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

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Revenue	*4*	**29,184,915**	27,742,529
Other revenue	*4*	**9,132**	17,784
		29,194,047	27,760,313
Expenses			
Cost of revenue		**(28,782,973)**	(27,145,282)
Royalties		**(57,592)**	(93,109)
Field operation expenses		**(89,376)**	(108,712)
Exploration and evaluation expenses		**(2,680)**	(2,597)
Selling and distribution expenses		**(21,295)**	(18,726)
Administrative expenses		**(86,830)**	(110,523)
Depreciation, depletion and amortisation		**(163,402)**	(240,726)
Net reversal/(recognition) of impairment loss of property, plant and equipment		**137,606**	(158,489)
Provision for expected credit loss		**(5,676)**	(43,923)
Provision for litigations	*14*	**–**	(84,274)
Other gains and losses	*5*	**(31,744)**	11,316
		(29,103,962)	(27,995,045)

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Profit/(loss) from operating activities	*6*	**90,085**	(234,732)
Finance costs	*7*	**(34,930)**	(58,926)
Gain on deconsolidation of a subsidiary		**–**	882,050
Profit before taxation		**55,155**	588,392
Taxation	*8*	**423**	(8,260)
Profit for the year		**55,578**	580,132
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		**(98,762)**	33,355
– Reclassification of exchange difference on deconsolidation of a subsidiary		**–**	(10,673)
Other comprehensive income for the year, with nil tax effect		**(98,762)**	22,682
Total comprehensive income for the year		**(43,184)**	602,814
Profit for the year attributable to:			
Owners of the Company		**54,128**	217,593
Non-controlling interests		**1,450**	362,539
		55,578	580,132
Total comprehensive income for the year attributable to:			
Owners of the Company		**(42,958)**	237,064
Non-controlling interests		**(226)**	365,750
		(43,184)	602,814
Earnings per share			
Basic and diluted, *HK cents*	*10*	**4.92**	19.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**1,771,918**	1,859,533
Investment properties		**11,542**	12,590
Exploration and evaluation assets		**8,898**	11,384
Right-of-use assets		**75,730**	99,349
Goodwill and intangible asset		**58,149**	58,149
		1,926,237	2,041,005
Current assets			
Inventories		**89,851**	346,580
Trade receivables	*12*	**457,758**	1,014,916
Prepayments, deposits and other receivables		**47,478**	55,853
Cash and bank balances		**278,675**	226,188
		873,762	1,643,537
Total assets		**2,799,999**	3,684,542
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**440,041**	440,041
Reserves		**807,914**	850,872
Total equity attributable to the owners of the Company		**1,247,955**	1,290,913
Non-controlling interests		**52,224**	57,253
Total equity		**1,300,179**	1,348,166

	Notes	2024 HK$'000	2023 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**650,214**	1,208,394
Lease liabilities		**5,065**	7,838
Bank borrowings and other loans		**159,691**	405,594
Provision for litigations		**–**	–
Secured term loans		**–**	445,355
Current tax payables		**1,908**	316
		816,878	2,067,497
Non-current liabilities			
Decommissioning liabilities		**166,761**	171,349
Lease liabilities		**61,352**	86,815
Deferred tax liabilities		**10,177**	10,715
Secured term loans		**444,652**	–
		682,942	268,879
Total liabilities		**1,499,820**	2,336,376
Total equity and liabilities		**2,799,999**	3,684,542
Net current assets/(liabilities)		**56,884**	(423,960)
Total assets less current liabilities		**1,983,121**	1,617,045

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 2024, but is extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements for the year ended 31 December 2024 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 affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

The Group has applied for the first time the following new or amendments to standards and interpretations (the "new or amendments to HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

– Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements

– Amendments to HKFRS 16 – Lease Liability in Sale and Leaseback

– Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

– Amendments to HKAS 1 – Non-current Liabilities with Covenants

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

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKAS 7 and HKFRS 7

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

Amendments to HKFRS 16

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 1 and related amendments to HK Int 5 (Revised)

The amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 January 2024. These new and amendments to standards and interpretation include the following which may be relevant to the Group.

– Amendments to HKAS 21 – Lack of Exchangeability[1]

– Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments[2]

– Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature- dependent Electricity[2]

– Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 – Annual Improvements to HKFRS Accounting Standards – Volume 11[2]

– HKFRS 18 – Presentation and Disclosure in Financial Statements[3]

– HKFRS 19 – Subsidiaries without Public Accountability: Disclosures[3]

– Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after 1 January 2026
[3] Effective for annual periods beginning on or after 1 January 2027
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

3. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**331,333**	501,817	**28,853,582**	27,240,712	**29,184,915**	27,742,529
Segment (loss)/profit	**(4,300)**	33,431	**5,084**	(118,066)	**784**	(84,635)
Other revenue					**9,132**	17,784
Fair value change on investment properties					**(679)**	(655)
Net foreign exchange (loss)/gain					**(36,281)**	11,778
Net reversal/(recognition) of impairment loss of property, plant and equipment					**137,606**	(158,489)
Reversal of impairment loss of exploration and evaluation assets					**–**	474
Unallocated corporate expenses					**(20,477)**	(20,989)
Profit/(loss) from operating activities					**90,085**	(234,732)
Finance costs					**(34,930)**	(58,926)
Gain on deconsolidation of a subsidiary					**–**	882,050
Profit before taxation					**55,155**	588,392
Taxation					**423**	(8,260)
Profit for the year					**55,578**	580,132

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2023: nil).

Segment (loss)/profit represents the loss incurred/profit earned by each segment without allocation of other revenue, fair value change on investment properties, net foreign exchange (loss)/gain, net reversal/(recognition) of impairment loss of property, plant and equipment, reversal of impairment loss of exploration and evaluation assets, 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	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,741,246**	1,872,385	**1,033,640**	1,788,570	**2,774,886**	3,660,955
Unallocated assets					**25,113**	23,587
Total assets					**2,799,999**	3,684,542
Segment liabilities	**497,991**	596,601	**819,523**	1,556,645	**1,317,514**	2,153,246
Unallocated liabilities					**182,306**	183,130
Total liabilities					**1,499,820**	2,336,376

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

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

Other segment information

	Exploration, exploitation and operation		Supply and procurement		Unallocated		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	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	**158**	181	**9,737**	10,846	**19**	23	**9,914**	11,050
Depletion of property, plant and equipment	**145,674**	221,304	**–**	–	**–**	–	**145,674**	221,304
Depreciation of right-of-use assets	**285**	191	**5,656**	6,307	**1,873**	1,874	**7,814**	8,372
Reversal of impairment loss of exploration and evaluation assets	**–**	(474)	**–**	–	**–**	–	**–**	(474)
Net (reversal)/recognition of impairment loss of property, plant and equipment	**(137,651)**	127,292	**45**	–	**–**	31,197	**(137,606)**	158,489
Provision for litigations	**–**	–	**–**	84,274	**–**	–	**–**	84,274
Provision for expected credit loss	**–**	–	**5,676**	43,923	**–**	–	**5,676**	43,923
Finance costs	**16,596**	14,293	**9,707**	36,120	**8,627**	8,513	**34,930**	58,926
Taxation	**–**	–	**(423)**	8,260	**–**	–	**(423)**	8,260
Additions to non-current assets*	**76,244**	356,522	**4,156**	3,553	**–**	–	**80,400**	360,075

* The amount represents additions to property, plant and equipment, right-of-use assets and exploration and evaluation assets for the years ended 31 December 2024 and 31 December 2023.

Revenue from major products and services

The Group's revenue from its major products and services was from sales of crude oil and natural 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 ("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**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**28,853,582**	27,240,712	**254,293**	287,304
Canada	**331,333**	501,817	**1,671,122**	1,750,986
Hong Kong and others	**–**	–	**822**	2,715
	29,184,915	27,742,529	**1,926,237**	2,041,005

Information about major customers

Included in revenue arising from supply and procurement business segment of HK$28,853,582,000 (2023: HK$27,240,712,000) are revenue of HK$21,001,432,000 (2023: HK$20,401,645,000) which arose from two (2023: two) customers of the Group, each of which contributed 10% or more to the Group's total revenue for the year.

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

	2024	2023
	HK$'000	*HK$'000*
Customer A	**16,349,901**	16,091,750
Customer B	**4,651,531**	4,309,895

4. REVENUE AND OTHER REVENUE

Revenue represents the consideration expected to be entitled from the goods sold which are recognised under point in time under HKFRS 15. All significant intra-group transactions have been eliminated on consolidation.

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

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of crude oil and natural gas	**331,333**	501,817
Trading and distribution of oil related products	**28,853,582**	27,240,712
	29,184,915	27,742,529

	2024	2023
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**5,117**	12,263
Rental income	**382**	99
Storage fee income	**858**	1,590
Others	**2,775**	3,832
	9,132	17,784

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:

	2024	2023
	HK$'000	*HK$'000*
Not later than one year	**314**	397
Later than one year and not later than two years	**301**	323
Later than two years and not later than three years	**75**	231
	690	951

5. OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'000*
Net foreign exchange (loss)/gain	**(36,281)**	11,778
Fair value change on investment properties	**(679)**	(655)
Reversal of impairment loss of exploration and evaluation assets	**–**	474
Gain on lease modification	**6,588**	–
Others	**(1,372)**	(281)
	(31,744)	11,316

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2024	2023
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**2,772**	2,752
– Non-audit services	**452**	–
Cost of inventories sold	**28,782,973**	27,145,282
Depreciation and depletion of property, plant and equipment	**155,588**	232,354
Depreciation of right-of-use assets	**7,814**	8,372
	163,402	240,726
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**1,085**	2,341
Staff costs (including Directors' remuneration)		
– Salaries and wages	**82,318**	77,912
– Pension scheme contributions	**4,289**	5,026

7. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest expenses on bank borrowings and secured term loans wholly repayable within five years	**22,840**	29,742
Interest expenses on lease liabilities	**3,598**	4,880
Interest expenses on other loans	**5,906**	21,530
	32,344	56,152
Accretion expenses of decommissioning liabilities	**2,586**	2,774
	34,930	58,926

8. TAXATION

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

	2024 *HK$'000*	2023 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – Outside Hong Kong		
Over-provision in prior years	**(3,276)**	–
Provision for the year	**3,023**	8,424
	(253)	8,424
Deferred tax		
Reversal of temporary differences	**(170)**	(164)
	(423)	8,260

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 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 the PRC corporate income tax rate applicable to the Group's subsidiaries in Canada and the PRC are 25% (2023: 25%) and 25% (2023: 25%) respectively.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

10. EARNINGS PER SHARE

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

	2024 *HK$'000*	2023 *HK$'000*
Profit		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**54,128**	217,593

	2024 *'000*	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,100,103**	1,094,075

Diluted earnings per share for the years ended 31 December 2024 and 31 December 2023 were the same as the basic earnings per share as the Company had no dilutive potential ordinary shares in existence during the years ended 31 December 2024 and 31 December 2023.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2023 has been adjusted retrospectively for share consolidation during the year ended 31 December 2023.

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 (2023: 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% (2023: 10.5%). 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 2024, 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 reversed impairments on certain oil and gas properties after reassessing reserves due to successful offset wells and new drilling activities in 2024. These adjustments were based on improved reserve estimates, which incorporated production data and geological modelling from offset wells. During the year ended 31 December 2024, the Group recognised an impairment reversal on petroleum and natural gas properties of HK$137,651,000. 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 2023, 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 loss at 31 December 2023 at its CGUs. The main indicator of impairment loss was the third party reserves evaluation which included an decrease in the forward price deck resulting in an decrease in reserve and net present values across all CGUs. During the year ended 31 December 2023, the Group recognised an impairment loss on petroleum and natural gas properties of HK$127,292,000. 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$1.66 billion (2023: HK$1.74 billion).

Impairment loss of construction in progress

During the year ended 31 December 2024, the Group has recognised an impairment loss on construction in progress of HK$45,000 due to the uncertainty on obtaining relevant government authority's approval on construction work. The Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of construction in progress.

During the year ended 31 December 2023, the Group has recognised an impairment loss on construction in progress of HK$31,197,000 due to the uncertainty on obtaining relevant government authority's approval on construction work. The Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of construction in progress.

The recoverable amount of construction in progress has been determined based on fair value less cost of disposal using market approach. The level in the fair value hierarchy in arriving at the recoverable amount of construction in progress is considered under Level 3 on the basis of valuations carried out by China Valuer International Co., Ltd ("China Valuer"), independent qualified professional valuer not related to the Group.

The recoverable amount was reduced to zero as at 31 December 2023, which was lower than its carrying amount of construction in progress of approximately HK$31,197,000 as at 31 December 2023. The cost of disposal of construction in progress is amounted to HK$1,940,000 estimated by China Valuer. The fair value of construction in progress is determined using market approach by reference to recent sales price of recycling metal and construction costs with an adjustment on producer price index.

12. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of up to 90 days (2023: 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:

	2024	2023
	HK$'000	*HK$'000*
0 to 30 days	**434,230**	992,263
31 to 60 days	**385**	215
61 to 90 days	**688**	482
Over 90 days	**22,455**	21,956
	457,758	1,014,916

13. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payable	**468,732**	938,645
Contract liabilities	**75,965**	39,475
Value added tax payables	**11,059**	98,034
Other tax payables	**4,664**	28,742
Staff cost payables	**15,701**	8,698
Other payables	**74,093**	94,800
	650,214	1,208,394

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

	2024	2023
	HK$'000	*HK$'000*
0 to 30 days	**464,345**	890,855
31 to 60 days	**229**	3,177
61 to 90 days	**6**	38
Over 90 days	**4,152**	44,575
	468,732	938,645

As at 31 December 2024 and 31 December 2023, the trade payables are non-interest bearing and have an average credit period on purchases of up to 90 days.

14. LITIGATIONS

Referring to the Company's announcement dated 2 June 2022, a claim was made by Chongqing Longhai Petroleum and Chemical Company Limited (重慶龍海石化有限公司, "Chongqing Longhai") against Yanchang Petroleum (Zhejiang FTZ) Limited ("Yanchang Zhejiang") for processing fees of approximately RMB442,696,000 and the relevant costs and interest so arisen. Yanchang Zhejiang also made a counter claim against Chongqing Longhai on the liquidated damages arising from the failure in completion of the processing contract and the amount of such counter claim was approximately RMB45,483,000. In December 2022, the court announced its judgement that Yanchang Zhejiang was required to bear the alleged damage (including processing fees, storage fee, interest and court processing fee) to Chongqing Longhai with a total of approximately RMB266,514,000 (equivalent to HK$297,350,000). In February 2023, Yanchang Zhejiang lodged appeal against the decision by the court.

Referring to the Company's announcements dated 2 June 2022, 9 June 2022, 8 July 2022, 22 July 2022, 3 August 2022, 12 August 2022, 19 August 2022, 14 September 2022, 15 September 2022, 28 October 2022, 14 November 2022 and 21 December 2022, various customers and suppliers of Yanchang Zhejiang sued for outstanding purchase procurement fees, transportation fees and purchase amounts.

The Directors of the Company are of the view that the above claims and the legal proceedings are likely to result in material outflows of economic benefit from the Group. For the year ended 31 December 2024, no additional provision for these litigations was made (31 December 2023: HK$84,274,000).

The following table reconciles the changes in the Group's provision for litigations during the year:

	2024	2023
	HK$'000	*HK$'000*
At 1 January	**–**	453,330
Additional provision in the year	**–**	84,274
Deconsolidation of a subsidiary	**–**	(525,078)
Exchange differences	**–**	(12,526)
At 31 December	**–**	–

BUSINESS REVIEW AND PROSPECTS

In 2024, the international oil and gas market exhibited characteristics of high volatility, weak demand, and strong game under the backdrop of escalating geopolitical conflicts, divergent energy policies, and weakened growth momentum of global economy. Despite the continuous strategy for controlling supply of OPEC +, however, the slowdown in industrial activity in certain economies had put pressure on the demand growth of crude oil, which maintained a "tight balance and weak" trend throughout the year. During the year, international oil prices were driven by multiple factors such as frequent revisions of expectations for supply and demand, bombardments from geopolitical risk events, and disruptions in liquidity of financial capital, resulting in a significant increase in the complexity of operations in the industry. Facing external challenges, Yanchang Petroleum International Limited (the "Company") adhered to the business philosophy of "conducting quality improvement and dynamic optimisation in a stable manner", deepen the cost reduction and efficiency improvement of its principal oil and gas business, and strengthen its ability to hedge risks in the industrial chain. In the upstream segment, the Company actively engaged in technological innovation to enhance recovery rates and operational efficiency. The downstream business consolidated market resilience by enhancing market expansion and deepening business cooperation.

UPSTREAM OIL AND GAS PRODUCTION BUSINESS IN CANADA

Novus Energy Inc. ("Novus") was committed to implementing the various work plans for 2024, and fully organised production and operation by focusing on key targets of the year. In 2024, Novus sold a total of 843,000 barrels of oil equivalent, representing a year-on-year decrease of 22.95%. Sales revenue was CAD60,800,000, representing a year-on-year decrease of 29.61%. WTI prices remained basically unchanged, while sales prices of natural gas continued to decline, representing a significant decrease of 41.02% as compared to the previous year. Sales prices of oil and gas mixture decreased by 8.65%. Benefiting from the impairment recovery of oil and gas assets of CAD25,260,000, Novus recorded a net profit of CAD11,600,000. Although the operating performance was below expectations, the overall operating condition of Novus maintained good resilience under the influence of sharp decline in oil and gas prices, exchange rates, production scale and revenue.

(I) Successfully achieving production targets

In 2024, despite the unfavorable situation of no external capital injection and rapid decline in production of new wells, Novus focused on the production targets of the year and made precise efforts to coordinate "two key issues", namely production of new wells as well as control and reduction of production decline of old wells. On the one hand, Novus saved funds and organised drilling and production scientifically and reasonably through a series of effective measures such as control of operating expenses, reduction of drilling and completion costs, and compression of controllable costs. Novus recorded total capital expenditure of CAD11,310,000 throughout the year and gave priority to drilling 5 one-mile wells (with total penetration of 11,628 meters) and putting 8 wells into operation in core high-quality blocks, with new wells contributing 7,300 tonnes of production. On the other hand, Novus actively implemented effective optimisation measures for production such as washing wells with hot oil, depressurisation with casing, and replacement of pump under the wells. Novus implemented various measures on more than 105 occasions throughout the year and thereafter increased production by 129 barrels of oil equivalent per day, effectively controlling the production decline of old wells. During the year, a total of 837,000 barrels of oil equivalent were produced, successfully achieving the annual production target.

(II) Remarkable improvements in production and operation

Novus has always been committed to efficient organisation of production and operation by implementing concepts of refined management, and achieved remarkable improvements. Firstly, facing extreme cold weather and snowstorms in February and a road closure order during the snowmelt period, Novus established inventory by fully utilising storage tanks of crude oil, which greatly reduced transportation costs, and conducted staggered sales in May when Viking crude oil prices approached US$80, which increased sales revenue by CAD1,880,000. Secondly, with relatively low capital expenditures on drilling in 2024, over 80 drillable wells under application faced the risk of expiration, in which it usually takes 6 to 12 months to obtain drillable wells on the ground. To avoid the onerous approval and application procedures for wells and ensure the reserve of drillable wells in Novus, the expiration time of drillable wells has been delayed through continuation and maintenance. Currently, more than 80 drillable wells are in a drillable state. Thirdly, Novus closely monitored international crude oil prices and changes in cash flow in a timely manner, organised production and construction scientifically and reasonably, and purchased casing, equipment and other materials in advance, ensuring the smooth progress of drilling and production. In 2024, the completion cost of a single well was reduced by CAD80,000 per well year-on-year. Fourthly, Novus endeavoured to identify partners. Novus negotiated with Teine Energy and entered into a joint operation agreement to drill one cooperative well, which will be put into operation in the near future. Fifthly, Novus signed a transportation agreement with a pipeline transportation company for 5 years to reduce pipeline transportation rates by 11% and limit the increase to 2% per year, saving transportation costs of CAD650,000 in 2024. Sixthly, Novus completed the review of all road use agreements and pursued the payment collection of road use fees owed by third parties, totaling over CAD22,000, to safeguard the rights and interests of Novus in the use of leased roads.

(III) Enhanced technological support

Adhering to the problem-oriented, demand-oriented and efficiency-oriented approaches and from the perspective of sustainable development of Novus oilfield, it conducted comprehensive research on the oilfield and leveraged the leading role of new technologies in the development of oilfield. Firstly, Novus built a solid foundation of technical support through internal and external collaboration. On the one hand, Novus strengthened its cooperation with research institutions in scientific research. “The Comprehensive Geological Research of Novus Oilfield”, a project collaborated with a team of professors from the University of Regina, Canada, has successfully passed the acceptance of the expert group, providing a detailed description and resource assessment of “Success” reservoir and a reference for expanding resources in the oilfield. On the other hand, Novus fully leveraged the technical strength of internal and superior units and developed a set of development technologies targeting the characteristics of thin sandstone reservoirs. Novus completed a research project, “The Geological Characteristics and Development Practice of Petroleum in Novus Oilfield”, which has won the first prize of Science and Technology Progress Award of Shaanxi Petrochemical. Secondly, Novus explored new ways to increase the production of oilfields with innovation as the driver. Based on the actual development of Novus oilfield”, Novus completed the resource potential analysis for the Manville group, Milton block, Major block, and Wembley block and Halfway group, and provided exploration and development proposals. Novus explored measures to improve the production of single well, and compared and analysed the feasibility of waterflooding and gas injection for secondary processes. Novus studied and developed the implementation proposals for exploring potential and increasing efficiency of old wells. Through a comparative study on the production of wells in operation in the Viking reservoir between the Novus oilfield and other surrounding companies, Novus analysed the reasons for low production of wells in Novus oilfield. A research project, “The Research on Drilling of Horizontal Wells and Application of Efficient Development Technologies in Thin Sandstone Reservoirs in Novus Oilfield”, is currently being applied for a key scientific research project in Shaanxi Province, focusing on tackling technical problems, including fine description of reservoirs, geological foundation research, distribution of residual oil, and high efficient development of horizontal wells. Thirdly, Novus continued to promote efficient development led by technologies. Novus scientifically prepared “The 2024 Exploration and Development Deployment Plan”, enhanced geological support, and rigorously demonstrated the rationality of well locations. In response to the formation conditions where “Viking” and “Success” reservoirs are only 3–4 meters thin, all 5 wells are developed by 1-mile extended horizontal well technology, representing a year-on-year increase of 33.33% (extended wells accounted for 75% in 2023). The application of super single drilling technology, geo-steering drilling technique, and closed-end sliding fracturing technology became more and more mature. For the whole year, 5 1-mile wells (with total penetration of 11,628 meters) were drilled, with the drilling cycle controlled within 5 days. The oil reservoir drilling rate was 100%, creating a new historical high. The success rate of fracturing and sand addition was 98%, and the technical indicators were excellent, ranking among the top in the industry.

(IV) Continuous consolidation of resource reserves

In 2024, Novus recorded a sharp decrease in capital expenditures and faced dual pressures of maintaining oil and gas production and expiration of lands. Novus took a series of effective measures to maintain the sustainability of resources. Firstly, Novus has taken multiple measures to preserve the mining rights of its lands. In 2024, 100 square kilometers of land faced the risk of expiration. Through strategic drilling, good relationships and communication with the government, application for extension of mining rights, and negotiations with owners of mining rights, 68 square kilometers of lands were successfully preserved, delaying the expiration time of lands in blocks such as Court, Major, and Milton. Secondly, due to large-scale drilling activities in recent years, unregistered 2P reserves at 22 wells were converted into registered reserves. Due to lack of exploration activities and production of 837,000 barrels of oil equivalent, 2P reserves increased by 1,247,000 barrels of oil equivalent. As at the end of 2024, the 2P reserves reached 18,520,000 barrels of oil equivalent, representing a year-on-year increase of 2.3%, which continuously consolidated the corporate resource base. Thirdly, Novus successfully drilled one exploration well and put it into operation in the "success" reservoir under the Madison group, with a cumulative production of 5,000 barrels of oil equivalent in six months. Novus studied and established a geological model, and reserved wells drillable in the future, laying the foundation for subsequent exploration and development as well as resource succession.

(V) Scientific preparation of development plans

Focusing closely on future development needs and based on the actual sustainable development of oilfields, Novus conducted thorough research on the oil and gas market in Canada and the centralised transportation and metering system for oil and gas of Novus oilfield, to gain a comprehensive understanding of Canada's oil and gas resources, investment policies, and systems, as well as mastering Novus's centralised transportation and processing capabilities of oil and gas, and formulated a report headed "The Research on the Oil and Gas Market in Canada" and a report headed "The Centralised Transportation and Metering System for Oil and Gas of Novus Oilfield". Combined with Novus's comprehensive geological and development technology research results, Novus carefully planned and scientifically prepared the development plan for Novus oilfield under different oil prices and investment conditions. At the same time, Novus accurately predicted the balance points for profit or loss and cash flow, and clarified its development direction.

(VI) Rigorous implementation of safety and compliance

Novus has always been committed to safety and environmental management, stringently complied with laws and regulations in Canada, and conscientiously fulfilled its obligations of emissions reduction and abandonment of oil and gas wells according to the requirements of the federal and provincial governments. 4 wells were connected to gas pipeline, and 700 meters of gas pipeline were newly constructed. 20 abandoned wells were shut down, and 25 well locations were applied for recycling. 38 square kilometers of land with mining rights were returned to the proprietors or the government. Throughout the year, there were no safety, environmental protection and engineering quality incidents at Novus oilfield, and Novus did not receive any emission reduction penalty from the government. There was a cumulative reduction of 136,000 tonnes of carbon dioxide emissions, avoiding carbon emission fines of CAD13.52 million.

DOWNSTREAM OIL AND BY-PRODUCTS SALES BUSINESS IN CHINA

In 2024, Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang") thoroughly implemented its deployment, adhered to safe and compliant operations, firmly advanced market-oriented reforms and promoted the orderly development of various tasks. Henan Yanchang was awarded by the Emergency Management Department of Henan Province as a paired poverty alleviation group with outstanding achievements in safety production. Henan Yanchang obtained the honors of "11th Shaanxi Provincial Outstanding Equipment Management Unit" (第十一屆陝西省設備管理優秀單位) and "Advanced Collective of Xinzheng City in Statistical Work" (新鄭市統計工作先進集體). In 2024, Henan Yanchang recorded a cumulative oil sales volume of 3,838,500 tonnes with an operating revenue of RMB27.034 billion and a net profit of RMB4.56 million.

(I) Steadily and orderly progressing business

(1) Sales at gas stations. Over the year, Henan Yanchang expanded the surrounding markets focusing on gas stations, and newly secured 36 major customers. 9 customers had a stable oil procurement exceeding 10,000 litres monthly. Active negotiations were conducted with surrounding communities, shopping malls, restaurants and auto repair shops to establish cross-industry collaborations. Voucher sales promoted sales of 18,000 litres, and the gift card business generated sales of RMB105,300. (2) Sales through railway channel. Benefiting from its proactive expansion in sales channels, Henan Yanchang has established long-term and stable cooperative relationships with Sinopec, CNPC, as well as local state reserve and private enterprises. Through regular follow-ups and market research, tailored refined oil supply solutions were offered to customers, which elevated customer stickiness and loyalty. In 2024, Henan Yanchang successfully fostered partnerships with 10 new customers, expanding its customer base across multiple provincial markets and realized a sales volume of 64,900 tonnes with a sales amount of RMB464 million. (3) External sourcing. Efforts were made to proactively explore the development pathways for centralised procurement business to expand new partnerships. In 2024, centralised procurement was focused around the Ningxia and Shandong regions. Moreover, stable collaborations were established with CNOOC Huadong Company, CNPC Hubei Company, Shell Chongqing Company and Shell Wuhan Company. Leveraging its core business, Henan Yanchang has expanded sales in the Hubei, Hunan and Chongqing regions. Throughout the year, the centralised procurement business reached 42,740 tonnes, establishing a strong market presence along the Yangtze River. (4) Sales at oil depots. A flexible pricing approach featuring price negotiation on a case-by-case basis for loyal customers and large-volume customers was implemented to enhance customer retention. In 2024, Henan Yanchang acquired 62 new customers and 1 new supplier. Sales to major customers (with annual sales exceeding 500 tonnes) amounted 52,900 tonnes. Giving full play to the strengths of oil depots, Henan Yanchang facilitated the transfer of 7,700 tonnes of Yanchang's oil products when its sales channels were disrupted, ensuring the smooth distribution of Yanchang's oil products. (5) Sales through highway channel. With each station as the central hub, radiating out to a radius of 200 kilometers, the development of end users was taken as a priority. While consolidating sales within the province, efforts were exerted to expand cooperation with end customers in other regions such as Shanxi, Ningxia and Inner Mongolia. This strategy aims to broaden the market coverage radius and boost sales.

(II) Remarkable achievements in business expansion

Firstly, Henan Yanchang actively promoted a membership system of terminal retailing covering all online customers and launched diversified new recruitment and membership activities, with a total of 350,000 members in the entire network and 90,000 members following our official accounts. Secondly, the efficient implementation of the fixed investment business has served 37 gas stations of Sinopec Henan (accounting for 44% of its gas stations in Sanmenxia, with direct distribution sales representing over 75% of diesel sales). The annual fixed investment sales reached 50,100 tonnes, with over 1,400 deliveries without any oil product backflow or quality disputes. Thirdly, Henan Yanchang has vigorously pursued state reserve collaborations, securing supply of two batches of oil products totaling 90,000 tonnes to the Hubei state reserve, achieving a price difference of over RMB11 million. Fourthly, our independent transportation for external sourcing totaling 68,200 tonnes in the Yangtze River recorded a revenue of RMB602 million with a price difference of RMB1,913,000, covering 12 cities in 6 provinces in central and southwestern China, which significantly shored up our influence in the market of central China. Fifthly, Henan Yanchang was selected as a supplier to CNPC Hubei and CNOOC Huadong, supplying 29,300 tonnes of oil in 2024.

(III) Robustly strengthening of business assurance

Firstly, 48 business processes across eight core modules, including customer and vendor management and pricing strategies, were comprehensively reviewed and restructured, efficiently enhancing business compliance and operational efficiency. Secondly, the retail management system was upgraded with the completion of the reform on retail business remuneration, optimisation of pricing strategies and the visual system design for gas stations. Thirdly, Henan Yanchang has advanced the optimisation of its organizational structure, completing the job position setup and value assessments. Proposals for open recruitment bidding and salary restructuring were also formulated and orderly implemented. Fourthly, the fee quota standard of Henan Yanchang was sorted out and fixed to solidify the foundation for implementing comprehensive budget management. Fifthly, we steadily facilitated the informatization construction and completed the system development of the direct connection between banks and enterprises, a direct connection between tax authorities and enterprises, CRM and expense control platform. Sixthly, the lease of Xiangcheng oil depot was terminated upon expiry through coordination. An overall reduction of 30% in the leasing fees for the Xiangcheng gas station (a total rent reduction of RMB1.74 million per year) was achieved.

(IV) Consistent consolidation of the safety foundation

Firstly, we passed the inspection of Safety Risk Intelligent Control Platform. Secondly, we organised two on-site meetings for the "High-Standard and Refined Management of Key Fire Safety Units " (消防安全重點單位高標準精細化管理) in Xinzheng City, which were attended by over 200 participants. Our safety management efforts were highly commended by both the local government and enterprises. Thirdly, we took the initiative to resolve existing risks and tax-related issues, reducing back taxes and late payment penalties by more than RMB10 million. Fourthly, our franchise contract with Ningxia Yongrun Pingluo Gas Station was terminated, effectively mitigating relevant operational risks. In 2024, we earned multiple awards, including Excellent Quality Management Achievements of National Petroleum and Chemical Industry (全國石油和化工行業優秀質量管理成果), the Sixth National Equipment Management and Technological Innovation Achievements (第六屆全國設備管理與技術創新成果獎), first class team and second class team recognised by China Association of Work Safety in terms of standardisation of safety management in 2024 (中國安全生產協會二零二四年度安全管理標準化一級班組、二級班組), First Prize, Second Prize and Exemplary Workshop of "Golden Idea" Invention of Mobile Equipment Management of China Equipment Management Association (中國設備管理協會活動設備管理「金點子」發明一等獎、二等獎及標杆工作室).

OUTLOOK

Looking ahead to 2025, the international oil and gas market may face two headwinds of weak demand recovery and high volatility in supply. The threat of tariff war may slow down global economic growth, coupled with persistent geopolitical risks and energy policy uncertainties may further aggravate downward pressure on oil price. The capital expenditure in the industry is expected to favour areas with stronger anti-cyclical resilience. The Company will continue to beef up the efficiency of its oil and gas business across the entire industry chain and strengthen its cost control and market responsiveness through digital tools, with a strategic focus on consolidating fundamentals and fostering new growth drivers. The Company will uphold the principles of risk-control and innovation-driven and strive to create sustainable value for shareholders.

FINANCIAL REVIEW

Highlights on financial results

	2024	2023	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**29,184,915**	27,742,529	5%
Other revenue	**9,132**	17,784	(49%)
Cost of revenue	**(28,782,973)**	(27,145,282)	6%
Royalties	**(57,592)**	(93,109)	(38%)
Field operation expenses	**(89,376)**	(108,712)	(18%)
Exploration and evaluation expenses	**(2,680)**	(2,597)	3%
Selling and distribution expenses	**(21,295)**	(18,726)	14%
Administrative expenses	**(86,830)**	(110,523)	(21%)
Depreciation, depletion and amortisation	**(163,402)**	(240,726)	(32%)
Net reversal/(recognition) of impairment loss of property, plant and equipment	**137,606**	(158,489)	N/A
Provision for expected credit loss	**(5,676)**	(43,923)	(87%)
Provision for litigations	**–**	(84,274)	(100%)
Other gains and losses	**(31,744)**	11,316	N/A
Finance costs	**(34,930)**	(58,926)	(41%)
Gain on deconsolidation of a subsidiary	**–**	882,050	(100%)
Taxation	**423**	(8,260)	N/A
Profit for the year	**55,578**	580,132	

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 2024, the Group's turnover was mainly derived from the production of oil and natural gas business in Canada as well as the oil and by-products trading business in the 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 843,000 BOE and contributed revenue of HK$331,333,000 during the year under review as compared to sales volume of 1,093,000 BOE and revenue of HK$501,817,000 of the previous year. Due to the decrease of both sales volume and oil prices in 2024, the exploration, exploitation and operation business recorded an operating loss of HK$4,300,000, as compared to an operating profit of HK$33,431,000 in 2023.

Due to sales volume increased from the previous year of 3.42 million tonnes to this year of 3.84 million tonnes, the revenue of oil and by-products trading business in the PRC increased from the previous year of HK$27,240,712,000 to this year of HK$28,853,582,000 in spite of lower selling prices. For the year under review, supply and procurement business generated an operating profit of HK$5,084,000, as compared to an operating loss of HK$118,066,000 in 2023.

Other revenue

Apart from the aforesaid segment results, the Group recorded other revenue of HK$9,132,000 this year which mainly represented interest income from bank deposits and oil card income in the PRC, as compared to that of HK$17,784,000 in the previous year.

Cost of revenue

Cost of revenue was wholly derived from the oil and by-products trading business in the PRC, which increased from the previous year of HK$27,145,282,000 to this year of HK$28,782,973,000. The increase of cost of revenue was mainly due to the increase in sales of the refined oil and by-products trading business of Henan Yanchang in the PRC.

Royalties

Royalties, including crown, freehold and overriding royalties were incurred by Novus for the oil and natural gas production business in Canada, decreased from the last year of HK$93,109,000 to the current year of HK$57,592,000 due to decrease in sales volume.

Field operation expenses

Due to decrease in production, field operation expenses decreased to this year of HK$89,376,000 from the previous year of HK$108,712,000. 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$2,680,000 this year which represented the holding costs, mainly lease rentals, on the interests of non-producing lands held by Novus, compared to that of HK$2,597,000 in the previous year.

Selling and distribution expenses

Selling and distribution expenses mainly derived from the refined oil and by-products trading business of Henan Yanchang in the PRC, increased from the previous year of HK$18,726,000 to the current year of HK$21,295,000.

Administrative expenses

Administrative expenses including directors' remuneration, staff costs, office rentals, professional fees and listing fee etc., amounted to HK$86,830,000 this year, saving of HK$23,693,000 as compared to HK$110,523,000 of the previous year.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation decreased from the previous year of HK$240,726,000 to the current year of HK$163,402,000. It was mainly due to the simultaneous decrease in depletion of oil and gas assets of Novus in Canada because of the decrease in production during the year under review.

Net reversal/(recognition) of impairment loss of property, plant and equipment

Net reversal of impairment loss of property, plant and equipment of HK$137,606,000 mainly due to the reversal of impairment loss of oil and gas assets in Canada.

Provision for expected credit loss

The Company recognised provision for expected credit loss of HK$5,676,000 for trade and other receivables of oil and by-products trading business in the PRC, as compared to HK$43,923,000 in previous year.

Provision for litigations

No provision for litigations was made for the year under review. Provision for litigations of the last year was all attributable to Yanchang Petroleum (Zhejiang FTZ) Limited ("Yanchang Zhejiang") which was deconsolidated from the Group in previous year.

Other gains and losses

Other loss of HK$31,744,000 recorded this year mainly including (i) net foreign exchange loss of HK$36,281,000, and (ii) gain on lease modification of HK$6,588,000.

Finance costs

Finance costs of HK$34,930,000 mainly comprised (i) bank borrowing costs and secured term loans interests totalling HK$22,840,000, (ii) accretion expenses totalling HK$2,586,000, (iii) imputed interest of HK$3,598,000 and (iv) interest expenses on other loans of HK$5,906,000.

Taxation

Tax credit of HK$423,000 comprised (i) over-provision for the PRC enterprise income tax on the profit earned from the oil and by-products trading business amounted to HK$253,000, and (ii) recognition of deferred tax assets amounted to HK$170,000.

Profit for the year

Benefit from the impairment recovery of oil and gas assets in Canada, the Group as a whole recorded a profit of HK$55,578,000 during the year under review, as compared to a profit of HK$580,132,000 for the previous year. The significant decrease in profit in 2024 was mainly due to the absence of one-off gain arising from deconsolidation of Yanchang Zhejiang in 2023.

Highlights on financial position

	2024	2023	Change in
	HK$'000	*HK$'000*	*%*
Property, plant and equipment	**1,771,918**	1,859,533	(5%)
Investment properties	**11,542**	12,590	(8%)
Exploration and evaluation assets	**8,898**	11,384	(22%)
Right-of-use assets	**75,730**	99,349	(24%)
Goodwill and intangible asset	**58,149**	58,149	–
Inventories	**89,851**	346,580	(74%)
Trade receivables	**457,758**	1,014,916	(55%)
Prepayments, deposits and other receivables	**47,478**	55,853	(15%)
Cash and bank balances	**278,675**	226,188	23%
Trade and other payables	**(650,214)**	(1,208,394)	(46%)
Bank borrowings and other loans	**(159,691)**	(405,594)	(61%)
Decommissioning liabilities	**(166,761)**	(171,349)	(3%)
Lease liabilities	**(66,417)**	(94,653)	(30%)
Secured term loans	**(444,652)**	(445,355)	–

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$1,771,918,000 as at 31 December 2024, the amount decreased by HK$87,615,000 compared to that of the last year which was mainly attributable to the decrease of petroleum and natural gas properties in Canada.

Investment properties

Investment properties as at the year end 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 lands held by Novus as at 31 December 2024.

Right-of-use assets

Right-of-use assets amounted to HK$75,730,000 as at 31 December 2024, consisted of leasehold lands and gas stations in the PRC owned by Henan Yanchang and office and staff quarter rentals in the PRC, Hong Kong and Canada of 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 represented the refined oil held in oil storage tanks of Henan Yanchang in the PRC as at 31 December 2024.

Trade receivables

Trade receivables represented account receivables from customers of Novus in Canada and Henan Yanchang in the PRC as at 31 December 2024. The outstanding amounts had been mostly recovered in February 2025.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased to this year of HK$47,478,000 from the previous year of HK$55,853,000. Such decrease was mainly due to the decrease in prepayments made for the purchase of refined oil by Henan Yanchang for its refined oil trading business.

Cash and bank balances

As at 31 December 2024, cash and bank balances maintained at HK$278,675,000 as compared to the last year of HK$226,188,000.

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 of Henan Yanchang in the PRC as at 31 December 2024.

Bank borrowings and other loans

The amount represented loans from banks of the PRC for financing the refined oil and by-products trading business in the PRC and other unsecured loans from Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum Group") and third parties.

Decommissioning liabilities

Decommissioning liabilities amounted to HK$166,761,000 as at 31 December 2024, representing the expected future costs associated with the plugging and abandonment of wells, facilities dismantlement and site reclamation in Canada incurred by Novus.

Lease liabilities

Lease liabilities amounted to HK$66,417,000 as at 31 December 2024, representing the obligation to make lease payments in relation to leasehold lands in the PRC, and office, gas station and staff quarter rentals in the PRC, Hong Kong and Canada.

Secured term loans

Secured term loans included 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 2024.

	2024	2023
	HK$'000	*HK$'000*
Current assets	**873,762**	1,643,537
Total assets	**2,799,999**	3,684,542
Current liabilities	**816,878**	2,067,497
Total liabilities	**1,499,820**	2,336,376
Total equity	**1,300,179**	1,348,166
Gearing ratio	**115.4%**	173.3%
Current ratio	**107.0%**	79.5%

The Group had outstanding variable interest rates bank borrowings amounted to HK$106,000 (equivalent to RMB100,000) as at 31 December 2024 (31 December 2023: HK$131,544,000) under Henan Yanchang. The Group has obtained bank facilities of HK$526,630,000 (equivalent to RMB495,000,000) from banks in the PRC.

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 secured term loan granted to Novus by Yanchang Petroleum HK as general working capital for operation. On 6 December 2022, Novus entered into a supplemental facility agreement with Yanchang Petroleum HK, pursuant to which Novus renewed the secured term loan of US$35,000,000 which bears interest rate at 4.8% per annum and repayable in 3 years. The principal amount of relevant secured term loan was still outstanding as at 31 December 2024.

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 secured term loan granted to the Company by Yanchang Petroleum HK as general working capital for operation. On 8 August 2024, the Company entered into a supplemental loan agreement with Yanchang Petroleum HK, pursuant to which the Company renewed the secured term loan of US$22,000,000 which bears interest rate at 5.2% per annum and repayable in 3 years. The principal amount of relevant secured term loan was still outstanding as at 31 December 2024.

As at 31 December 2024, the Group had cash and bank balances of HK$278,675,000 (31 December 2023: HK$226,188,000). In view of the cash on hand together with the available bank facilities, the Group has sufficient working capital to finance its business operation.

As at 31 December 2024, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, was 115.4% as compared to 173.3% 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 107.0% as at 31 December 2024 (31 December 2023: 79.5%).

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 2024 (31 December 2023: 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 2024 (31 December 2023: nil).

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments as at 31 December 2024 (31 December 2023: nil).

CAPITAL COMMITMENTS

As at 31 December 2024, the Group had commitments related to property, plant and equipment amounted to HK$179,000 (31 December 2023: HK$275,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2024.

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' 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 70% of the issued share capital of Henan Yanchang 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$31,430,000.

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 2024, the Group did not have any significant contingent liabilities (31 December 2023: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group's total number of staff was 204 (2023: 207). Salaries of employees were maintained at a competitive level with total staff costs for the year ended 31 December 2024 amounted to HK$86,607,000 (2023: HK$82,938,000). 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 year ended 31 December 2024 (31 December 2023: nil).

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2024 (31 December 2023: 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 2024 and 2023.

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 was 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 its 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 long-term value and return for the shareholders of the Company.

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 2024, except for the following deviations:

1. code provision B.2.4(b) of the CG Code provides that all the independent non-executive Directors have served more than nine years on the Board, the Company should appoint a new independent non-executive Director on the Board. Mr. Ng Wing Ka, Mr. Leung Ting Yuk, Mr. Sun Liming and Dr. Mu Guodong have served as the independent non-executive Directors for more than nine years. The Company would appoint an additional new independent non-executive Director as soon as practicable as the Company needs time to identify a qualified and suitable candidate. As at the date of this announcement, the Company has not yet identified a suitable candidate to assume the role of the new independent non-executive Director as provided by the code provision B.2.4(b).

2. code provision C.1.6 of the CG Code provides that the independent non-executive Directors and other non-executive Directors should also attend general meetings and develop a balance understanding of the views of shareholders. The non-executive Director, Mr. Sun Jian and one of the independent non-executive Director, Mr. Ng Wing Ka were unable to attend at the annual general meeting of the Company held on 31 May 2024 due to other ad hoc engagements.

3. 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. 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, the non-executive Director and the independent non-executive Directors. The audit committee of the Company has free and direct access to the Company's senior management, 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.

4. 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 31 May 2024 due to other ad hoc engagements.

DIRECTORS' 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 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year and up to the date of this announcement.

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 has discussed risk management, internal control system and financial reporting matters with the management. The audit committee has reviewed the Group's results for the year ended 31 December 2024.

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 2024 as set out in the preliminary announcement have been compared by the Group's auditor, BDO Limited, 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 Limited, 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 2024 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 2024 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 30 May 2025 and the notice of the 2025 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 27 May 2025 to 30 May 2025 (both days inclusive), during which period, no transfer of share(s) will be registered. In order to qualify for attending the annual general meeting of the Company to be held on 30 May 2025, 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 Investor Services Limited located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration, not later than 4:30 p.m. on 26 May 2025.

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

Hong Kong, 27 March 2025

Executive Directors:
Mr. Feng Yinguo *(Chairman)*
Ms. Wang Haining
Mr. Ding Jiasheng

Non-Executive Director:
Mr. Sun Jian

Independent Non-Executive Directors:
Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Sun Liming
Dr. Mu Guodong