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 2023

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 2023 (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

Under the tough industrial market in China and escalation of geopolitical tensions in Eurasia, the Group's revenue decreased to RMB82.6 million for the Year, compared to revenue of approximately RMB102.8 million for the year ended 31 December 2022 (the "**Comparative Year**"). The Group generated a gross profit of RMB31.5 million (for the Comparative Year: RMB45.8 million) from the oil exploration business, as well as the oil storage business.

Loss attributable to the equity holders of the Company was approximately RMB526.4 million for the Year, while loss attributable to the equity holders of the Company was RMB682.7 million for the Comparative Year.

The decrease of loss attributable to equity holders of the Company was mainly driven by the stabilization of currency exchange fluctuation. The Group recorded a net foreign exchange loss of RMB125.5 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 loss of the Group of RMB332.4 million for the Comparative Year.

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 in due course.

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 the period from 2020 to 2023 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 2024.

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	**2023 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 2024
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. The relevant financial leasing company has finalized the preparatory measures for discharging.	By the end of 2024

As at 31 December 2023 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 RMB6,021.8 million (31 December 2022: RMB5,827.9 million), inclusive of principals and interests. In consideration of such financial guarantees, the Group recognized financial guarantee contracts of RMB5,036.9 million (31 December 2022: RMB4,873.0 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 2025. 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 2024. 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 2024.

(b) Extension of maturity date of promissory notes

As at 31 December 2023, the Company had outstanding promissory notes of RMB2.4 billion (31 December 2022: RMB2.4 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 2023, the maturity date of promissory notes with aggregate principal amount of RMB1,144,342,000 million were successfully extended to December 2025.

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 2023 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 2025. Up to 31 December 2023, the Company had utilised approximately USD120.0 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. The combination of geopolitical turmoil and concerns about oil output levels in major producing countries contributed to the decline in crude oil futures by over 10% in 2023. These factors underscore the complexity and volatility inherent in the global oil market. Due to the present economic uncertainty, it is expected that expenditures in Energy Business would only start to be resumed by the Group by 2026, 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 76 in exploration, 2 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 2023, 76 wells were at production (2022: 73 wells).

For the Year, the Kyrgyzstan Project recorded sales of 124,200 barrels (bbl) (2022: 124,790 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB37.9 million for the Year, decreasing by approximately 28.2% from RMB52.7 million for the Comparative Year.

The decrease of revenue in 2023 was primarily driven by the decline in local oil prices.

In the first half of 2023, due to the slow decline in inflation levels in Europe and the United States, continued interest rate hikes by the Federal Reserve and the European Central Bank leading to negative feedback on the economy, the probability of an economic recession increased. Particularly in March, a crisis erupted in the banking industry in Europe and the United States, causing international crude oil prices to also experience wide fluctuations and declines. In the second half of 2023, driven by tight supply and strong demand, oil prices rose from July to September. However, with the anticipation of a Federal Reserve interest rate hike in September and increased pressure on the economy from the high-interest rate environment, market expectations for demand began to decline, and international oil prices also fell accordingly.

Furthermore, the local market in Kyrgyzstan was impacted by the Russia-Ukraine war, with restricted Russian oil exports resulting in large quantities of crude oil being imported into Kyrgyzstan at low prices. Consequently, the overall decline in local oil prices in Kyrgyzstan was greater than the decline in international oil prices.

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 RMB44.7 million and a net profit of RMB1.9 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 2023 by using the abovementioned report as the basis:

Unit: million tonnes	**Proved**	**Proved plus probable**
Maili-Su IV	13.60	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
Less: production during 2023	0.04	0.04
Total estimated reserves as at 31 December 2023	23.45	31.16

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.

Revenue

For the Year, the Group recorded a revenue of approximately RMB82.6 million (for the Comparative Year: approximately RMB102.8 million). The decrease in revenue was primarily attributable to (1) a decrease of approximately 28.2% in revenue from the energy exploration and production section as compared to that of RMB52.7 million for the Comparative Year due to the decline in crude oil prices in Kyrgyzstan; (2) a slight decline of oil storage revenue by approximately 4.4% to RMB44.7 million under tough industrial market in China.

Cost of Sales

For the Year, the Group's cost of sales decreased by approximately 10.4% to RMB51.1 million (for the Comparative Year: RMB57.1 million), which was in line with the decrease of revenue.

Other Gains — Net

For the Year, the Group's other gains — net was RMB1.6 million (for the Comparative Year: RMB11.4 million), and the movement was mainly due to the decline of net foreign currency exchange gain associated with working capital for the Year.

Net Finance Costs

Net finance costs for the Year decreased by approximately 33.3% to RMB347.8 million (for the Comparative Year: RMB521.6 million). The reduction was primarily attributed to the relatively modest fluctuations in the exchange rates of the USD and Hong Kong Dollar.

Total Comprehensive Loss for the Year

During the Year, the Group recorded total comprehensive loss of approximately RMB510.4 million (for the Comparative Year: RMB617.2 million), of which total comprehensive loss attributable to the equity holders of the Company was approximately RMB519.6 million (for the Comparative Year: RMB626.7 million). The decline of the total comprehensive loss for the Year was mainly driven by the decrease in foreign exchange loss. The Group recorded a net foreign exchange loss of RMB125.5 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 loss of the Group of RMB332.4 million for the Comparative Year.

Liquidity and Going Concern

The Group recorded a net loss of RMB525.1 million (for the Comparative Year: RMB670.9 million) and had an operating cash inflow of RMB7.0 million (for the Comparative Year: RMB21.9 million) for the Year. As at 31 December 2023, the Group had a deficit of RMB9,020.7 million (2022: RMB8,510.3 million) and the Group's current liabilities exceeded its current assets by RMB8,108.9 million (2022: RMB7,532.7 million). The Group maintained cash and cash equivalents of RMB2.1 million (2022: RMB14.6 million) as at 31 December 2023.

As at 31 December 2023, borrowings of the Group, amounted to RMB3,934.7 million, out of which RMB1,569.1 million were overdue. As at 31 December 2023, overdue interest payables amounted to RMB907.0 million (2022: RMB675.6 million). Certain borrowings of the Group contain cross-default terms, causing borrowings of the Group of RMB8.6 million at 31 December 2023 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 RMB164.6 million from RMB1,534.3 million as at 31 December 2022 to RMB1,698.9 million as at 31 December 2023, and the Group's long-term borrowings decreased by RMB59.7 million from RMB2,295.5 million as at 31 December 2022 to RMB2,235.8 million as at 31 December 2023.

As at 31 December 2023, our total borrowings were RMB3,934.7 million (as at 31 December 2022: RMB3,829.8 million), of which RMB124.1 million (approximately 3.2%) was denominated in RMB (as at 31 December 2022: RMB116.0 million (approximately 3.0%)) and the remaining RMB3,810.6 million (approximately 96.8%) was denominated in other currencies such as USD and HKD (as at 31 December 2022: RMB3,713.8 million (approximately 97.0%)). Approximately 91.3% of the borrowings bear interests at fixed rate (as at 31 December 2022: approximately 91.3%).

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 2023, 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 RMB125.5 million (for the Comparative Year: RMB332.4 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 RMB8.1 million (for the Comparative Year: RMB13.8 million), which was mainly used in the oil storage and trading segment.

Gearing Ratio

Our gearing ratio (measured by total borrowings divided by the sum of total borrowings and total deficit) decreased from approximately 81.8% as at 31 December 2022 to approximately 77.4% as at 31 December 2023. Affected by the total comprehensive loss of RMB510.4 million for the year ended 31 December 2023, the total deficit was increased to approximately RMB9,020.7 million as at 31 December 2023 (as at 31 December 2022: RMB8,510.3 million).

Contingent Liabilities

As at 31 December 2023, the Group had contingent liabilities of RMB985.0 million (as at 31 December 2022: RMB955.0 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 2023, the Group had cash and cash equivalents of approximately RMB2.1 million (as at 31 December 2022: RMB14.6 million), of which approximately RMB1.2 million (approximately 55.1%) was denominated in RMB and the remaining RMB0.9 million (approximately 44.9%) 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 2023, the Group had approximately 143 employees (as at 31 December 2022: approximately 149 employees). Total staff costs (including directors' emoluments) for the Group were approximately RMB26.2 million for the Year (for the Comparative Year: approximately RMB23.4 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

In 2023, the international situation was uncertain and fluctuated, with the impact of the geopolitical turmoil of the Russia-Ukraine conflict and the Israeli-Palestinian conflict, as well as the impact of high interest rates due to the Fed's interest rate hike, which resulted in a precarious global economy due to a slowdown in the growth of demand, weakened upstream investment, and the expansion of debt. Crude oil and its downstream products, as the most important commodities, also experienced macroeconomic pressures, risks of supply disruptions and constraints from expectations of falling demand.

At the same time, the Group's oil extraction segment has been, to a certain extent, troubled with the recurrence of the COVID-19 pandemic and under the impact of the crude oil export ban by Kyrgyzstan and the war between Russia and Ukraine.

Looking forward, the prospects for the oilfield development in Kyrgyzstan remain positive with the increasing demand for fossil fuels in the global market, particularly in developing countries in Central Asia, and the expected stabilization of oil and gas prices. However, the economy and energy market in Kyrgyzstan may be also subjected to uncertainties from factors, such as geopolitical conflicts, high inflation and high interest rate pressures, which may affect the situation of oilfield development and operation. Therefore, for the management of the Group, it is necessary to pay close attention to market dynamics and technological development trends in order to formulate reasonable strategies and plans to cope with challenges and opportunities in the future.

In terms of the oil storage segment of the Group, the management believes that China's economy will continue to rebound and support the growth of oil demand, and that China's oil demand will rise steadily. As a storage enterprise of oil, we need to seize the market opportunities, improve our storage services, enhance our core competitiveness and seek development amidst opportunities and challenges.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the year ended 31 December 2023, the Company complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix C1 to the Listing Rules.

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 C3 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 2023.

AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2023 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 2023.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Crowe (HK) CPA Limited on this announcement.

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 2023.

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 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The 2024 annual general meeting of the Company (the "**2024 AGM**") will be held on Tuesday, 11 June 2024 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 Wednesday, 5 June 2024 to Tuesday, 11 June 2024, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2024 AGM. In order to be eligible to attend and vote at the 2024 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 Tuesday, 4 June 2024.

ANNUAL REPORT

The 2023 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 2023 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 2023, the Group had a total deficit of RMB9,020,675,000 and the Group's current liabilities exceeded its current assets by RMB8,108,929,000. The Group maintained cash and cash equivalents of RMB2,143,000 as at 31 December 2023.

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 Unique Orient Limited (the "**Purchaser**"), an independent third party. Pursuant to certain supplemental agreements signed with the Purchaser, 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 2023, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB5,036,883,000. The Group has considered the impact and recognised financial guarantee contract of the same amount as at 31 December 2023.

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 Business**", the development of which has however been limited due to market conditions and availability of funds for investing in exploration and drilling of wells. As at 31 December 2023, borrowings of the Group, amounted to RMB3,934,716,000, out of which RMB1,569,065,000 were overdue. As at 31 December 2023, overdue interest payables of the Group amounted to RMB907,037,000. Certain borrowings of the Group contain cross-default terms, causing borrowings of RMB8,618,000 as at 31 December 2023 as immediately repayable. The Group had cash and cash equivalents of RMB2,143,000 as at 31 December 2023.

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 full 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 and lender for the renewal or extension for repayment for the borrowings; (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 and Oil Storage 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.

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.

As a result of the above-mentioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

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, 27 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**354,009**	368,060
Right-of-use assets	*5*	**200,941**	207,205
Intangible assets	*6*	**774,290**	753,669
Goodwill	*6*	**33,347**	33,347
Prepayments		**17,083**	13,380
		1,379,670	1,375,661
Current assets			
Inventories		**2,975**	4,981
Trade receivables	*7*	**7,608**	5,405
Other receivables, prepayments and deposits		**12,734**	20,932
Cash and cash equivalents		**2,143**	14,583
		25,460	45,901
Total assets		**1,405,130**	1,421,562
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		**135,583**	128,767
Accumulated losses		**(22,847,345)**	(22,320,918)
		(9,215,623)	(8,696,012)
Non-controlling interests		**194,948**	185,701
Total deficit		**(9,020,675)**	(8,510,311)

	Notes	**2023** **RMB'000**	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*8*	**2,235,814**	2,295,485
Deferred tax liabilities		**55,602**	57,807
		2,291,416	2,353,292
Current liabilities			
Trade and other payables	*9*	**1,398,604**	1,171,323
Borrowings	*8*	**1,698,902**	1,534,292
Financial guarantee contracts	*16*	**5,036,883**	4,872,966
		8,134,389	7,578,581
Total liabilities		**10,425,805**	9,931,873
Total deficit and liabilities		**1,405,130**	1,421,562

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*3*	**82,622**	102,845
Cost of sales	*10*	**(51,129)**	(57,067)
Gross profit		**31,493**	45,778
Other income		**58**	2,807
Selling and marketing expenses	*10*	**(2,600)**	(1,409)
General and administrative expenses	*10*	**(40,814)**	(40,394)
Other gains — net	*11*	**1,648**	11,364
Operating (loss)/profit		**(10,215)**	18,146
Net finance costs	*12*	**(347,786)**	(521,556)
Loss on deregistration of subsidiaries		**(1,594)**	—
Change in provision for financial guarantee contracts		**(163,917)**	(163,917)
Loss before income tax		**(523,512)**	(667,327)
Income tax expense	*13*	**(1,608)**	(3,557)
Net loss for the year		**(525,120)**	(670,884)
Loss attributable to:			
Equity holders of the Company		**(526,427)**	(682,741)
Non-controlling interests		**1,307**	11,857
		(525,120)	(670,884)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Loss for the year		**(525,120)**	(670,884)
Other comprehensive income for the year:			
Items that may be reclassified to profit or loss			
— Exchange difference on translation of foreign operations		**14,756**	53,687
Other comprehensive income for the year, net of tax		**14,756**	53,687
Total comprehensive loss for the year		**(510,364)**	(617,197)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(519,611)**	(626,660)
Non-controlling interests		**9,247**	9,463
		(510,364)	(617,197)

	Notes	2023 RMB	2022 RMB
Loss per share			
— Basic/diluted	*14*	**(0.04)**	(0.06)

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 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of the 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 material accounting policy information 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 material accounting policy information.

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

(b) Going concern basis

As at 31 December 2023, the Group had a total deficit of RMB9,020,675,000 and the Group's current liabilities exceeded its current assets by RMB8,108,929,000. The Group maintained cash and cash equivalents of RMB2,143,000 as at 31 December 2023.

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 shipbuilding, offshore engineering, engineering machinery and marine engine building segment (the "**Shipbuilding Business**") together with the holding company 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 and Engineering Businesses (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 should 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 of Able Diligent Limited in favour of the Company executed by the Purchaser was replaced by a deed of indemnity provided by the Purchaser.

As at 31 December 2023, Relevant Guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB5,036,883,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 31 December 2023.

As at 31 December 2023, borrowings of the Group amounted to RMB3,934,716,000, out of which RMB1,569,065,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 31 December 2023 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB907,037,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB2,447,565,000 outstanding as at 31 December 2023, out of which approximately RMB263,226,000, RMB11,817,000 and RMB904,068,000 (totalling RMB1,179,111,000) 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 with an aggregate principal amount of RMB1,144,752,000 outstanding as at 31 December 2023, out of which approximately RMB47,555,000 had been overdue since 2020; and

(iii) The Group had secured borrowings of RMB342,399,000 which was overdue in accordance with the repayment date of the agreement as at 31 December 2023.

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 current year and up to the date of the approval of the 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 2023, guarantees of RMB2,210,636,000 had been discharged while guarantees of RMB5,036,883,000 are expected to be released in year 2024 and RMB984,955,000 that did not meet the recognition criteria for financial guarantee contracts are disclosed as contingent liabilities.

ii) The Group has also been actively negotiating with the relevant financial institution and certain promissory note holders regarding the borrowings of RMB1,569,065,000 to take the following actions:

(a) During the current year, the maturity date of promissory notes with aggregate principal amount of RMB1,144,342,000 was successfully extended to December 2025. As at 31 December 2023, outstanding promissory notes amounting to RMB1,179,111,000 were not extended nor repaid upon the scheduled repayment dates and thus became overdue, and RMB8,618,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements. The Company is in the process of negotiating with these promissory note holders for further arrangements, including the extension of maturity dates and obtaining waiver from the lender for the due payment pursuant to the relevant cross-default terms.

(b) As at 31 December 2023, the Group had other borrowing of RMB47,555,000 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 2023, the Group had secured borrowing of RMB342,399,000 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 2023, the Group has drawn down USD119,951,000 (equivalent to approximately RMB851,390,000) 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 RMB1,774,450,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment. As at 31 December 2023, the carrying amount is RMB760,755,000 and it is payable by 31 December 2025.

iv) The Group has focused on its operations in development of the energy exploration and production segment. During the current year, 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 2023, the Group has drawn down RMB5,725,000 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 2023.

v) The Group has further expanded its business presence within the oil sector through the acquisition of Nantong Zhuosheng Petrochemical Co., Ltd ("**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 that this aquisition 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 2023. 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 Group's statement of financial position. Accordingly, the directors are satisfied that it is appropriate 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 RMB2,447,565,000 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 RMB47,555,000 that was overdue as at 31 December 2023;

v) negotiating with the relevant financial institution for the renewal or extension for repayment for the borrowing of RMB342,399,000 that was overdue as at 31 December 2023;

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 the 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 on 1 January 2023:

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Except as described below, the application of the new and amendments to IFRSs and guidance from HKICPA in the current year did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments and removing or reducing the immaterial accounting policies such that immaterial policy information does not obscure the material information.

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

The amendments narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" ("**IAS 12**") such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition.

Prior to the adoption of Amendments to IAS 12, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group previously applied IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

Upon the application of the amendments, the Group recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

Based on the management's assessment, the application of the amendments has had no material impact on the Group's financial position and performance because the deferred tax assets and the deferred tax liabilities as a result of the adoption of Amendments to IAS 12 qualify for offset under paragraph 74 of IAS 12. There was also no material impact on the opening balances as at 1 January 2022 as a result of the change.

*HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (the "**Abolition**")*

The Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") was gazetted in June 2022 and will take effect on 1 May 2025 (the "**Transition Date**"). The Amendment Ordinance has two effects: (i) the accrued benefits derived from an employer's mandatory MPF contributions can no longer be used to offset long service payment ("**LSP**") in respect of the employment period after the Transition Date (post-transition LSP); and (ii) the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date (pre-transition LSP).

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance for the accounting for the impact arising from the Abolition.

The HKICPA guidance illustrates that an entity may account for the accrued benefits arising from its MPF contributions that have been vested with an employee and which would be used to offset the employee's LSP benefits (offsetable accrued benefits) as a deemed contribution by the employee towards the LSP in accordance with paragraph 93(a) of HKAS 19 "Employee Benefits" ("**HKAS 19**"), which is consistent with IAS 19 "Employee Benefits". However, upon the enactment of the Amendment Ordinance, the accrued benefits derived from mandatory employer MPF contributions cannot be used to offset an employee's post-transition LSP obligation so that an entity can no longer apply the practical expedient of recognising the deemed contribution as a reduction of service cost under paragraph 93(b) of HKAS 19. Accordingly, it resulted a catch-up adjustment for past service cost, in accordance with paragraph 94(a) of HKAS 19, and a corresponding increase in the LSP obligation since the MPF-LSP offsetting mechanism was not contemplated in the original LSP legislation.

To reflect the Abolition, the Group has considered this change in accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. Such change in accounting policy did not have any material impact on the consolidated financial statements for the current and prior period.

(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 on 1 January 2023 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 and Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 21	Lack of Exchangeability[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 2024
2 Effective for annual periods beginning on or after 1 January 2025
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 year beginning on 1 January 2023 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 the 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 2023 and 2022 is as follows:

	Oil Storage and trading		**Energy exploration and production**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
— Revenue from sales of crude oil	**—**	—	**37,874**	52,735	**37,874**	52,735
— Revenue from trading	**—**	3,283	**—**	—	**—**	3,283
— Revenue from oil storage	**44,748**	46,827	**—**	—	**44,748**	46,827
Segment revenue	**44,748**	50,110	**37,874**	52,735	**82,622**	102,845
Segment results	**16,573**	18,214	**14,920**	27,564	**31,493**	45,778
Selling and marketing expenses	**(2,600)**	(1,409)	**—**	—	**(2,600)**	(1,409)
General and administrative expenses	**(10,532)**	(10,844)	**(16,508)**	(14,619)	**(40,814)**	(40,394)
Other income	**58**	2,772	**—**	—	**58**	2,807
Other gains — net	**—**	45	**1,173**	9,700	**1,648**	11,364
Net finance costs	**—**	—	**—**	—	**(347,786)**	(521,556)
Loss on deregistration of subsidiaries	**—**	—	**—**	—	**(1,594)**	—
Change in provision for financial guarantee contracts	**—**	—	**—**	—	**(163,917)**	(163,917)
Profit/(loss) before income tax	**3,499**	8,778	**(415)**	22,645	**(523,512)**	(667,327)
Segment assets	**432,678**	436,478	**971,151**	981,831	**1,403,829**	1,418,309
Unallocated	**—**	—	**—**	—	**1,301**	3,253
Total assets	**432,678**	436,478	**971,151**	981,831	**1,405,130**	1,421,562
Segment liabilities	**212,524**	104,992	**346,576**	356,199	**559,100**	461,191
Unallocated	**—**	—	**—**	—	**9,866,705**	9,470,682
Total liabilities	**212,524**	104,992	**346,576**	356,199	**10,425,805**	9,931,873
Other segment disclosures:						
Depreciation	**20,159**	21,684	**9,967**	9,792	**30,139**	31,481
Amortisation	**158**	154	**1,120**	1,105	**1,278**	1,259
Additions to non-current assets	**5,084**	2,766	**2,983**	11,058	**8,067**	13,829

During the year ended 31 December 2023, revenue from the top customer of the Group amounted to RMB16,855,000 (2022: RMB35,467,000), representing 20.4% (2022: 34.5%) of the total revenue.

There are three (2022: two) individual customers contributed more than 10% revenue of the Group's revenue for the year ended 31 December 2023. The revenue of these customers during the year are RMB16,855,000, RMB8,950,000 and RMB8,672,000 (2022: RMB35,467,000 and RMB16,257,000) 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:

	2023	2022
	RMB'000	*RMB'000*
Kyrgyzstan	**37,874**	52,735
PRC	**44,748**	50,110
	82,622	102,845

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:

	2023	2022
	RMB'000	*RMB'000*
Kyrgyzstan	**267,888**	267,468
Hong Kong	**75**	72
PRC	**304,070**	321,105
	572,033	588,645

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 2023								
Opening net book amount	**35,165**	**49,512**	**242,085**	**39,423**	**1,310**	**257**	**308**	**368,060**
Additions	**3,525**	**503**	**—**	**179**	**454**	**13**	**180**	**4,854**
Disposals	**(2,681)**	**—**	**—**	**—**	**—**	**(7)**	**—**	**(2,688)**
Transfer	**(6,156)**	**—**	**—**	**—**	**6,156**	**—**	**—**	**—**
Depreciation	**—**	**(5,539)**	**(9,695)**	**(6,995)**	**(1,399)**	**(27)**	**(220)**	**(23,875)**
Deregistration of subsidiaries	**—**	**—**	**—**	**—**	**(4)**	**(36)**	**(69)**	**(109)**
Exchange difference	**732**	**—**	**7,030**	**—**	**3**	**2**	**—**	**7,767**
Closing net book amount	**30,585**	**44,476**	**239,420**	**32,607**	**6,520**	**202**	**199**	**354,009**
At 31 December 2023								
Cost or valuation	**30,585**	**60,638**	**576,954**	**52,955**	**8,400**	**1,373**	**1,892**	**732,797**
Accumulated depreciation and impairment loss	**—**	**(16,162)**	**(337,534)**	**(20,348)**	**(1,880)**	**(1,171)**	**(1,693)**	**(378,788)**
Net book amount	**30,585**	**44,476**	**239,420**	**32,607**	**6,520**	**202**	**199**	**354,009**
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

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

	2023	2022
	RMB'000	*RMB'000*
Cost of sales	**23,013**	24,180
General and administrative expenses	**862**	1,038
Charged to profit or loss	**23,875**	25,218

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 RMB44,072,000 (2022: RMB47,543,000) 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 2023			
Opening net book amount	**97,799**	**109,406**	**207,205**
Depreciation	**(2,873)**	**(3,391)**	**(6,264)**
Closing net book amount	**94,926**	**106,015**	**200,941**
At 31 December 2023			
Cost or valuation	**103,500**	**115,818**	**219,318**
Accumulated depreciation	**(8,574)**	**(9,803)**	**(18,377)**
Net book amount	**94,926**	**106,015**	**200,941**

	Shoreline rights *RMB'000*	Leasehold land *RMB'000*	Total *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

The Group has 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 an aggregate carrying amount of RMB200,941,000 (2022: RMB207,205,000) 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 2023				
Opening net book amount	**753,008**	**661**	**33,347**	**787,016**
Amortisation	**(1,120)**	**(158)**	**—**	**(1,278)**
Exchange difference	**21,899**	**—**	**—**	**21,899**
Closing net book amount	**773,787**	**503**	**33,347**	**807,637**
At 31 December 2023				
Cost	**1,732,222**	**1,180**	**33,347**	**1,766,749**
Accumulated amortisation and impairment losses	**(958,435)**	**(677)**	**—**	**(959,112)**
Net book amount	**773,787**	**503**	**33,347**	**807,637**

	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 difference	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

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 2023, 76 wells (2022: 73 wells) were at production. As a result, amortisation of RMB1,120,000 (2022: RMB1,105,000) has been charged to profit or loss during the year based on the units-of production method.

During the year ended 31 December 2018, the Group entered into a loan agreement with a related party who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment. As at 31 December 2023, the Group has drawn down RMB5,725,000 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 reversal of 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.

The combination of geopolitical turmoil and concerns about oil output levels in major producing countries contributed to the decline in crude oil futures by over 10% in 2023. These factors underscore the complexity and volatility inherent in the global oil market. Due to the present economic uncertainty, it is expected that expenditures in Energy Business would only start to be resumed by the Group by 2026, 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 2026. 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 (2022: pre-tax) cash flow forecast covering a period from year 2024 to year 2061 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 2061 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 2022, which is in accordance with a competent person's report prepared in September 2018. The expected exploration volume by the end of 2061 is 23.45 million tonnes, which represented 99.9% of proved reserves as at 31 December 2023.

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 2023**	31 December 2022
Forecast Year		
2024	**$45.80**	$54.80
2025	**$45.80**	$52.90
2026	**$45.80**	$49.90
2027	**$46.70**	$50.90
2028	**$47.70**	$51.90
Post 2028	**$48.60-$69.50**	$53.00–$75.00

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 2023, the pre-tax discount rate adopted was 15.70% (2022: 16.51%).

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 pre-tax discount rate applied to the cash flow projection was 15.20% (2022: 14.96%). Whilst the assessment was prepared under perpetual aspect, the growth rate used to extrapolate the cash flows beyond the five-year period was 2.2% (2022: 3.0%).

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 2023 (2022: Nil).

7 TRADE RECEIVABLES

	31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**13,074**	7,761
Less: loss allowance	**(5,466)**	(2,356)
	7,608	5,405

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:

	2023	2022
	RMB'000	*RMB'000*
0 to 30 days	**2,357**	2,443
31 to 60 days	**1,444**	174
61 to 90 days	**786**	—
Over 90 days	**3,021**	2,788
	7,608	5,405

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 RMB7,608,000 (2022: RMB5,405,000).

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

8 BORROWINGS

	31 December 2023 *RMB'000*	2022 *RMB'000*
Non-current		
Other borrowings	**1,091,472**	1,067,756
Promissory notes	**1,144,342**	1,227,729
	2,235,814	2,295,485
Current		
Borrowings from a financial institution	**342,399**	332,722
Promissory notes	**1,303,223**	1,145,515
Other borrowings	**53,280**	56,055
	1,698,902	1,534,292
Total borrowings	**3,934,716**	3,829,777

Borrowings amounting to RMB2,297,495,000 as at 31 December 2023 (2022: RMB2,232,112,000) were secured by guarantee from certain shareholders of the Company, the related parties and share capital of certain related parties.

As at 31 December 2023, borrowings of the Group amounted to RMB3,934,716,000 (2022: RMB3,829,777,000), out of which RMB1,569,065,000 (2022: RMB1,524,448,000) were overdue, while borrowings of the Group amounting to RMB8,618,000 triggered cross-default terms as at 31 December 2023 and 2022 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB907,037,000 (2022: RMB675,560,000) as at 31 December 2023. As at the date of the approval of the 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 2023 *RMB'000*	2022 *RMB'000*
Trade payables	**257,581**	265,185
Other payables		
— Third parties	**47,668**	42,537
— Related parties	**77,936**	73,208
Contract liabilities	**—**	3,818
Receipt in advances	**26,489**	26,184
Accrued expenses		
— Payroll and welfare	**25,434**	27,919
— Interest	**907,037**	675,560
— Custodian fee	**26,521**	26,521
— Others	**12,690**	12,299
— Other tax-related payables	**17,248**	18,092
Total trade and other payables	**1,398,604**	1,171,323

At 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date were as follows:

	31 December 2023 *RMB'000*	2022 *RMB'000*
0–30 days	**2,165**	1,037
31–60 days	**433**	240
61–90 days	**244**	502
Over 90 days	**254,739**	263,406
	257,581	265,185

10 EXPENSES BY NATURE

	2023 *RMB'000*	2022 *RMB'000*
Amortisation of intangible assets *(Note 6)*	**1,278**	1,259
Auditors' remuneration		
— audit services	**2,944**	2,604
Bank charges	**83**	34
Consultancy and professional fees	**6,184**	8,251
Cost directly associated with inventories	**3,856**	9,492
Depreciation of property, plant and equipment and right-of-use assets *(Notes 4 and 5)*	**30,139**	31,481
Employee benefits expenses	**26,244**	23,376
Insurance premiums	**909**	536
Other expenses	**22,906**	21,837
Total cost of sales, selling and marketing expenses, general and administrative expenses	**94,543**	98,870

11 OTHER GAINS — NET

	2023 *RMB'000*	2022 *RMB'000*
Net foreign exchange gain	**2,891**	11,322
(Loss)/gain on disposal of property, plant and equipment	**(1,243)**	42
	1,648	11,364

12 NET FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interest expenses		
— Borrowings	**49,287**	47,283
— Promissory notes	**169,653**	157,569
Net imputed interest expense/(income)	**468**	(26,998)
Net foreign exchange loss	**128,378**	343,702
	347,786	521,556

13 INCOME TAX

	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(523,512)**	(667,327)
Tax calculated at domestic tax rates applicable to profit of respective companies	**(89,610)**	(111,144)
Income not subject to tax	**—**	(3,568)
Expenses not deductible for tax purposes	**90,110**	118,855
Effect of tax losses not recognised	**1,108**	(586)
	1,608	3,557

Income tax expense of RMB1,608,000 (2022: RMB3,557,000) represents provision for EIT in the PRC for the year of RMB3,814,000 (2022: RMB5,763,000) net off by deferred tax credit of RMB2,206,000 (2022: RMB2,206,000).

No Hong Kong profits tax has been provided for the years ended 31 December 2023 and 2022 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.

	2023	2022
	RMB	*RMB*
Loss per share	**(0.04)**	(0.06)

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2023 and 2022 is equal to the basic loss per share as there was no dilutive potential ordinary share in issue.

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

	2023	2022
	RMB'000	*RMB'000*
Basic and diluted loss per share		
Loss attributable to equity holders of the Company	**(526,427)**	(682,741)

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

	2023	2022
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 2023 (2022: 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 2023, the Relevant Guarantees provided by the Company to the Disposal Group that were still in the process of being discharged or released amounted to RMB6,021.8 million (31 December 2022: RMB5,827.9 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 RMB5,036,883,000 (2022: RMB4,872,966,000). The Group has recognised financial guarantee contracts of RMB5,036,883,000 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 2023, the change in provision for financial guarantee contracts of RMB163,917,000 (2022: RMB163,917,000) mainly represents the accrual of interest expenses on the outstanding guaranteed borrowings since the disposal day of the Disposal Group.