status**	**Current Status**	**Expected Time of Discharge**
Relevant Guarantees A	Relevant Guarantee A discharged in full on 30 September 2020.	—	—
Relevant Guarantees B	The discharging proposal was approved by the relevant division by the end of 2020. The relevant bank has completed the disposal provision process.	The relevant bank is remaining at the finalization stage.	By the end of 2023
Relevant Guarantees C	Relevant Guarantee C discharged in full on 30 June 2020.	—	—
Relevant Guarantees D	The relevant bank has transferred the creditor's right to an independent financial institution in December 2021. The transferee has commenced the guarantor discharging process.	The Purchaser is negotiating a debt restructuring deal with the relevant financial institutions.	By the end of 2023

As at 31 December 2022 and the date of this announcement, the Relevant Guarantees provided by the Company to the Disposal Group in the process of being discharged or released amounted to RMB5,827.9 million (31 December 2021: RMB5,634.0 million), inclusive of principals and interests. In consideration of such financial guarantees, the Group recognized financial guarantee contracts of RMB4,873.0 million (31 December 2021: RMB4,709.0 million) which will be released upon the releasing or discharging of these Relevant Guarantees.

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

Debt Restructuring

Together with the Disposal, the Group has also conducted the following measures to optimize its debt structure with an aim to ease the financial burden of the Group. The lenders have been supportive in general to the Group and the overall situation has been improved over the years.

(a) Repayment of a secured loan

The secured loan was secured by certain assets of the Disposal Group, and the Group has bundled the settlement of the loan in together with Relevant Guarantees D. This loan was a secured bank loan and has been transferred to an independent financial institution in December 2021.

It is the intention of the Company to repay such secured loan by utilizing the US dollar facility entered with a shareholder of the Company (the "**Shareholder**") in 2018 (the "**Facility**"). The Facility has a total amount of USD250 million. It is an interest-free and unsecured facility with a maturity date of 31 December 2024. The Company expects to utilise the Facility to repay the outstanding secured loan in batches and all such repayments shall be made by the end of 2023. Based on the best knowledge and information available to the Company after discussions with the Shareholder, the Shareholder is committed to providing the Facility required by the Company to settle the outstanding secured loan in full in 2023.

(b) Extension of maturity date of promissory notes

As at 31 December 2022, the Company had outstanding promissory notes of RMB2.4 billion (31 December 2021: RMB2.2 billion).

The Company has been in continuous discussions and negotiations with the promissory noteholders with the objective of obtaining their agreements to extend the overdue liabilities during the Year. The management of the Company has taken a proactive approach and had numerous discussions with all the promissory noteholders regarding the extension of maturity dates of the promissory notes. By 31 December 2022, the maturity date of promissory notes with aggregated principal amount of RMB1,227.7 million were successfully extended to December 2024.

Despite the remaining noteholders have not yet granted the final consents to the Company for extending the maturity of the remaining liabilities, the Company has been proactively negotiating the extension of the maturity dates of the promissory notes with these noteholders. These negotiations were not finalized as at 31 December 2022 as certain commercial terms remain in discussion and finalization.

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

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

Obtaining Financial Resources

To further improve the Group's financing position for its future development, the Group has continued to utilise certain financing arrangements during the Year, mainly being the Facility entered with a shareholder in 2018. This Facility has a total amount of USD250.0 million. It is an interest-free and unsecured facility with an initial maturity date of 31 December 2024. Up to 31 December 2022, the Company had utilised approximately USD119.7 million, mainly for the oilfield development, repayment of remaining debts and general working capital.

The Company also expects to continue to utilise the Facility for its repayment of debts, its capital expenditure on the Company's Energy Business and for general working capital purpose. Due to the Russia-Ukraine conflict and a severely strained Sino-US relationship, the local price of the refined oil kept increasing in the first half of 2022. But crude oil prices generally decreased in the second half of 2022 because of the International Strategic Petroleum Reserve release programs and Covid-19 containment measures in China. Coupled with the unpredictable market price in Kyrgyzstan and global demand on refined product, it is expected that expenditures in the Energy Business would only start to be resumed by the Group by 2025, the earliest. The management of the Group is taking a prudent approach to manage the capital expenditure of the Energy Business and will continue to monitor the development of the oil market in making any capital expenditure decisions.

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

Energy Exploration and Production

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

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

On the exploration front, the Group has drilled a total of 81 wells across the five oilfields zones, including 73 in exploration, 5 currently being construction-in-progress and 3 being abandoned. The Group has also held a number of appraisal wells for exploration and development. As at 31 December 2022, 73 wells were at production (2021: 69 wells).

For the Year, the Kyrgyzstan Project recorded sales of 124,790 barrels (bbl) (2021: 134,210 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB52.7 million for the Year, increasing by approximately 53.2% from RMB34.4 million for the Comparative Year.

The increment of revenue in 2022 was primarily driven by the increase in oil prices. Due to the Russia-Ukraine conflict and a severely strained Sino-US relationship, the demand and the local oil price of the refined oil market kept increasing in the first half of 2022. From the beginning of June, the combination of concerns about a possible economic recession and severe COVID-19 containment measures in China reduced the crude oil demand. Meanwhile, the international Strategic Petroleum Reserve release programs increased the global supply of crude oil. Considering the demand and supply, crude oil prices generally declined in the second half of the Year.

In response to the changing and complex market of refined products, the management of the Group decided to postpone the capital expenditures plan and strictly implement companywide cost-saving measures, with an aim to maintain its financial position while protecting value in a volatile market environment. The Group has been implementing a new oil well development method which had been proved to improve and achieve a better production efficiency in the oil well-drilling operation. The Group remains positive with the business model in long term.

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

Oil Storage and Trading

The Group has acquired approximately 50.46% of the equity interest of Nantong Zhuosheng Petrochemical Co., Ltd. ("**Nantong Zhuosheng**"). Nantong Zhuosheng is principally engaged in provision of tank storage and associated services for fuel oil and its related products in the PRC. It has (i) 37 storage tanks with total volume of 242,000 cubic meters; (ii) land and buildings with land area of 412,120 square meters and gross floor area of 6,156.27 square meters, respectively; (iii) certain shoreline rights; and (iv) a bare land with total area of 33,334.19 square meters.

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

For the Year, Nantong Zhuosheng has generated revenue of RMB46.8 million and a net profit of RMB5.1 million.

Proved and Probable Oil Reserve and Estimates

A competent person's report was prepared in September 2018 in accordance with Petroleum Resources Management System (PRMS) to estimate the oil resources and reserves as of 30 June 2018. The following table sets out the revised estimates of the Group's reserves as at 31 December 2022 by using the abovementioned report as the basis:

Unit: million tonnes	**Proved**	**Proved plus probable**
Maili-Su IV	13.6	18.17
East Izbaskent	5.10	8.15
Izbaskent	4.95	5.04
Total reserves as at 30 June 2018 (the basis date)	23.65	31.36
Less: production during second half of 2018	0.02	0.02
Less: production during 2019	0.04	0.04
Less: production during 2020	0.03	0.03
Less: production during 2021	0.04	0.04
Less: production during 2022	0.03	0.03
Total estimated reserves as at 31 December 2022	23.49	31.20

FINANCIAL REVIEW

The Group's operating results for the Year were primarily contributed by the Company and its subsidiaries engaged in the energy exploration and production, as well as the oil storage and trading business.

Revenue

For the Year, the Group recorded a revenue of approximately RMB102.8 million (for the Comparative Year: approximately RMB316.8 million). The decrease in revenue was primarily attributable to (1) a sharp decrease of approximately 98.5% in revenue from the trading business as compared to that of RMB224.5 million for the Comparative Year due to the implementation of control and lockdown measures to combat the Covid-19 outbreak in Shanghai city; (2) a slight decline of oil storage revenue by approximately 19.1% to RMB46.8 million, which was resulted from the Covid-19 pandemic outbreak nationwide. Whilst the sales of crude oil showed a steady increase compared to the Comparative Year, it generated revenue of RMB52.7 million (for the Comparative Year: RMB34.4 million).

Cost of Sales

For the Year, the Group's cost of sales decreased by approximately 78.3% to RMB57.1 million (for the Comparative Year: RMB263.7 million), which was largely in line with the decrease of trading revenue.

Other Gains — Net

For the Year, the Group's other gains — net was RMB11.4 million (for the Comparative Year: RMB0.3 million), and the movement was mainly due to the increment of net foreign currency exchange gain associated with working capital for the Year.

Finance Costs — Net

The Group's finance income for the Year decreased by approximately 63.5% to RMB27.0 million (for the Comparative Year: RMB74.0 million). It was mainly due to the recognition of imputed interest gain of interest-free loans from the shareholder loan which was extended during the Year.

Finance costs for the Year increased by approximately 431.1% to RMB548.6 million (for the Comparative Year: RMB103.3 million), and the increment was mainly attributable to the significant appreciation of borrowings denominated in USD and Hong Kong Dollar.

Total Comprehensive Loss for the Year

During the Year, the Group recorded total comprehensive loss of approximately RMB617.2 million (for the Comparative Year: RMB194.0 million), of which total comprehensive loss attributable to the equity holders of the Company was approximately RMB626.7 million (for the Comparative Year: RMB202.8 million). The increment of the total comprehensive loss for the Year was mainly driven by currency exchange fluctuation. The Group recorded a net foreign exchange loss of RMB332.4 million during the Year, which was mainly due to the appreciation of borrowings denominated in USD and Hong Kong dollars. This is compared with a foreign exchange gain of the Group of RMB101.0 million for the Comparative Year.

Liquidity and Going Concern

The Group recorded a net loss of RMB670.9 million (for the Comparative Year: RMB177.2 million) and had an operating cash inflow of RMB21.9 million (for the Comparative Year: RMB28.4 million) for the Year. As at 31 December 2022, the Group had a deficit of RMB8,510.3 million (2021: RMB7,893.1 million) and the Group's current liabilities exceeded its current assets by RMB7,532.7 million (2021: RMB6,988.3 million). The Group maintained cash and cash equivalents of RMB14.6 million (2021: RMB23.9 million) as at 31 December 2022.

As at 31 December 2022, borrowings of the Group, amounted to RMB3,829.8 million, out of which RMB1,524.4 million were overdue. As at 31 December 2022, overdue interest payables amounted to RMB675.6 million (2021: RMB431.0 million). Certain borrowings of the Group contain cross-default terms, causing borrowings of the Group of RMB8.6 million at 31 December 2022 to become immediately repayable.

A series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial position of the Group. In order to enhance the liquidity and improve the financial position of the Group, the Group has restructured its operations, refinancing its debts and proactively liaising with relevant financial institutions to discharge the Relevant Guarantees.

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

Borrowings

The Group's short-term borrowings increased by RMB116.9 million from RMB1,417.4 million as at 31 December 2021 to RMB1,534.3 million as at 31 December 2022, and the Group's long-term borrowings increased by RMB132.8 million from RMB2,162.7 million as at 31 December 2021 to RMB2,295.5 million as at 31 December 2022.

As at 31 December 2022, our total borrowings were RMB3,829.8 million (as at 31 December 2021: RMB3,580.1 million), of which RMB116.0 million (approximately 3.0%) was denominated in RMB (as at 31 December 2021: RMB124.1 million (approximately 3.5%)) and the remaining RMB3,713.8 million (approximately 97.0%) was denominated in other currencies such as USD and HKD (as at 31 December 2021: RMB3,456.0 million (approximately 96.5%)). Approximately 87.4% of the borrowings bear interests at fixed rate (as at 31 December 2021: approximately 87.1%).

Significant Investments

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

Material Acquisition and Disposal of Subsidiaries

The Group did not undertake material acquisitions or disposals of subsidiaries during the Year.

Future Plans for Material Investments and Capital Assets

As at 31 December 2022, the Group did not have other plans for material investments and capital assets.

Foreign Exchange Risks

The Group incurred net foreign exchange loss of approximately RMB332.4 million (for the Comparative Year: gain of RMB101.0 million) due to the fluctuation of RMB against USD and HKD during the Year, which resulted in exchange loss on certain USD-denominated and HKD-denominated liabilities, such as trade and other payables and borrowings of the Group.

Capital Expenditure

For the Year, our capital expenditure was approximately RMB13.8 million (for the Comparative Year: RMB10.4 million), which was mainly used in the energy exploration and production segment.

Gearing Ratio

Our gearing ratio (measured by total borrowings divided by the sum of total borrowings and total deficit) decreased from approximately 83.0% as at 31 December 2021 to approximately 81.8% as at 31 December 2022. Affected by the total comprehensive loss of RMB617.2 million for the year ended 31 December 2022, the total deficit was increased to approximately RMB8,510.3 million as at 31 December 2022 (as at 31 December 2021: RMB7,893.1 million).

Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities of RMB955.0 million (as at 31 December 2021: RMB925.0 million), which was resulted from certain Relevant Guarantee provided by the Company to the Disposal Group that did not meet the recognition criteria for Financial Guarantee Contracts.

Credit Assessment and Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, outstanding trade and other receivables. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB14.6 million (as at 31 December 2021: RMB23.9 million), of which approximately RMB3.7 million (approximately 25.1%) was denominated in RMB and the remaining RMB10.9 million (approximately 74.9%) was denominated in USD, HKD and other currencies. The Group does not use any financial instruments for hedging purposes.

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

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

Human Resources

As at 31 December 2022, the Group had approximately 149 employees (as at 31 December 2021: approximately 158 employees). Total staff costs (including directors' emoluments) for the Group were approximately RMB23.4 million for the Year (for the Comparative Year: approximately RMB19.5 million). The principal elements of remuneration package includes basic salary and other benefits, contribution to pension schemes, discretionary bonus and/or share options granted under an approved share option scheme. Such remuneration should reflect work complexity, time commitment, responsibility and performance with a view of attracting, motivating and retaining high performing individuals.

PROSPECTS

During the previous year, the Group exercised caution and remained steadfast in our pursuit of the following business strategies: (i) expanding the Group's core businesses and reinforcing the Group's market position in the oil storage industry; (ii) enhancing the Group's productivity through the adoption of a new oil well exploration method in its energy exploration and production segment; and (iii) exploring a new business model by leveraging the synergies brought in by Nantong Zhuosheng and improving the Group profit margin. Meanwhile, the Group conducted a series of active discussions with lenders on debt restructuring and extend a considerable number of debts. With an improved liability structure, the management of the Group is confident in its ability to maintain a healthy financial position and sustainable cashflow for operation and development.

2022 was a difficult year with some uncertainties brought on by existential supply chain disruption. The uncertainties triggered by the Russia-Ukraine war and other geopolitical tensions worldwide have resulted in a highly volatile and challenging market environment for the oil exploration sector. While the increasing external uncertainties put pressure on the Group's business operations, the Group will constantly implement cost control and efficiency enhancement measures to ensure the orderly and stable operation of the Group. Looking ahead, the management of the Group remains optimistic about the business mode in long term.

The COVID-19 pandemic made its way the major cities in Mainland China in the first half of 2022, and China's Zero Covid Policy has resulted in periodic lockdowns across the country, especially in Shanghai which is the principal place of trading business of the Group. During the lockdown period, business activities were broadly curtailed, leading to the temporary termination of the Group's trading operations, and delaying the discharge of the Relevant Guarantee. In light of these challenging circumstances, the management of the Group considers that business diversification is crucial in sustaining a long-term development of the Group and minimizing the overall business risk and actively seeks a new business model through the synergies brought in by Nantong Zhuosheng.

The Group benefitted from the consistent cashflow and the robust customer portfolio brought in by Nantong Zhuosheng. Despite the continuing weakness of the external economic environment, the management of the Group remains optimistic about the prospects of the oil storage business, which serves primarily domestic customers.

Looking forward, with the significant relaxation of the domestic epidemic prevention policies, the management of the Group envisages a systematic restoration of the economy in the forthcoming year, which is expected to have a positive impact on the Group's two primary business operations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

During the year ended 31 December 2022, the Company complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules, apart from the deviations set out below.

Code provision C.2.1 of the Code stipulates that the roles of the chairman of the Board and the chief executive officer should be separate and should not be performed by the same individual. On 23 October 2022, Mr. Chen Qiang retired as the chairman of the Board (the "**Chairman**"), executive director and chief executive officer of the Company (the "**Chief Executive Officer**"), and the current executive directors, Mr. Niu Jianmin and Mr. Hong Liang have been appointed as the Chairman and Chief Executive Officer respectively. Upon such change, the Company has complied with code provision C.2.1 of the Code since the roles of the Chairman and Chief Executive Officer are not performed by the same individual.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of the directors of the Company, all directors confirmed that they complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2022.

Audit Committee

The consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

PUBLIC FLOAT

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

FINAL DIVIDEND

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

ANNUAL GENERAL MEETING

The 2023 annual general meeting of the Company (the "**2023 AGM**") will be held on Thursday, 8 June 2023 and the notice will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 June 2023.

ANNUAL REPORT

The 2022 Annual Report containing the applicable information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.huarongenergy.com.hk) in due course. Printed copies will be despatched to shareholders in due course.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Disclaimer of Opinion

The following is an extract of the independent auditor's report of the Group's consolidated financial statements for the year ended 31 December 2022 which has included a disclaimer of opinion.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in Note 2.1(b) to the consolidated financial statements, as at 31 December 2022, the Group had a deficit of RMB8,510,311,000 and the Group's current liabilities exceeded its current assets by RMB7,532,680,000. The Group maintained cash and cash equivalents of RMB14,583,000 as at 31 December 2022.

On 9 October 2018, the Group entered into a conditional sale and purchase agreement to dispose of the core assets and liabilities of shipbuilding, offshore engineering, engineering machinery and marine engine building segments (the "**Shipbuilding Business**", together with the holding company of the Shipbuilding Business referred to as the "**Disposal Group**") with an independent third party (the "**Transaction**"). Pursuant to certain supplemental agreements signed with Unique Orient Limited (the "**Purchaser**"), an independent third party, the sale shares of Able Diligent Limited, the holding company of the Disposal Group, was transferred to the Purchaser on 10 March 2019. As at 31 December 2022, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB4,872,966,000. The Group has considered the impact and recognised financial guarantee contract of the same amount as at 31 December 2022.

During the year, the Group's operation was focused primarily on the energy exploration and production segment (the "**Energy Business**"), and oil storage and trading segment (the "**oil storage**" together with the Energy Business and the corporate headquarters referred to as the "**Remaining Group**"). The development of the Energy Business has however been limited due to market conditions and availability of funds for investing in exploration and drilling of wells. As at 31 December 2022, borrowings of the Group (the "**Borrowings of Remaining Group**"), amounted to RMB3,829,777,000, out of which RMB1,524,448,000 were overdue. As at 31 December 2022, overdue interest payables of the Remaining Group amounted to RMB675,560,000. Certain borrowings of the Remaining Group contain cross-default terms, causing Borrowings of Remaining Group of RMB8,618,000 as at 31 December 2022 to become immediately repayable. The Remaining Group had cash and cash equivalents of RMB14,583,000 as at 31 December 2022.

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

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its debts which are set out in Note 2.1(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) whether the Group is able to obtain the agreement from the banks and lenders to release or discharge the Company's guarantees for the borrowings owed by the Disposal Group; (ii) whether the Group is able to convince the banks and lenders not to demand for repayment of the outstanding loans of the Disposal Group before the completion of the release of the Company's guarantees; (iii) whether the Group is able to negotiate with all existing promissory note holders to make further arrangements including extension of the maturity dates; (iv) whether the Group is able to negotiate with the relevant financial institution for the renewal or extension for repayment for the borrowing of financial institution; (v) whether the Group is able to obtain waivers from the relevant promissory note holders for the due payment in relation to those notes that have cross-default terms and extend the repayment dates when they fall due; (vi) whether the Group can successfully implement a business plan for its Energy Business to generate cash inflows; and (vii) whether the Group can obtain additional sources of financing, including those to finance the Energy Business and draw down from the various facilities made available to the Group by entities controlled by Mr. Zhang Zhi Rong and a close family member of Mr. Zhang Zhi Rong, during the year as and when needed.

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

GRATITUDE

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

BOARD OF DIRECTORS

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

On Behalf of the Board
China Huarong Energy Company Limited
NIU Jianmin
Chairman

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**368,060**	363,294
Right-of-use assets	*5*	**207,205**	213,468
Intangible assets	*6*	**753,669**	694,588
Goodwill	*6*	**33,347**	33,347
Prepayments		**13,380**	13,143
		1,375,661	1,317,840
Current assets			
Inventories		**4,981**	4,305
Trade receivables	*7*	**5,405**	11,924
Other receivables, prepayments and deposits		**20,932**	23,757
Cash and cash equivalents		**14,583**	23,883
		45,901	63,869
Total assets		**1,421,562**	1,381,709
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**2,021,534**	2,021,534
Convertible preference shares		**3,100,000**	3,100,000
Share premium		**8,374,605**	8,374,605
Other reserves		**128,767**	85,449
Accumulated losses		**(22,320,918)**	(21,650,940)
		(8,696,012)	(8,069,352)
Non-controlling interests		**185,701**	176,238
Total deficit		**(8,510,311)**	(7,893,114)

	Notes	2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*8*	**2,295,485**	2,162,674
Deferred tax liabilities		**57,807**	60,013
		2,353,292	2,222,687
Current liabilities			
Trade and other payables	*9*	**1,171,323**	925,672
Borrowings	*8*	**1,534,292**	1,417,415
Financial guarantee contracts	*16*	**4,872,966**	4,709,049
		7,578,581	7,052,136
Total liabilities		**9,931,873**	9,274,823
Total deficit and liabilities		**1,421,562**	1,381,709

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	3	**102,845**	316,774
Cost of sales	10	**(57,067)**	(263,698)
Gross profit		**45,778**	53,076
Other income		**2,807**	272
Selling and marketing expenses	10	**(1,409)**	(2,654)
General and administrative expenses	10	**(40,394)**	(28,852)
Other gains — net	11	**11,364**	252
Operating profit		**18,146**	22,094
Finance income	12	**26,998**	73,965
Finance costs	12	**(548,554)**	(103,296)
Finance costs — net	12	**(521,556)**	(29,331)
Change in provision for financial guarantee contracts		**(163,917)**	(163,917)
Loss before income tax		**(667,327)**	(171,154)
Income tax expense	13	**(3,557)**	(5,998)
Net loss for the year		**(670,884)**	(177,152)
Loss attributable to:			
Equity holders of the Company		**(682,741)**	(185,066)
Non-controlling interests		**11,857**	7,914
		(670,884)	(177,152)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Loss for the year		**(670,884)**	(177,152)
Other comprehensive income/(loss) for the year:			
Items that may be reclassified to profit or loss			
— Exchange difference on translation of foreign operations		**53,687**	(16,826)
Other comprehensive income/(loss) for the year, net of tax		**53,687**	(16,826)
Total comprehensive loss for the year		**(617,197)**	(193,978)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(626,660)**	(202,816)
Non-controlling interests		**9,463**	8,838
		(617,197)	(193,978)

	Notes	2022 RMB	2021 RMB
Loss per share			
— Basic/diluted	*14*	**(0.06)**	(0.02)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Statement of compliance

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

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

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

(b) Going concern basis

As at 31 December 2022, the Group had a deficit of RMB8,510,311,000 and the Group's current liabilities exceeded its current assets by RMB7,532,680,000. The Group maintained cash and cash equivalents of RMB14,583,000 as at 31 December 2022.

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

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

On 30 October 2019, a supplemental agreement was signed with the Purchaser, such that the share charge over the sale shares in favour of the Company executed by the Purchaser was replaced by a deed of indemnity provided by the Purchaser.

As at 31 December 2022, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB4,872,966,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 31 December 2022.

As at 31 December 2022, borrowings of the Group amounted to RMB3,829,777,000, out of which RMB1,524,448,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 31 December 2022 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB675,560,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregated principal amount of RMB2,373,244,000 outstanding as at 31 December 2022, out of which approximately RMB255,726,000, RMB11,480,000 and RMB878,309,000 had been overdue since 2020, 2021 and 2022. The outstanding promissory notes amounting to RMB8,618,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements;

(ii) The Group had other borrowings of with an aggregated principal amount of RMB1,123,811,000 outstanding as at 31 December 2022, out of which approximately RMB46,211,000 had been overdue since 2020; and

(iii) The Group had secured borrowing of RMB332,722,000 which was overdue in accordance with the repayment date of the agreement as at 31 December 2022.

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

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

i) The Group has been actively negotiating with the relevant banks and lenders of the Disposal Group to release or discharge the Relevant Guarantees. Since the date of the Disposal till 31 December 2022, guarantees of RMB2,210,636,000 had been discharged while RMB4,872,966,000 are expected to be released in year 2023.

ii) The Group has also been actively negotiating with the relevant financial institution and promissory note holders regarding the borrowings of RMB1,524,448,000 to take the following actions:

(a) During the Year, the maturity date of promissory notes with aggregate principal amount of RMB1,227,729,000 were successfully extended to December 2024. As at 31 December 2022, outstanding promissory notes amounting to RMB1,145,515,000 which were not extended nor repaid upon the schedule repayment dates and thus become overdue, and RMB8,618,000 become immediately repayable pursuant to the cross-default terms under the relevant loan agreements. The Company is in the process of negotiating with these promissory note holders for further arrangements, including the extension of maturity dates and obtaining waiver from the lender for the due payment pursuant to the relevant cross-default terms.

(b) As at 31 December 2022, the Group had other borrowing of RMB46,211,000 which was overdue. The Group is in the process of negotiating with the relevant lender for extension of repayment and renewal of such borrowing.

(c) As at 31 December 2022, the Group had secured borrowing of RMB332,722,000 which was overdue. The Group is in the process of negotiating with the relevant financial institution for extension of repayment and renewal of such borrowing.

iii) As at 31 December 2022, the Group has drawn down USD119,728,000 (equivalent to approximately RMB825,788,000) in total from the loan facility, provided by entity controlled by Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to USD250,000,000 (equivalent to approximately RMB1,724,300,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment. The carrying amount is RMB739,328,000 and it is payable by 31 December 2024.

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

As at 31 December 2022, the Group has drawn down RMB9,844,000 in total from the loan facility, provided by an entity controlled by a close family member of Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment. In addition, the Group also entered into a cooperative framework agreement during the year ended 31 December 2018 with an independent third party who agreed to provide materials for the exploration and production of crude oil with an aggregate amount up to USD500,000,000, in exchange for an option to purchase up to 70% of the total crude oil produced by the Group at 92% to 95% of the market price as a form of repayment until all the liabilities are repaid. Such facility has not been utilised up to 31 December 2022.

v) The Group has further expanded its business presence within the oil sector through the acquisition of Nantong Zhuosheng which completed in January 2021. Nantong Zhuosheng possesses the facility, capacity and expertise in the provision of oil storage services. The management expects by acquiring Nantong Zhuosheng shall reflect the Group's strategy of investing in oil-and-gas-related storage and logistic projects, which shall enable the Group to expand its energy business vertically.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriated to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, multiple uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the successful fulfillment of the following plans:

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

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

iii) negotiating with all existing promissory note holders of outstanding principals of RMB2,373,244,000 together with accrued interests thereon for further arrangements including extension of the maturity dates;

iv) negotiating with the relevant lender for the renewal or extension for repayments for the other borrowing of RMB46,211,000 that was overdue as at 31 December 2022;

v) negotiating with the relevant financial institution for the renewal or extension for repayments for the borrowing of RMB332,722,000 that was overdue as at 31 December 2022;

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

vii) implementing a business plan for its energy exploration and production segment, as well as the oil storage and trading segment to generate cash inflows; and

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

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

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual improvements to IFRS standards 2018–2020 Cycle
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to Conceptual Framework

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

(d) *Issued but not yet effective International Financial Reporting Standards*

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2022 and not been early adopted by the Group as of the reporting period are as follows:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts and the Related Amendments[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2022 or not been early adopted by the Group which are relevant to the Group's operation. The Group believes that the application of amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

3 SEGMENT INFORMATION

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

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business, performance from both a geographic and product perspective and has identified two reportable segments of its business:

1) Energy exploration and production: this segment derive its revenue from sales of crude oil in Kyrgyzstan;

2) Oil storage and trading: this segment derive its revenue from a) renting its capacity in the provision of oil storage services; and b) trading the relevant commodities in China.

The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. The segment information provided to the Executive Directors for the reportable segments for the years ended 31 December 2022 and 2021 is as follows:

	Oil Storage and trading		Energy exploration and production		Total	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
— Revenue from sales of crude oil	**—**	—	**52,735**	34,425	**52,735**	34,425
— Revenue from trading	**3,283**	224,486	**—**	—	**3,283**	224,486
— Revenue from oil storage	**46,827**	57,863	**—**	—	**46,827**	57,863
Segment revenue	**50,110**	282,349	**52,735**	34,425	**102,845**	316,774
Segment results	**18,214**	37,931	**27,564**	15,145	**45,778**	53,076
Selling and marketing expenses	**(1,409)**	(2,654)	**—**	—	**(1,409)**	(2,654)
General and administrative expenses	**(10,844)**	(10,780)	**(14,619)**	(12,979)	**(40,394)**	(28,852)
Other income	**2,772**	272	**—**	—	**2,807**	272
Other gains/(losses) — net	**45**	—	**9,700**	(6,309)	**11,364**	252
Finance costs — net	**—**	—	**—**	—	**(521,556)**	(29,331)
Change in provision for financial guarantee contracts	**—**	—	**—**	—	**(163,917)**	(163,917)
Profit/(loss) before income tax	**8,778**	24,769	**22,645**	(4,143)	**(667,327)**	(171,154)
Segment assets	**436,478**	428,227	**981,831**	948,177	**1,418,309**	1,376,404
Unallocated	**—**	—	**—**	—	**3,253**	5,305
Total assets	**436,478**	428,227	**981,831**	948,177	**1,421,562**	1,381,709
Segment liabilities	**104,992**	134,035	**356,199**	346,734	**461,191**	480,769
Unallocated	**—**	—	**—**	—	**9,470,682**	8,794,054
Total liabilities	**104,992**	134,035	**356,199**	346,734	**9,931,873**	9,274,823
Other segment disclosures:						
Depreciation	**21,684**	15,031	**9,792**	9,179	**31,481**	24,210
Amortisation	**154**	365	**1,105**	1,124	**1,259**	1,489
Additions to non-current assets	**2,766**	4,389	**11,058**	6,002	**13,829**	10,391

During the year ended 31 December 2022, revenue from the top customer of the Group amounted to RMB35,467,000 (2021: RMB129,703,000), representing 34.5% (2021: 40.9%) of the total revenue.

There are two (2021: one) individual customers contributed more than 10% revenue of the Group's revenue for the year ended 31 December 2022. The revenue of these customers during the year are RMB35,467,000 and RMB16,257,000 (2021: RMB129,703,000) respectively.

Geographically, management considers that the operations of the energy exploration and production segment is located in Kyrgyzstan (sale of crude oil), and the oil storage and trading segment is in PRC, with revenue derived from different geographical locations, which is determined by the country in which the customer is located.

The Group's revenue is analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Kyrgyzstan	**52,735**	34,425
PRC	**50,110**	282,349
	102,845	316,774

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

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

	2022	2021
	RMB'000	*RMB'000*
Kyrgyzstan	**267,468**	249,003
Hong Kong	**72**	67
PRC	**321,105**	340,835
	588,645	589,905

4 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Machinery and equipment	Oil properties	Building and Structure	Computer equipment	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022								
Opening net book amount	45,292	56,589	213,543	46,033	1,070	265	502	363,294
Additions	11,481	547	—	358	646	42	—	13,074
Disposals	—	—	—	—	(108)	—	—	(108)
Transfer	(23,839)	426	23,413	—	—	—	—	—
Depreciation	—	(8,050)	(9,644)	(6,968)	(307)	(55)	(194)	(25,218)
Exchange difference	2,231	—	14,773	—	9	5	—	17,018
Closing net book amount	35,165	49,512	242,085	39,423	1,310	257	308	368,060
At 31 December 2022								
Cost or valuation	119,736	60,135	569,913	52,776	1,790	1,367	1,712	807,429
Accumulated depreciation and impairment loss	(84,571)	(10,623)	(327,828)	(13,353)	(480)	(1,110)	(1,404)	(439,369)
Net book amount	35,165	49,512	242,085	39,423	1,310	257	308	368,060
Year ended 31 December 2021								
Opening net book amount	72,149	—	185,879	—	217	226	442	258,913
Acquisition of subsidiary	7,241	57,812	—	52,304	826	70	556	118,809
Additions	9,254	813	—	114	148	24	11	10,364
Disposals	(3,510)	(41)	—	—	(31)	(2)	(75)	(3,659)
Transfer	(39,075)	578	38,497	—	—	—	—	—
Depreciation	—	(2,573)	(8,830)	(6,385)	(88)	(52)	(432)	(18,360)
Exchange difference	(767)	—	(2,003)	—	(2)	(1)	—	(2,773)
Closing net book amount	45,292	56,589	213,543	46,033	1,070	265	502	363,294
At 31 December 2021								
Cost or valuation	132,094	59,162	546,500	52,418	1,252	1,325	1,712	794,463
Accumulated depreciation and impairment loss	(86,802)	(2,573)	(332,957)	(6,385)	(182)	(1,060)	(1,210)	(431,169)
Net book amount	45,292	56,589	213,543	46,033	1,070	265	502	363,294

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

	2022	2021
	RMB'000	*RMB'000*
Cost of sales	**24,180**	17,347
General and administrative expenses	**1,038**	1,013
Charged to profit or loss	**25,218**	18,360

Please refer to Note 6 for the impairment assessment associated with the property, plant and equipment, together with the related intangible assets.

The machinery and equipment and building and structure with carrying amount of RMB47,543,000 (2021: RMB58,374,000) have been pledged to a financial institution for the borrowing owed by the Disposal Group.

5 RIGHT-OF-USE ASSETS

	Shoreline rights	**Leasehold land**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Year ended 31 December 2022			
Opening net book amount	**100,755**	**112,713**	**213,468**
Depreciation	**(2,956)**	**(3,307)**	**(6,263)**
Closing net book amount	**97,799**	**109,406**	**207,205**
At 31 December 2022			
Cost or valuation	**103,500**	**115,818**	**219,318**
Accumulated depreciation	**(5,701)**	**(6,412)**	**(12,113)**
Net book amount	**97,799**	**109,406**	**207,205**

	Shoreline rights *RMB'000*	Leasehold land *RMB'000*	Total *RMB'000*
Year ended 31 December 2021			
Opening net book amount	—	—	—
Acquisition of subsidiary	103,500	115,818	219,318
Depreciation	(2,745)	(3,105)	(5,850)
Closing net book amount	100,755	112,713	213,468
At 31 December 2021			
Cost or valuation	103,500	115,818	219,318
Accumulated depreciation	(2,745)	(3,105)	(5,850)
Net book amount	100,755	112,713	213,468

The Group acquired shoreline rights and leasehold land through business combination in prior year. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based over their estimated useful lives.

The shoreline rights and leasehold land with carrying amount of RMB207,205,000 (2021: RMB213,468,000) have been pledged to a financial institution for the borrowings owed by the Disposal Group.

6 INTANGIBLE ASSETS AND GOODWILL

	Co-operation rights ***RMB'000***	**Software** ***RMB'000***	**Goodwill** ***RMB'000***	**Total** ***RMB'000***
For the year ended 31 December 2022				
Opening net book amount	**694,528**	**60**	**33,347**	**727,935**
Additions	**—**	**755**	**—**	**755**
Amortisation	**(1,105)**	**(154)**	**—**	**(1,259)**
Exchange differences	**59,585**	**—**	**—**	**59,585**
Closing net book amount	**753,008**	**661**	**33,347**	**787,016**
At 31 December 2022				
Cost	**1,683,266**	**1,180**	**33,347**	**1,717,793**
Accumulated amortisation and impairment losses	**(930,258)**	**(519)**	**—**	**(930,777)**
Net book amount	**753,008**	**661**	**33,347**	**787,016**

	Co-operation rights *RMB'000*	Software *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021				
Opening net book amount	714,757	—	—	714,757
Acquisition of subsidiary	—	398	33,347	33,745
Additions	—	27	—	27
Amortisation	(1,124)	(365)	—	(1,489)
Exchange differences	(19,105)	—	—	(19,105)
Closing net book amount	694,528	60	33,347	727,935
At 31 December 2021				
Cost	1,550,234	425	33,347	1,584,006
Accumulated amortisation and impairment losses	(855,706)	(365)	—	(856,071)
Net book amount	694,528	60	33,347	727,935

The intangible assets include rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oil fields zones ("**Co-operation Rights**"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. As at 31 December 2022, 73 wells (2021: 69 wells) were at production. As a result, amortisation of RMB1,105,000 has been charged to profit or loss during the Year (2021: RMB1,124,000) based on the units-of production method.

During the year ended 31 December 2018, the Group entered into a loan facility with a related party who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment. As at 31 December 2022, the Group has drawn down RMB9,844,000 for exploration and drilling wells.

Management has reviewed the operational performance and considered the operation's sensitivity to a range of factors including commodity prices, capital expenditure and concluded that there is currently no further impairment or any requirement to reverse the previously recognised impairment.

Impairment Assessment

At the end of each reporting period, the management of the Group performs impairment assessments on its assets. Each segment represents an individual cash generating unit ("**CGU**") in accordance with IAS 36 "Impairment of Assets".

The recoverable amounts of the CGUs have been determined based on value-in-use calculations or fair value less cost to sell, whichever is higher. The management of the Group's estimation of the recoverable amount of the each CGU is determined based on a value-in-use calculation, by using a discounted cash flow ("**DCF**") model, which requires various parameters and inputs, among which the projection of amount and timing of future capital expenditures to enable the exploration and development of new oil production wells is a critical input. This projection, nonetheless, hinges on the overall financial position of the Group.

Energy exploration and production segment

When measuring the recoverable amount of the energy exploration and production segment, management mainly takes oil properties, construction-in-progress and Co-operation Rights into account.

Despite the local oil price and demand have improved in the past few months, the management of the Group is foreseeing the consumption of oil will continue to be restrained by COVID-19 and the slow recovery of the global economy. Coupled with the recent outbreak of the Russo-Ukrainian war, the unpredictable market price in Kyrgyzstan, and global demand on refined products, it is expected that expenditures in the energy exploration would only start to be resumed by the Group by 2025, the earliest.

With internal judgement of the international market environment, combined with the delay of the discharge of the Financial Guarantee, the management of the Group decided to keep the conservative parameters and inputs in the projection of the amount and timing of the capital expenditures to be invested in the energy exploration and production operation that were used in the 2020 impairment assessment.

The management of the Group assumed that no further capital expenditure shall be invested in the energy exploration and production operation until 2025. Accordingly, the energy exploration and production operation will be relying on its own production and cash flow to sustain its operation over the next two to three years.

The calculation of value in use uses pre-tax (2021: pre-tax) cash flow forecast covering a period from year 2023 to year 2060 based on production plan for wells within the operating period granted under the Co-operation Rights. The impairment assessment is not prepared under the perpetual aspect, and the management of the Group determined 2060 as the operation terminal year.

In addition, the principal parameters used in determining the recoverable amount of the Group's assets include estimates of proved and unproved reserves, future commodity prices, as well as best estimate of development costs. The management of the Group has applied consistent estimation of proved and unproved reserves as of 2021, which is in accordance with a competent person's report prepared in September 2018. The expected exploration volume by the end of 2060 is 23.5 million tonnes, which represented 99.9% of proved reserves as at 31 December 2022.

Among other things, the management also scrutinized other assumptions and updated them where appropriate, including estimated crude oil price as follows:

USD/Barrel	**31 December 2022**	31 December 2021
Forecast Year		
2023	**$60.20**	$41.00
2024	**$54.80**	$39.90
2025	**$52.90**	$40.70
2026	**$49.90**	$41.50
2027	**$50.90**	$42.30
Post 2027	**$52.00–$75.00**	$43.20–$61.70

The Group referred to the weighted average cost of capital of the oil and gas industry when determining the discount rate and made relevant adjustments according to specific risks in Kyrgyzstan. In 2022, the pretax discount rate adopted was 16.51% (2021: 11.97%).

Oil storage and trading segment

When measuring the recoverable amount of the oil storage and trading segment, management mainly takes machinery and equipment, building and structure, construction-in-progress, shoreline rights, leasehold land and goodwill into account.

The recoverable amount of CGU is determined based on DCF. The underlying inputs were in accordance with the financial budgets covering a five-year period approved by the board of directors of the Company. The free cashflow was predominantly based on revenue driven by the utilization of the storage facility, less the relevant operating costs. The Group has estimated the utilization of the storage facility range between 80-90%. The pretax discount rate applied to the cash flow projection was 14.96% (2021: 14.49%). Whilst the assessment was prepared under perpetual aspect, the growth rate used to extrapolate the cash flows beyond the five-year period was 3% (2021: 3%).

As a result of the above assessment, the recoverable amount of the CGU exceeds its carrying value, and the Group concluded that there was no impairment for the year ended 31 December 2022.

7 TRADE RECEIVABLES

	31 December 2022 RMB'000	2021 RMB'000
Trade receivables	**7,761**	12,774
Less: loss allowance	**(2,356)**	(850)
	5,405	11,924

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

	2022 RMB'000	2021 RMB'000
0 to 30 days	**2,443**	9,023
31 to 60 days	**174**	1,053
61 to 90 days	**—**	128
Over 90 days	**2,788**	1,720
	5,405	11,924

The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying amount of RMB5,405,000 (2021: RMB11,924,000).

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

8 BORROWINGS

	31 December 2022 RMB'000	2021 RMB'000
Non-current		
Other borrowings	**1,067,756**	1,012,809
Promissory notes	**1,227,729**	1,149,865
	2,295,485	2,162,674
Current		
Borrowings from a financial institution	**332,722**	306,426
Promissory notes	**1,145,515**	1,059,364
Other borrowings	**56,055**	51,625
	1,534,292	1,417,415
Total borrowings	**3,829,777**	3,580,089

Borrowings amounting to RMB2,589,973,000 as at 31 December 2022 (2021: RMB2,391,543,000) were secured by guarantee from a director of the Company, certain shareholders of the Company and the related parties and share capital of certain related parties.

As at 31 December 2022, borrowings of the Group amounted to RMB3,829,777,000, out of which RMB1,524,448,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 31 December 2022 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB675,560,000. As at the date of the approval of these consolidated financial statements, the Group has not obtained waivers to comply with these cross-default terms from the relevant lenders; nor have these lenders taken any action against the Group to demand immediate repayment.

9 TRADE AND OTHER PAYABLES

	31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables	**265,185**	256,325
Other payables		
— Third parties	**77,427**	84,241
— Related parties	**43,681**	39,511
Contract liabilities	**3,818**	7,682
Receipt in advances	**26,184**	25,650
Accrued expenses		
— Payroll and welfare	**27,919**	24,827
— Interest	**675,560**	431,040
— Custodian fee	**26,521**	26,521
— Others	**12,299**	14,159
— Other tax-related payables	**12,729**	15,716
Total trade and other payables	**1,171,323**	925,672

At 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date were as follows:

	31 December	
	2022	2021
	RMB'000	*RMB'000*
0–30 days	**1,037**	737
31–60 days	**240**	24
61–90 days	**502**	50
Over 90 days	**263,406**	255,514
	265,185	256,325

10 EXPENSES BY NATURE

	2022 *RMB'000*	2021 *RMB'000*
Amortisation of intangible assets *(Note 6)*	**1,259**	1,489
Auditors' remuneration		
— audit services	**2,604**	2,484
Bank charges	**34**	99
Consultancy and professional fees	**8,251**	4,939
Cost directly associated with inventories	**9,492**	226,858
Depreciation of property, plant and equipment and right-of-use assets *(Notes 4 and 5)*	**31,481**	24,210
Employee benefits expenses	**23,376**	19,537
Insurance premiums	**536**	718
Other expenses	**21,837**	14,870
Total cost of sales, selling and marketing expenses, general and administrative expenses	**98,870**	295,204

11 OTHER GAINS — NET

	2022 *RMB'000*	2021 *RMB'000*
Net foreign exchange gain	**11,322**	3,632
(Loss)/gain on disposal of property, plant and equipment	**42**	(3,380)
	11,364	252

12 FINANCE INCOME AND COSTS

	2022 *RMB'000*	2021 *RMB'000*
Finance income:		
Imputed interest income	**26,998**	73,965
Finance costs:		
Interest expenses		
— Borrowings	**(47,283)**	(45,072)
— Promissory notes	**(157,569)**	(155,603)
Net foreign exchange (loss)/gain	**(343,702)**	97,379
	(548,554)	(103,296)
Finance costs — net	**(521,556)**	(29,331)

13 INCOME TAX

	2022 *RMB'000*	2021 *RMB'000*
Loss before income tax	**(667,327)**	(171,154)
Tax calculated at domestic tax rates applicable to profit of respective companies	**(111,144)**	(25,744)
Income not subject to tax	**(3,568)**	(29,571)
Expenses not deductible for tax purposes	**118,855**	59,488
Effect of tax losses not recognised	**(586)**	2,054
Utilisation of previously unrecognised tax losses	**—**	(229)
	3,557	5,998

Income tax expense of RMB3,557,000 (2021: RMB5,998,000) represents provision for EIT in the PRC for the year of RMB5,763,000 (2021: RMB8,019,000) net off by deferred tax credit of RMB2,206,000 (2021: RMB2,021,000).

No Hong Kong profits tax has been provided for the years ended 31 December 2022 and 2021 as the Group had no assessable profit in Hong Kong. All PRC subsidiaries and Kyrgyzstan subsidiary are subject to EIT rates of 2.5%, 25% and 10%, respectively.

14 LOSS PER SHARE

(a) Basic loss per share

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

	2022 *RMB*	2021 *RMB*
Loss per share	**(0.06)**	(0.02)

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2022 and 31 December 2021 are the same as basic loss per share as the potential dilutive ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

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

	2022	2021
	RMB'000	*RMB'000*
Basic and diluted loss per share		
Loss attributable to equity holders of the Company	**(682,741)**	(185,066)

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

	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**4,770,491,507**	4,770,491,507
Adjustment for calculating earnings per share:		
— Convertible preference share	**7,006,000,000**	7,006,000,000
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**11,776,491,507**	11,776,491,507

15 DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year ended 31 December 2022 (2021: nil).

16 FINANCIAL GUARANTEE CONTRACTS

The Group has provided guarantees to certain financial institutions in the PRC in respect of borrowings owed by the Disposal Group (the "**Relevant Guarantees**"). Under these guarantee contracts, the Company is required to make payments to the financial institutions should the Disposal Group default on the borrowings and claims are made against the Group. As at 31 December 2022, the Relevant Guarantees provided by the Company to the Disposal Group that were still in the process of being discharged or released amounted to RMB5,827.9 million (31 December 2021: RMB5,634.0 million), inclusive of principals and interests. Out of this total amount, this Relevant Guarantees that met the recognition criteria of financial guarantee under IFRS 9 "Financial Instrument" was RMB4,872,966,000 (2021: RMB4,709,049,000). The Group has recognised financial guarantee contracts of RMB4,872,966,000 considering the maximum exposure according to the contractual obligation. Both the guarantee and provision shall be released upon the completion of the transfer and discharging of the relevant guarantees.

During the year ended 31 December 2022, the change in provision for financial guarantee contracts of RMB163,917,000 (2021: RMB163,917,000) mainly represents the accrual of interest expenses on the outstanding guaranteed borrowings since the disposal day of the Disposal Group.