



(Incorporated in Bermuda with limited liability)
Stock Code: 00346



2025
ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ms. Lu Yiwen

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Law Hing Lam

AUDIT COMMITTEE

Mr. Leung Ting Yuk (*Chairman*)
 Mr. Ng Wing Ka
 Mr. Sun Liming

REMUNERATION COMMITTEE

Mr. Sun Liming (*Chairman*)
 Mr. Leung Ting Yuk
 Mr. Feng Yinguo

NOMINATION COMMITTEE

Mr. Ng Wing Ka (*Chairman*)
 Mr. Sun Liming
 Ms. Wang Haining

AUTHORISED REPRESENTATIVES

Mr. Feng Yinguo
 Mr. Law Hing Lam

AUDITORS

BDO Limited
 Public Interest Entity Auditor registered in accordance
 with the Accounting and Financial Reporting
 Council Ordinance
 Certified Public Accountants
 25th Floor, Wing On Centre
 111 Connaught Road Central
 Hong Kong

REGISTERED OFFICE

Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
 Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
 17/F, Far East Finance Centre
 16 Harcourt Road
 Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
 Industrial and Commercial Bank of China (Asia) Limited
 China Construction Bank (Asia) Corporation Limited
 Shanghai Pudong Development Bank Co., Limited
 Bank of China Limited
 National Bank of Canada

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3403, 34/F
 Lee Garden One
 33 Hysan Avenue, Causeway Bay
 Hong Kong

STOCK CODE

00346

WEBSITE

www.yanchanginternational.com

CHAIRMAN'S STATEMENT



In 2025, the global energy regime continued to undergo a critical stage of intensive adjustment and rebalancing. During the year, the macro environment was complex and ever-changing, with geopolitical risk premiums intertwined with macroeconomic downward pressure, dominating the volatile downward trend of the international oil and gas market.

On one hand, the continued tension in the geopolitical situation in the Middle East and the prolonged Russia-Ukraine conflict, combined with the escalation of sanctions imposed by the United States and Europe on Russia and Iran in the energy field, have profoundly affected the flow of global oil and gas trade, and energy security has once again become the core issue of the global economic system. On the other hand, the tariff wars triggered by the United States have brought uncertainty to the world, and global macroeconomic recovery lacking the momentum. Especially, China's economic growth was lower than expected, and industrial output and refined oil consumption remained weak, further suppressing the demand growth of crude oil.

Affected by the aforesaid factors, average international oil prices were significantly lower than 2024, with WTI crude oil prices dropping from an average of approximately US\$77 per barrel in 2024 to an average of approximately US\$66 per barrel in 2025. Due to the decline in international oil prices and weak consumption of refined oil products in China, which dragged down the performance of the oil and gas production business in Canada and the oil products sales business in China. Yanchang Petroleum International Limited (the "Company") recorded an overall loss of approximately HK\$782,000,000 during the year under review.

UPSTREAM OIL AND GAS PRODUCTION BUSINESS IN CANADA

In 2025, facing the challenging landscape of persistent volatile and declining international crude oil prices, construction restrictions due to spring thaw "road bans", and limited external financing channels, Novus Energy Inc. ("Novus"), under the premise of ensuring safety and compliance, relied solely on its own funds to orchestrate and scientifically arrange production plans. In 2025, Novus drilled, fractured, and put into operation 0.25 well respectively, with total capital expenditure amounted to CAD1.306 million. As of the end of December 2025, Novus achieved cumulative net sales of 542,000 barrels of oil equivalent ("BOE") for the full year, generating sales revenue of CAD33.01 million, a year-on-year decrease of 45.7%. It recorded a net loss of CAD112 million, which included an impairment loss of CAD97.33 million on oil and gas assets. Although the overall oilfield operation remained stable, profitability decreased significantly compared to the last year.

(I) Controlling Production Decline and Continuously Optimising Production and Operating Expenditure Through Multiple Measures

Since January 2025, Novus' production has experienced multiple pressures, including production decline and falling market prices. Particularly, the extreme cold weather in the first quarter caused a temporary drop in average daily production of 184 barrels. Novus responded swiftly by organising resources to restore production capacity within a week and stabilising production operation. In terms of cost control, Novus placed a high priority on the efficiency of fund utilisation. It purchased carbon credits in advance, saving CAD26,000 in expenditure. It scientifically planned oilfield on-site expenditure, reducing operating costs by CAD1.00 million. Concurrently, through negotiations, it reduced office rent and insurance costs by CAD77,000, providing strong support for its operation.

CHAIRMAN'S STATEMENT

(II) Efficiently Organising Production Operation to Effectively Enhance Operational Efficiency

Novus adhered to the core objective of "stabilising production and enhancing efficiency," prioritising stable output as its primary task. Through proactive planning, scientific organisation, and efficient execution, it constantly improved the efficiency of production operation. In response to the fluctuations in international oil and natural gas prices, Novus closely monitored market dynamics, flexibly adjusted its inventory and sales strategies to maximise profitability while ensuring supply. Addressing the impact of the extreme cold weather in the first quarter, Novus promptly coordinated with third parties to complete pipeline de-icing and wellsite snow removal, effectively ensuring production continuity. As the production mix changed, Novus dynamically monitored the quality of blended crude oil and timely optimised its sales strategies to maximise revenue levels while ensuring compliance.

(III) Adopting Fine Oilfield Management to Continuously Implement Cost Reduction and Efficiency Enhancement

Novus has always persisted in focusing on economic benefits, using refined oilfield management as a crucial lever to achieve high-quality development. It orchestrated various tasks including budget management, cost control, and technological optimisation. By controlling operating expenses, labour costs, and carbon emissions, Novus achieved annual cost savings of CAD1.54 million. In terms of production measures, Novus intensified its efforts to tap the potential of old wells, promoting the application of technical methods such as washing wells with hot oil, replacement of pump under the wells, depressurisation with casing, wax cleaning, and chemical treatments. These various measures resulted in a cumulative increase in crude oil production of 2,844 barrels, effectively curbing the decline trend of old wells. The annual production decline rate for 2025 was 27%, a decrease of 30% compared to 2024. On-site operating expenses were CAD15.23 million, a decrease of CAD1.16 million or 7% year-on-year. Administrative expenses were controlled at CAD5.10 million, a reduction of CAD1.34 million or 20.8% year-on-year, providing solid support for its stable operations.

(IV) Strengthening Medium-to-Long-Term Planning Research to Support the Benign and Sustainable Development of the Oilfield

Anchoring the long-term development of the oilfield and leveraging internal technical capabilities and cooperation with scientific research institutions, Novus initiated the research project of the "Study on the Five-Year Development Plan for Novus Oilfield." This project involved constructing economic models around annual production targets (ranging from 120,000 to 400,000 tonnes) under different international crude oil price scenarios (WTI at US\$65, US\$70, US\$75 and US\$80). Free cash flow models were also established based on these varying WTI oil prices. Concurrently, Novus completed geological resource investigation studies and industry market research and analysis for the oilfield. Novus also engaged in in-depth discussions with university professor teams and research institutions regarding the feasibility of carbon dioxide sequestration projects, focusing on expanding green and low-carbon development directions. Simultaneously, it explored the application pathways of AI technology in oilfield production management, laying the foundation for building a smart oilfield.

(V) Proactively Expanding Mining Rights Area to Enhance the Resource Security Capability

Novus continuously monitored market changes and oil and gas assets allocation opportunities, and adhered to the principle of prioritising exploration. It conducted in-depth research on reservoir trends to continuously enhance its resource reserve capabilities. Novus conducted economic value assessments of non-core blocks within the region and proposed a disposal plan for the Wapiti block to optimise the asset structure and enhance its resilience to risks. Moreover, it actively communicated with partners to negotiate and adjust the development pace based on Novus' financial position, effectively reducing operational risks and ensuring operational stability.

CHAIRMAN'S STATEMENT



(VI) Stringently Managing Safety Production and Fully Fulfilling Environmental Compliance Obligations

Novus has always put safety production as its first priority, strengthened on-site management, and regularly conducted safety training and emergency drills to constantly enhance its emergency response capabilities. In terms of environmental protection, it stringently complied with relevant Canadian regulations, proactively fulfilled emission reduction responsibilities, and constructed natural gas pipelines in advance to reduce flaring emissions, ensuring the achievement of government emission reduction targets and avoiding the risk of exceeding emission limits. At the same time, Novus completed the abandonment of wells on schedule, fulfilling its environmental responsibilities and demonstrating a good standard of compliance management and social responsibility.

DOWNSTREAM OIL PRODUCTS SALES BUSINESS IN CHINA

In 2025, Henan Yanchang Petroleum Sales Co., Limited (“Henan Yanchang”) was impacted by a confluence of multiple adverse factors, including a downtrend in the overall market, weakening end-user demand, adjustments to direct distribution policies, road construction affecting gas stations, and heightened supervision over external sourcing and sales business. The annual oil sales volume decreased by 1.47 million tonnes year-on-year, which was the core factor affecting its operating performance. Total sales volume for the year amounted to 2.37 million tonnes, a year-on-year decrease of 38%. Operating revenue was RMB15.5 billion, a year-on-year decrease of 43%, and it recorded a loss of RMB71.77 million, which included a bad debt provision of RMB47.27 million and an impairment loss on non-current assets of RMB21.49 million.



CHAIRMAN'S STATEMENT



1. Steady and Progressive Business Operation with Initial Success in Innovative Development

Henan Yanchang proactively responded to the acute situation of structural contraction in refined oil demand and intensifying market competition. It actively promoted the transformation of business development from “policy-driven” to “market-driven,” focusing on core businesses and expanding into emerging areas, achieving counter-cyclical growth in some business segments. In 2025, along-the-Yangtze-River trade reached 187,800 tonnes, exceeding the target, with a gross profit of RMB5.2545 million, an increase of RMB4.18 million year-on-year. External sourcing and sales business generated revenue of RMB2.947 billion, with gross profit increasing by RMB3.49 million year-on-year.

(1) Expansion of Fixed Investment Business. Firstly, by optimising the fixed investment business model in Sanmenxia, sales to Sinopec Henan reached 52,200 tonnes. The price difference per tonne increased significantly from the previous RMB38/tonne to RMB93.58/tonne after the model was optimised in September, significantly enhancing profitability. Secondly, it successfully developed the fixed investment business for 24 Sinopec gas stations in Shiyan, Hubei, achieving sales of 5,700 tonnes with a price difference per tonne of RMB130, opening up a new frontier for fixed investment business outside the province. Thirdly, it actively expanded into the private customer market in Western Henan, extending its business scope to the Luoyang area. It completed the filing for 78 customers and concluded transactions with 17, achieving sales of 1,000 tonnes with a price difference of RMB90/tonne, gradually

CHAIRMAN'S STATEMENT



opening up market potential among private clients.

(2) Deepening Cooperation with Sinopec. Adhering to the principle of deepening the strategic cooperative relationship with Sinopec, in 2025, sales to Sinopec Northwest reached 281,800 tonnes, a year-on-year increase of 13.4%. Revenue was RMB1.856 billion, up 5.45% year-on-year. Gross profit was RMB3.9612 million, up 4.22% year-on-year, which indicated a steady growth in this core cooperation segment. Business with Sinopec Central China and Northern China also progressed simultaneously, achieving sales of 120,900 tonnes and 37,900 tonnes, revenue of RMB809 million and RMB257 million, and gross profit of RMB4.8999 million and RMB900,700, respectively.

(3) Development of LNG Business. Based on the diversification trend in the energy market, Henan Yanchang actively laid out the emerging energy businesses and solidly advanced the preliminary preparations for the LNG business. It completed the feasibility study for the LNG business and signed a framework contract with Shaanxi Liquefied Natural Gas Investment and Development Co., Ltd. Currently, it is steadily progressing with various preparations for sales implementation, laying the foundation for cultivating a new profit growth driver for Henan Yanchang.

2. Continuously Optimising Operation and Management with Constantly Improving Control Efficiency

Adhering to the principle of seeking benefits from management and development from standardisation, Henan Yanchang continuously optimised its internal management system, strengthened the control over key areas, and promoted a comprehensive improvement in management efficiency, thereby providing solid support for business development.

(1) Solid and Effective Safety Management. Adhering to the policy of "safety first, prevention foremost, and comprehensive management," Henan Yanchang stepwisely dissociated the criteria for determining major accident hazards down to frontline teams and positions, achieving full coverage of hazard

identification and rectification. Relying on the "real-time reporting" function of the Safety Risk Intelligent Control Platform, it achieved a closed-loop online process for hazard reporting, rectification, and acceptance. A total of 323 hazards were identified and addressed throughout the year. In 2025, Henan Yanchang was awarded two second prizes by the Shaanxi Quality Association and four "Golden Idea" technological achievement awards by the China Equipment Management Association (including one special prize, one second prize, and two for workshops).

(2) Effective Implementation of Organisational Change. Henan Yanchang deeply advanced the optimisation and reform of its organisational structure and human resources. It implemented a competitive recruitment process for middle-level management and a two-way selection system for employees, selecting and appointing 18 middle-level managers and completing job placements for 158 frontline staff, further optimising the personnel structure and improving person-post matching. Concurrently, it completed the salary restructuring and performance appraisal system optimisation, enhancing the market adaptability and incentivising nature of salary distribution, thereby motivating the enthusiasm of all employees.

(3) Improving Quality and Efficiency of Fund Management. Henan Yanchang actively expanded diversified financing channels, innovatively adopting financing methods such as bank acceptance bills with interest borne by the buyer and short-term borrowings through overdraft accounts to effectively alleviate funding pressure. Net current loans increased by RMB128.5 million for the year. By optimising fund allocation and improving utilisation efficiency, it kept interest expenses essentially flat compared to the previous year, and its fund guarantee capability continued to strengthen.

(4) Significant Results in Tax Reduction. Regarding the tax issue involving Zhangwu Guangsha, Henan Yanchang established a special task force to actively communicate and coordinate with tax authority, striving for policy support. The originally required payment of RMB3.30 million was actually reduced to RMB930,200, successfully mitigating a tax loss of RMB2.3698 million.

CHAIRMAN'S STATEMENT

OUTLOOK

In 2026, the outbreak of the United States-Israel war against Iran has posed the situation in the Middle East to further escalate rapidly. Both sides have intensified their attacks in the Middle East, leading to shipment disruptions in the region. In early March, WTI oil prices soared over US\$100 per barrel, reached a three-year high. Looking ahead, the international oil and gas market will still face the dual challenges of weak demand recovery and high supply volatility. Geopolitical risk spillovers will also exacerbate short-term market fluctuations, and the complexity of industry operation will remain high. Average oil prices is expected to operate under a highly volatile environment.

Facing a complex and severe external environment, the Company adheres to the strategic tone of robust operation, actively responding to market changes while consolidating the core advantages of its principal oil and gas business. In the upstream segment, the Company continues to deepen resource development and operational management, improving oil and gas recovery and operational efficiency through technological applications and process optimization, thereby effectively controlling operating costs. In the downstream business, the Company closely tracks market trends, flexibly adjusts sales strategies, improves the market sales system, and strengthens the risk hedging ability of the industry chain. Simultaneously, the Company will firmly implement a diversified development strategy, consolidate the core position of traditional oil and gas business, and explore layout opportunities in new business areas in an orderly manner while ensuring risks under control, accumulating momentum for long-term development.



MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW

The board (the “Board”) of directors (the “Director(s)”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2025 together with the comparative figures as follows:

Highlights on financial results

	2025 HK\$'000	2024 HK\$'000	Change in %
Revenue	17,326,524	29,184,915	(41%)
Cost of revenue	(17,088,082)	(28,782,973)	(41%)
Royalties	(25,127)	(57,592)	(56%)
Field operation expenses	(85,903)	(89,376)	(4%)
Gross profit	127,412	254,974	(50%)
Other revenue	6,321	9,132	(31%)
Exploration and evaluation expenses	(2,550)	(2,680)	(5%)
Selling and distribution expenses	(14,205)	(21,295)	(33%)
Administrative expenses	(73,234)	(86,830)	(16%)
Depreciation, depletion and amortisation	(126,575)	(163,402)	(23%)
Net (recognition)/reversal of impairment loss on non-current assets	(566,099)	137,606	N/A
Impairment loss on goodwill and intangible asset	(58,149)	–	N/A
Provision for expected credit loss	(52,201)	(5,676)	820%
Other gains and losses	12,988	(31,744)	N/A
Finance costs	(35,912)	(34,930)	3%
Taxation	(182)	423	N/A
(Loss)/profit for the year	(782,386)	55,578	

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 2025, 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 People’s Republic of China (“PRC”).

Novus is engaged in the business of exploration, exploitation and production of oil and natural gas in Western Canada. Novus achieved sales volume of oil and gas of 542,000 BOE and contributed revenue of HK\$186,175,000 during the year under review as compared to sales volume of 843,000 BOE and revenue of HK\$331,333,000 of the previous year. Due to the decrease of both sales volume and oil prices in 2025, the exploration, exploitation and operation business recorded an operating loss of HK\$68,040,000, as compared to an operating loss of HK\$4,300,000 in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Highlights on financial results *(Continued)*

Segment revenue and segment results (Continued)

Henan Yanchang is engaged in the business of oil and by-products trading in the PRC. Due to the falling of average sale price and sales volume decreased from the previous year of 3.84 million tonnes to this year of 2.37 million tonnes, the revenue of Henan Yanchang decreased from the previous year of HK\$28,853,582,000 to this year of HK\$17,140,349,000. For the year under review, supply and procurement business recorded an operating profit of HK\$1,723,000, as compared to an operating profit of HK\$5,084,000 in 2024.

Cost of revenue

Cost of revenue was wholly derived from the purchase of oil and by-products made by Henan Yanchang for its trading business in the PRC, which decreased from the previous year of HK\$28,782,973,000 to this year of HK\$17,088,082,000. The decrease of cost of revenue was mainly due to the decrease in sales of the refined oil of Henan Yanchang.

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\$57,592,000 to the current year of HK\$25,127,000 due to decrease in sales volume.

Field operation expenses

Due to decrease in production, field operation expenses decreased to this year of HK\$85,903,000 from the previous year of HK\$89,376,000. 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.

Other revenue

Apart from the aforesaid segment results, the Group recorded other revenue of HK\$6,321,000 this year which mainly represented interest income from bank deposits and oil card income from Henan Yanchang, as compared to that of HK\$9,132,000 in the previous year.

Exploration and evaluation expenses

Exploration and evaluation expenses amounted to HK\$2,550,000 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\$2,680,000 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, decreased from the previous year of HK\$21,295,000 to the current year of HK\$14,205,000.

Administrative expenses

Administrative expenses including directors' remuneration, staff costs, office rentals, professional fees and listing fee etc., amounted to HK\$73,234,000 this year, saving of HK\$13,596,000 as compared to HK\$86,830,000 of the previous year.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation decreased from the previous year of HK\$163,402,000 to the current year of HK\$126,575,000. 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 (recognition)/reversal of impairment loss on non-current assets

Net recognition of impairment loss on non-current assets of HK\$566,099,000 comprised (i) the impairment loss on oil and gas assets of HK\$548,925,000 in Canada and (ii) the impairment loss on non-current assets of HK\$17,174,000 in the PRC.

Impairment loss on goodwill and intangible asset

Net recognition of impairment loss on goodwill and intangible asset of HK\$58,149,000 for the refined oil and by-products trading business in the PRC.

Provision for expected credit loss

The Company recognised provision for expected credit loss of HK\$52,201,000 for trade and other receivables of oil and by-products trading business in the PRC, as compared to HK\$5,676,000 in previous year.

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW *(Continued)*

Highlights on financial results *(Continued)*

Other gains and losses

Other gain of HK\$12,988,000 recorded this year mainly represented (i) net foreign exchange gain of HK\$13,444,000 and (ii) gain on lease modification of HK\$1,234,000 offsetting (iii) decrease in fair value of investment properties of HK\$699,000, (iv) recognition of impairment loss on inventories of HK\$2,636,000 and (v) loss on disposal of property, plant and equipment of HK\$413,000.

Finance costs

Finance costs of HK\$35,912,000 mainly comprised (i) bank borrowing costs and secured term loans interests totalling HK\$27,017,000, (ii) accretion expenses of HK\$2,674,000, (iii) imputed interest of HK\$2,550,000 and (iv) interest expenses on other loans of HK\$3,671,000.

Taxation

Tax charge of HK\$182,000 mainly represented (i) provision for the PRC enterprise income tax on the profit earned from the oil and by-products trading business amounted to HK\$331,000 offsetting (ii) recognition of deferred tax assets amounted to HK\$175,000.

(Loss)/profit for the year

Due to the decline in international oil prices and weak consumption of refined oil in the PRC, the performance of the Group was adversely affected. During the year under review, the Group incurred a loss of HK\$782,386,000, as compared to a profit of HK\$55,578,000 for the previous year. The turning from profit to loss for the year under review was mainly attributable to (i) the decrease in the Group's revenue and gross profit as affected by sluggish recovery of global economy; (ii) the substantial impairment loss on the oil and gas assets for the oil and gas production business in Canada; and (iii) the impairment loss on goodwill and the provision for expected credit loss for the oil and by-products trading business in the PRC.

Highlights on financial position

	2025 HK\$'000	2024 HK\$'000	Change in %
Property, plant and equipment	1,183,211	1,771,918	(33%)
Investment properties	11,365	11,542	(2%)
Exploration and evaluation assets	8,034	8,898	(10%)
Right-of-use assets	55,941	75,730	(26%)
Goodwill and intangible asset	–	58,149	N/A
Inventories	291,118	89,851	224%
Trade receivables	1,105,185	457,758	141%
Prepayments, deposits and other receivables	45,351	47,478	(4%)
Cash and bank balances	63,724	278,675	(77%)
Trade and other payables	(1,245,796)	(650,214)	92%
Bank borrowings and other loans	(254,317)	(159,691)	59%
Decommissioning liabilities	(176,931)	(166,761)	6%
Lease liabilities	(48,359)	(66,417)	(27%)
Secured term loans	(445,175)	(444,652)	–

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Highlights on financial position *(Continued)*

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\$1,183,211,000 as at 31 December 2025, the amount decreased by HK\$588,707,000 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 non-producing lands held by Novus as at 31 December 2025.

Right-of-use assets

Right-of-use assets amounted to HK\$55,941,000 as at 31 December 2025, consisted of leasehold lands and gas stations in the PRC, offices and staff quarter rentals in the PRC, Hong Kong and Canada.

Goodwill and intangible asset

Goodwill and intangible asset was arisen on the acquisition of 70% interest in Henan Yanchang by the Group in 2011. Impairment loss of HK\$58,149,000 had been made for such asset during the year.

Inventories

Inventories represented the refined oil held in oil storage tanks of Henan Yanchang in the PRC as at 31 December 2025.

Trade receivables

Trade receivables represented account receivables from customers of Novus and Henan Yanchang as at 31 December 2025. The outstanding amounts had been mostly recovered in February 2026.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased to this year of HK\$45,351,000 from the previous year of HK\$47,478,000. Such decrease was mainly due to the decrease in prepayments made for the purchase of refined oil by Henan Yanchang for its trading business.

Cash and bank balances

As at 31 December 2025, cash and bank balances of the Group maintained at HK\$63,724,000 as compared to the last year of HK\$278,675,000.

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 2025.

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").

Decommissioning liabilities

Decommissioning liabilities amounted to HK\$176,931,000 as at 31 December 2025, representing the expected future costs associated with the plugging and abandonment of wells, facilities dismantlement and site reclamation in Canada incurred by Novus.

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW *(Continued)*

Highlights on financial position *(Continued)*

Lease liabilities

Lease liabilities amounted to HK\$48,359,000 as at 31 December 2025, representing the obligation to make lease payments in relation to leasehold lands and gas stations in the PRC, office 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 2025.

	2025 HK\$'000	2024 HK\$'000
Current assets	1,505,378	873,762
Total assets	2,763,929	2,799,999
Current liabilities	1,506,937	816,878
Total liabilities	2,182,711	1,499,820
Total equity	581,218	1,300,179
Gearing ratio	375.5%	115.4%
Current ratio	99.9%	107.0%

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The Group had outstanding variable interest rates bank borrowings amounted to HK\$143,067,000 (equivalent to RMB128,600,000) as at 31 December 2025 (31 December 2024: HK\$106,000) under Henan Yanchang. The Group has obtained bank facilities of HK\$750,938,000 (equivalent to RMB675,000,000) 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 bore 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 for the first renewal with Yanchang Petroleum HK, pursuant to which Yanchang Petroleum HK agreed to renew the secured term loan of US\$35,000,000 which bore interest rate at 4.8% per annum with maturity extended to 17 January 2026. On 16 December 2025, Novus entered into the loan renewal request notice for the second renewal with Yanchang Petroleum HK, pursuant to which Yanchang Petroleum HK agreed to renew the secured term loan of US\$35,000,000 which bears interest rate at 4.8% per annum with maturity further extended to 17 January 2027. The principal amount of relevant secured term loan was still outstanding as at 31 December 2025.

On 3 September 2021, the Company drew down a secured term loan of US\$22,000,000 granted by Yanchang Petroleum HK which bore 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 2025.

As at 31 December 2025, the Group had cash and bank balances of HK\$63,724,000 (31 December 2024: HK\$278,675,000). 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 2025, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, was 375.5% as compared to 115.4% 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 99.9% as at 31 December 2025 (31 December 2024: 107.0%).

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 2025 (31 December 2024: 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 2025 (31 December 2024: nil).

MANAGEMENT DISCUSSION AND ANALYSIS



SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments as at 31 December 2025 (31 December 2024: nil).

CAPITAL COMMITMENTS

As at 31 December 2025, the Group had commitments related to property, plant and equipment amounted to HK\$596,000 (31 December 2024: HK\$179,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2025.

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 2025, the Group did not have any significant contingent liabilities (31 December 2024: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group's total number of staff was 192 (2024: 204). Salaries of employees were maintained at a competitive level with total staff costs for the year ended 31 December 2025 amounted to HK\$74,180,000 (2024: HK\$86,607,000). 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 2025 (31 December 2024: nil).

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2025 (31 December 2024: 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 2025 and 2024.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

HEALTH, SAFETY AND ENVIRONMENT POLICIES *(Continued)*

- 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.



SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

This section provides supplemental information on oil and gas activities in accordance with the Chapter 18 of Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

A. INFORMATION ON CRUDE OIL AND NATURAL GAS RESERVES

The Group has adopted the Canadian Oil and Gas Evaluation Handbook (“COGEH”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society) in reserves estimation that are consistent with the standards of National Instrument 51-101. Reserves are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be economically producible in the future from known and discovered oil and natural gas reservoirs under existing economic conditions, operating methods and government regulation.

Reported total reserves are estimated by deterministic or probabilistic methods under the following levels of certainty under a specific set of economic conditions:

- a. There is a 90% probability that at least the estimated proved reserves will be recovered.
- b. There is a 50% probability that at least the sum of the estimated proved reserves plus probable reserves will be recovered.

A quantitative measure of the probability associated with a reserves estimate is generated only when a probabilistic estimate is conducted. The majority of reserves estimates is performed using deterministic methods that do not provide a quantitative measure of probability.

The Group engaged an independent third party consulting firm, Sproule Associates Limited to evaluate the Group’s estimation on proved and probable reserves as at 31 December 2025 and its opinion that the reserve estimates are reasonable.

SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

A. INFORMATION ON CRUDE OIL AND NATURAL GAS RESERVES *(Continued)*

The following table sets out the estimates of the Group's net interest reserves:

Net proved reserves	Canada		
	Oil and natural gas liquids (Mbbbl)	Natural gas (MMcf)	Total (Mboe)
At 1 January 2025	9,730.2	20,318.0	13,116.5
Acquisition	–	–	–
Production	(409.1)	(783.0)	(539.7)
Disposals	–	–	–
Discoveries & revisions	(579.5)	(1,491.0)	(827.8)
At 31 December 2025	8,741.6	18,044.0	11,749.0

Net probable reserves	Canada		
	Oil and natural gas liquids (Mbbbl)	Natural gas (MMcf)	Total (Mboe)
At 1 January 2025	4,006.4	8,380.0	5,403.1
Acquisition	–	–	–
Disposals	–	–	–
Discoveries & revisions	(299.0)	(529.0)	(387.2)
At 31 December 2025	3,707.4	7,851.0	5,015.9

Net proved + probable reserves	Canada		
	Oil and natural gas liquids (Mbbbl)	Natural gas (MMcf)	Total (Mboe)
At 1 January 2025	13,736.6	28,698.0	18,519.6
Acquisition	–	–	–
Production	(409.1)	(783.0)	(539.7)
Disposals	–	–	–
Discoveries & revisions	(878.5)	(2,020.0)	(1,215.0)
At 31 December 2025	12,449.0	25,895.0	16,764.9

Notes:

1. Barrels of oil equivalent ("boe") is calculated using a conversion ratio of 6 Mcf/bbl.
2. The Group's net interest reserves represent the Group's working interests excluding interests owned by others in Canada.
3. bbl = barrels
Mbbbl = thousand barrels
Mboe = thousand barrels of oil equivalent
Mcf = thousand cubic feet
MMcf = million cubic feet

SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

B. MAJOR EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

The following table summarised the major exploration, development and production activities during the reporting period:

	Canada	Madagascar
Exploration activities:	Nil	Nil
Development activities:	0.25 well drilled 0.25 well completed	Nil
Production activities:	Average daily net production Oil: 1,124 bbl Gas: 2,165 Mcf	Nil

C. GROUP'S SHARE OF COSTS INCURRED ON EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES

The following table summarised the Group's share of costs incurred on exploration, development and production activities for the year ended 31 December 2025:

	Canada HK\$'000	Madagascar HK\$'000	Total HK\$'000
Exploration costs	2,550	–	2,550
Developments costs	6,949	–	6,949
Production costs (<i>note</i>)	85,903	–	85,903

Note: Production costs excluding depletion, depreciation and amortisation, government tax and selling expenses.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. Feng Yinguo

Aged 60, was appointed as an executive Director on 9 June 2020 and was also appointed as the chairman of the Board and an authorised representative of the Company on 1 April 2021. Mr. Feng is currently the executive director and the deputy secretary of the Party Committee of Shaanxi Yanchang Petroleum International Energy & Chemical Co., Limited under Yanchang Petroleum Group. Mr. Feng joined Yanchang Petroleum Management Bureau under Yanchang Petroleum Group in December 1983. He was mainly responsible for oil mine management, exploration and development, and was promoted from technician to deputy officer. From December 2017 to March 2020, he served in Oil And Gas Exploration Company under Yanchang Petroleum Group and was promoted to deputy general manager. Mr. Feng obtained a master's degree in Executive Master of Business Administration at Shaanxi Master of Business Administration Institute, and is also a senior petroleum engineer. Mr. Feng has been engaged in oil and gas exploration, development and management for a long time, and has extensive experience in integrated oil and gas management and business leadership. Save as the aforesaid, Mr. Feng did not hold directorship in other listed companies in the past three years.

Ms. Wang Haining

Aged 49, was appointed as an executive Director on 22 July 2024. Ms. Wang, a senior accountant and registered accountant, is currently the supervisor of the Finance Center and deputy secretary of the Party Committee of Yanchang Petroleum Group. Ms. Wang joined Yanchang Petroleum Group in 2009. Ms. Wang served as the chief accountant of Shaanxi Yanchang Petroleum Materials Group from February 2017 to December 2022, and Ms. Wang has been the supervisor of the Finance Center of Yanchang Petroleum Group since January 2023, where she is primarily responsible for the financial management of Yanchang Petroleum Group. She was graduated from Central University of Finance and Economics with a Bachelor's degree in Finance in 2000. Ms. Wang has been engaged in

financial management in the petroleum and petrochemical industry for a long time, and has many years of extensive experience in financial and finance management, as well as the operation and governance of petroleum enterprises. Save as aforesaid, Ms. Wang did not hold any directorship in other listed companies in the past three years.

Mr. Ding Jiasheng

Aged 38, was appointed as an executive Director on 1 April 2021. Mr. Ding is currently the executive chairman of Novus, an indirect wholly-owned subsidiary of the Company in Canada. Mr. Ding joined Novus in May 2014 and has served as the production engineer, exploration and development engineer, vice president and executive chairman of Novus. He has extensive technical and management experience. He holds a bachelor's degree in petroleum engineering from the University of Alberta in Canada and a master's degree in Earth and Environment from the Columbia University in U.S.A., and is a registered professional engineer in Canada. Save as the aforesaid, Mr. Ding did not hold any directorship in other listed companies in the past three years.

NON-EXECUTIVE DIRECTOR

Ms. Lu Yiwen

Aged 35, was appointed as a non-executive Director on 8 April 2025. Ms. Lu is currently the budget analyst in the Financial Management Department of Changan Huitong Group Co., Ltd. ("Changan Huitong"). Ms. Lu was a postgraduate and obtained a master's degree in Economics from Fudan University. She is an economist and has securities and fund professional qualifications. Ms. Lu worked as a product manager in the Investment Banking Department of Shanghai Pudong Development Bank Xi'an Branch from 2016 to 2020. She also served as senior manager of the Investment Management Department and supervisor of the Capital Management Center at Changan Huitong from 2020 to 2025. Ms. Lu has extensive experience in finance, investment and capital markets. Save as the aforesaid, Ms. Lu did not hold any directorship in other listed companies in the past three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES



INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wing Ka

Aged 56, was appointed as an independent non-executive Director on 7 January 2005. Mr. Ng is also the chairman of the nomination committee and a member of the audit committee of the Company. Mr. Ng graduated with a Bachelor of Laws degree and a Post-graduated Certificate in Laws from The University of Hong Kong. He is the partner of Tung, Ng, Tse & Lam, Solicitors. Mr. Ng was elected as a member of the 14th Hong Kong delegation to the National People's Congress of the People's Republic of China in December 2022. Mr. Ng has been elected as a member of Court and was appointed as a member of the Council of the University of Hong Kong. Mr. Ng is a chairman of the Hong Kong Taiwan Business Co-operation Committee, a chairman of HKSAR Passports Appeal Board, a vice chairman of Independent Police Complaint Council, and a non-executive director of The Hong Kong Mortgage Corporation Limited, a member of Competition Commission and a member of the Chinese People's Political Consultative Conference of Shaanxi Province, the PRC. Mr. Ng has been appointed as an independent non-executive director of MTR Corporation Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) since May 2019. Mr. Ng has also been appointed as an independent non-executive director of Glorious Sun Enterprises Limited (a company listed on the Stock Exchange) since June 2019 and appointed as an independent non-executive Director of Catalo Natural Health Science Limited since 1 September 2024. He has been re-elected as a member of the Legislative Council (Industrial (Second) Functional Constituency) on 20 December 2021. Save as the aforesaid, Mr. Ng did not hold any directorship in other listed companies in the past three years.

Mr. Leung Ting Yuk

Aged 51, was appointed as an independent non-executive Director on 3 December 2009. Mr. Leung is also the chairman of the audit committee and a member of the remuneration committee of the Company. He is a member of the Certified Practising Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. He has over 21 years' experience in financial management, accounting and auditing. Mr. Leung has been appointed as an independent non-executive director of Most Kwai Chung Limited (a company listed on the Stock Exchange) since March 2018 and he has also been appointed as an independent non-executive director of Xinyi Energy Holdings Limited (a company listed on the Stock Exchange) since November 2018. Mr. Leung has been appointed as an independent non-executive director of Tai United Holdings Limited (a company listed on the Stock Exchange) since July 2023. He has also been appointed as an independent non-executive director of Shangshan Gold International Holdings Limited (a company listed on the Stock Exchange) since May 2025. Save as the aforesaid, Mr. Leung did not hold any directorship in other listed companies in the past three years.

Mr. Sun Liming

Aged 72, was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company on 1 April 2012. Mr. Sun holds a bachelor's degree in management engineering from Xi'an Jiaotong University. Mr. Sun has extensive experience in corporate planning, and economic and financial management. Mr. Sun was a managing director of Lishan Company Limited in Hong Kong and a chief representative of Shaanxi Commerce Representative Office in Hong Kong for years, and he served as chief economist with 中國電子進出口陝西公司 (China Electronics Import and Export Shaanxi Company) as well as worked in stated-owned sectors for various senior economic and financial positions. Mr. Sun had been acted as an executive director, a co-chief executive officer and the chairman of the investment committee of DTXS Silk Road Investment Holdings Company Limited (a company listed on the Stock Exchange) from 1 February 2023 to 15 January 2024. Save as the aforesaid, Mr. Sun did not hold any directorship in other listed companies during the past three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Dr. Mu Guodong

Aged 68, was appointed as an independent non-executive Director on 28 December 2012. Dr. Mu was graduated from the School of Economics and Finance of Xi'an Jiaotong University (formerly known as "Shaanxi Institute of Finance & Economics") with a Master degree of Economics in 1988. He was appointed by the State Education Commission of the People's Republic of China as a visiting scholar of Macquarie University in Australia in 1993. Dr. Mu obtained the Endeavour Awards from the Australian Government to study the doctor's degree of Economics in 1995, and obtained his Doctor of Philosophy degree from The University of New England in 2001. Dr. Mu has been appointed as an independent non-executive director of Shaanxi Energy Investment Co., Limited (a company listed on the Shenzhen Stock Exchange). Dr. Mu had acted as the assistant to the general manager of the business development department of China Merchants Group Limited, the controlling shareholder of China Merchants Holdings (International) Company Limited, a company listed on the Stock Exchange). Dr. Mu had acted as the general manager of 招商金葵資本管理有限責任公司 (China Merchants Jinkui Capital Management Company Limited) and had acted as the assistant to the general manager of China Merchants Capital Limited and the general manager of the Fundraising and IR Department of China Merchants Capital Management (International) Limited. Dr. Mu has extensive experience in corporate finance and management, merger and acquisition and corporate restructuring. He led and participated in numbers of large-scale merger and acquisition projects over the past ten years, which included the projects of China Merchants Group Limited in Vietnam and Sri Lanka, the project of highway merger integration and the project of Qianhai Bonded Port Area in Shenzhen. Save as the aforesaid, Dr. Mu did not hold any directorship in other listed companies during the past three years.

COMPANY SECRETARY

Mr. Law Hing Lam

Aged 62, was appointed as the company secretary of the Company on 21 March 2011. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants and also a member of the American Institute of Certified Public Accountants. Mr. Law has extensive experience in accounting, auditing, taxation, finance and company secretarial matters. Prior to joining the Company, Mr. Law held the position of financial controller in certain listed companies in Hong Kong. Mr. Law is currently the financial controller and an authorised representative of the Company. He is also currently the financial controller and the director of certain subsidiaries of the Company.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

The head office and principal place of business is situated at Room 3403, 34/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the Group engaged in supply and procurement operation of oil related products in the PRC as well as oil and gas exploration, exploitation, sale and operation in Canada and Madagascar. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out in the Chairman's Statement section on pages 3 to 8 and the Management Discussion and Analysis section on pages 9 to 16 of the annual report. This discussion forms part of the directors' report.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2025 is set out in note 7 to the consolidated financial statements on pages 91 to 95.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 55 to 131. The state of affairs of the Company on 31 December 2025 is set out in note 37 to the consolidated financial statements.

The Directors do not recommend the payment of any dividends for the year (2024: nil).

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published consolidated results as well as assets and liabilities of the Group for the last five years, as extracted from the audited consolidated financial statements:

Results

	2025 HK\$'000	Year ended 31 December			
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	17,326,524	29,184,915	27,742,529	29,936,206	19,776,474
(Loss)/profit before taxation	(782,204)	55,155	588,392	(608,271)	377,556
Taxation	(182)	423	(8,260)	(10,828)	(19,101)
(Loss)/profit for the year	(782,386)	55,578	580,132	(619,099)	358,455
(Loss)/profit attributable to					
– Owners of the Company	(758,613)	54,128	217,593	(199,510)	353,601
– Non-controlling interests	(23,773)	1,450	362,539	(419,589)	4,854
	(782,386)	55,578	580,132	(619,099)	358,455

Assets and liabilities

	2025 HK\$'000	At 31 December			
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Non-current assets	1,258,551	1,926,237	2,041,005	2,050,401	1,653,596
Current assets	1,505,378	873,762	1,643,537	2,467,808	2,855,109
Total assets	2,763,929	2,799,999	3,684,542	4,518,209	4,508,705
Current liabilities	(1,506,937)	(816,878)	(2,067,497)	(3,600,546)	(2,906,621)
Non-current liabilities	(675,774)	(682,942)	(268,879)	(448,237)	(434,640)
Total liabilities	(2,182,711)	(1,499,820)	(2,336,376)	(4,048,783)	(3,341,261)
Total equity	581,218	1,300,179	1,348,166	469,426	1,167,444

This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS



PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 to the consolidated financial statements respectively on pages 104 to 108.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year and details of the Company's share option scheme are set out in note 26 to the consolidated financial statements on pages 117 to 118.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 59 and 60.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2025, 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 report.

DISTRIBUTABLE RESERVES

At 31 December 2025, the Company's reserve available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, is HK\$329,736,000 (2024: HK\$323,200,000) which is the sum of the Company's share premium, contribution surplus and accumulated losses as stated in note 37 to the consolidated financial statements on page 131 which may only be distributed in certain circumstances.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers represented approximately 78% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 67%.
- (2) The aggregate amount of cost of revenue attributable to the Group's five largest suppliers represented approximately 82% of the Group's total cost of revenue for the year. The amount of cost of revenue from the Group's largest supplier included therein represented approximately 35%.

Yanchang Petroleum Group, a substantial shareholder of the Company, had beneficial interests in the largest supplier of the Group.

Saved as the aforesaid, neither the Directors, their associates nor the shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions of the Group are set out in note 35 to the consolidated financial statements on pages 125 and 126.

PENSION SCHEMES AND COSTS

Details of the Group's pension schemes and costs charged to the consolidated statement of profit or loss and other comprehensive income for the year are set out in note 33 to the consolidated financial statements.

At 31 December 2025, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

REPORT OF THE DIRECTORS



DIRECTORS

The Directors of the Company during the year and at the date of this report were as follows:

Executive Directors

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

Non-executive Director

Ms. Lu Yiwen (*appointed on 8 April 2025*)
Mr. Sun Jian (*resigned on 8 April 2025*)

Independent Non-executive Directors

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

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Ng Wing Ka, Mr. Leung Ting Yuk, Mr. Sun Liming and Dr. Mu Guodong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("2026 AGM") of the Company.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out in the section "Directors' and Senior Management's Biographies" on pages 20 to 22 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for three years, which can be terminated by either party giving notice in writing to the other party.

Save as disclosed above, no Director proposed for re-election at the 2026 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT

Save as disclosed in note 35 to the consolidated financial statements, no transaction, arrangement and contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year.

PERMITTED INDEMNITY

Pursuant to the Bye-laws of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted by or about the execution of their duty. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2025, the interests and short positions of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the total issued ordinary share capital of the Company
Mr. Sun Liming	Personal interest	Long position	30,000	0.003%
Dr. Mu Guodong ("Dr. Mu")	Personal interest and interest of spouse (<i>note</i>)	Long position	15,000	0.001%

Note: Out of these 15,000 shares, Dr. Mu personally held 11,500 Shares and his spouse held 3,500 shares. Dr. Mu is deemed to be interested in these 3,500 shares under the SFO.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

In order to enable the Company to grant share options to eligible participants as incentives or rewards for their contributions or potential contribution to the success of the Group, a share option scheme (the "Scheme") was adopted by the Board on 27 May 2022.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

As at 31 December 2025, no share options had been granted and remained outstanding under the Scheme (31 December 2024: Nil), representing 0% (31 December 2024: 0%) of the total number of the Shares of the Company in issue at that date, further details of the Scheme are set out in note 26 to the consolidated financial statements on pages 117 to 118.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as disclosed above, the Company has not entered into any other equity-linked agreements for the year ended 31 December 2025.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, the interests of persons, other than a Director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Interests and short positions of substantial shareholders in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the total issued ordinary share capital of the Company
Yanchang Petroleum Group <i>(note 1)</i>	Interest of controlled corporation	Long position	634,310,161	57.66%
Yanchang Petroleum HK <i>(note 1)</i>	Directly owned	Long position	634,310,161	57.66%
Chang An Huitong Co., Limited ("Chang An Huitong") <i>(note 2)</i>	Interest of controlled corporation	Long position	183,350,467	16.67%
ChangAn Huitong Investment Management Co., Ltd ("ChangAn Huitong Investment") <i>(note 2)</i>	Interest of controlled corporation	Long position	183,350,467	16.67%
ChangAn Huitong Investment (Hong Kong) Company Limited ("ChangAn Huitong HK") <i>(note 2)</i>	Directly owned	Long position	183,350,467	16.67%

Notes:

1. Yanchang Petroleum Group beneficially held these 634,310,161 shares through its direct wholly-owned subsidiary, Yanchang Petroleum HK.
2. Chang An Huitong beneficially held these 183,350,467 shares through its directly wholly-owned subsidiary, ChangAn Huitong Investment, which in turn wholly owned ChangAn Huitong HK.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2025.

REPORT OF THE DIRECTORS



CONTINUING CONNECTED TRANSACTIONS

Yanchang Petroleum Group and Henan Yanchang (an indirect non-wholly owned subsidiary of the Company) renewed and entered into a new supply agreement dated 18 November 2022 and a supplemental agreement to revise annual caps dated 27 November 2023 (together the “Supply Agreement”), pursuant to which Yanchang Petroleum Group agreed to supply and Henan Yanchang agreed to purchase refined oil and by-products (including chemical products) for the three years ending 31 December 2025.

On 27 November 2023, Henan Yanchang renewed and entered into sales agreements with Yanchang Shell Henan Petroleum Limited (“Yanchang Shell Henan”) and China Petroleum Yanchang Petroleum Trading Stock Limited Company (“China Petroleum Yanchang”) in respect of the sales of refined oil and by-products (the “Sales Agreements”) from Henan Yanchang to Yanchang Shell Henan and China Petroleum Yanchang, respectively for the three years ending 31 December 2026.

The aforesaid transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company had reviewed the continuing connected transactions contemplated under the Supply Agreement and the Sales Agreements mentioned above and had confirmed that the Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

- (1) the aggregate value of the continuing connected transactions contemplated under the Supply Agreement for the year ended 31 December 2025 as indicated above did not exceed the 2025 annual cap amount of RMB26,316,000,000 (equivalent to approximately HK\$29,058,127,000);
- (2) the aggregate value of continuing connected transactions contemplated under the Sales Agreements for the year ended 31 December 2025 from the Henan Yanchang to Yanchang Shell Henan and China Petroleum Yanchang as indicated above did not exceed the 2025 annual cap amount of RMB215,000,000 (equivalent to approximately HK\$237,403,000) and RMB43,000,000 (equivalent to approximately HK\$47,480,600) respectively; and
- (3) the continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available from or to independent third parties; and (c) in accordance with the terms of the Supply Agreement and the Sales Agreements governing such transactions, which were fair and reasonable and in the interests of the Company and its shareholders as a whole.

BDO Limited, the Company’s auditors, were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Review of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited had issued their letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors’ letter had been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, they confirmed that they had complied with the required standard as set out in the Model Code as their code of conduct regarding Directors' securities transactions with the Company throughout the year ended 31 December 2025.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 33 to 49.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2025 and up to the date of this annual report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company, and within the knowledge of the Directors, more than 25% of the issued capital of the Company were held by the public.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 22 May 2026 to 28 May 2026 (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 28 May 2026, 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 21 May 2026.

AUDITORS

A resolution will be proposed at the 2026 AGM to re-appoint BDO Limited as the auditors of the Company for the ensuing year.

On behalf of the Board

Mr. Feng Yinguo

Chairman

Hong Kong, 26 March 2026

CORPORATE GOVERNANCE REPORT



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 C1 of the Listing Rules during the year ended 31 December 2025, 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 report, 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.1.5 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, Ms. Lu Yiwen was unable to attend at the annual general meeting of the Company held on 30 May 2025 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.1.3 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 30 May 2025 due to other ad hoc engagements.

BOARD OF DIRECTORS

Board Composition

The Board serving the important function of guiding the management, currently comprises:

- (a) three executive Directors, namely Mr. Feng Yinguo (Chairman), Ms. Wang Haining and Mr. Ding Jiasheng;
- (b) one non-executive Director, namely Ms. Lu Yiwen; and
- (c) four independent non-executive Directors, namely Mr. Ng Wing Ka, Mr. Leung Ting Yuk, Mr. Sun Liming and Dr. Mu Guodong.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

The respective biographical details of each of the Directors are disclosed in the section of “Directors’ and Senior Management’s Biographies” in the annual report. Details of changes in the Board during the year are set out in the “Report of the Directors” of the annual report.

The Company considers that the Board members have the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current Board size is adequate for its present operations.

Roles and Responsibilities of the Board and Delegated Functions of the Management

The Board is responsible for the leadership and overall control of the Company, oversees the Group’s business, formulates strategic plans/decisions and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decision making in all major matters of the Company which include, approving and monitoring all policy matters, setting of objectives, annual budgets and overall strategies, material transactions, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the senior executives under the direction and supervision of the chief executive officer of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support from them to discharge its duties and responsibilities.

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including (i) to develop and review the Company’s policies, practices on corporate governance and make recommendations thereof; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and companies manual (in any) applicable to employees and Directors; and (iv) to review the Company’s compliance with the CG Code and disclosure in the corporate governance report.

Appointment and Re-election of Directors

Upon the appointment of a new Director, the Company will provide a formal letter to the Director, setting out his/her duties and obligations. Such Directors are given appropriate briefings when they are first appointed to the Board. Appropriate orientations are conducted for all new Directors to ensure that they are familiar with the Company’s business, operations, governance practice and regulatory requirements. The company secretary or the external lawyers also provide trainings to new Director on his/her fiduciary duties and responsibilities as a Director in accordance with the Listing Rules and all other applicable laws and the Company’s on going obligations as a company listed on the Stock Exchange.

According to the Bye-laws of the Company, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Besides, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

CORPORATE GOVERNANCE REPORT



BOARD OF DIRECTORS *(Continued)*

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or video conference and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has conflict of interest.

For the Board meetings, sufficient 14 days' notices for regular board meetings and reasonable days for non-regular Board meetings were given to all directors so as to ensure that each of them had an opportunity to attend the meetings, to include matters in the agenda and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. Sufficient information was also supplied by the management to the Board to enable it to discharge its duties and to make decisions, which are in the best interests of the Company.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the company secretary of the meetings and are open for inspection by the Directors.

Directors' Continuous Professional Development

Each of the Directors keeps abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organized by external professional bodies in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional knowledge and skills; whereas the company secretary also arranges seminars on the latest updates and development of the applicable laws, rules and regulations for the Directors to assist them in discharging their duties and to enhance their awareness of good corporate governance practices.

During the year under review, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Directors' Continuous Professional Development *(Continued)*

	Attended Seminars or Briefing/Read Materials
Executive Directors	
Mr. Feng Yinguo	✓
Ms. Wang Haining	✓
Mr. Ding Jiasheng	✓
Non-executive Director	
Ms. Lu Yiwen	✓
Independent Non-executive Directors	
Mr. Ng Wing Ka	✓
Mr. Leung Ting Yuk	✓
Mr. Sun Liming	✓
Dr. Mu Goudong	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for exercising control over the quality and timeliness of the flow of information between the management of the Company and the Board and ensuring compliance with the Group's guidelines on corporate governance. The chairman ensures that Board meetings are held regularly in accordance with the agreed schedule and sets the agenda of the Board meetings.

The chairman also builds constructive relations within the Board and between the Board and the management of the Company, and facilitates the effective participation of the non-executive Director and the independent non-executive Directors by promoting a culture of openness and debate of the Board. The chairman further ensures effective communication with the shareholders and promotes high standards of corporate governance.

The duties of the chief executive officer include taking responsibility for the Group's operation and management, implementing decisions and plans approved by the Board, making day-to-day operational and managerial decisions and co-ordinating overall business operations.

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.

CORPORATE GOVERNANCE REPORT



CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(Continued)*

The Board considers that the vacancy will not impair the balance of power and authority between the Board and the management as the Board comprises eight experienced individuals including three executive Directors, one non-executive Director and four independent non-executive Directors. In addition, one of the important roles of the chairman is to provide leadership to the Board to ensure that the Board always acts in the best interests of the Group. The chairman shall ensure that the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. With the support of the company secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at any Board meeting and have received adequate and reliable information in a timely manner.

NON-EXECUTIVE DIRECTOR

The non-executive Director, Ms. Lu Yiwen has brought to the Board outside perspective and objective judgement, independent of the management, on the development, performance and risk management of the Company. She was appointed on 8 April 2025 as the non-executive Director for a term of three years. She had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 7 April 2025 from a qualified Hong Kong lawyer, and she has confirmed she understood her obligations as a director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All the four independent non-executive Directors (“**INEDs**”), Mr. Ng Wing Ka, Mr. Leung Ting Yuk, Mr. Sun Liming and Dr. Mu Guodong have served more than nine years on the Board and were appointed for a term of three years. The INEDs represent more than one-third of the total number of the members of the Board and one of the INEDs has appropriate professional qualifications with accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

The independence of each INED is assessed and reviewed annually by the nomination committee and the board as provided in the CG Code. The Board considers, an INED as one who is independent in conduct, character and judgement and has no relationship with the Group, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the INED’s independent business judgment in the best interest of the Company and the Group.

No equity-based remuneration with performance-related elements have been granted to the INEDs so that the INEDs’ objectivity and independence will not be impaired. They are also subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company at the annual general meeting of the Company. Each of the INEDs has made annual confirmation that he complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Board considers that all the four INEDs are independent under these independence criteria and are capable to effectively exercise independent judgment.

CORPORATE GOVERNANCE REPORT

INDEPENDENT VIEWS OF THE BOARD

The Company has established mechanisms as detailed below to ensure that a strong independent element on, and independent views and input are available to the Board.

(i) Composition of the Board and Board Committees

- The Board endeavours to ensure the appointment of at least three INEDs and at least one-third of its members being INEDs (or such higher threshold as may be required by the Listing Rules from time to time).
- Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, INEDs will be appointed to other Board committees as far as practicable to ensure independent views are available.

(ii) Independence Assessment

- The nomination committee strictly adheres to the Group's nomination policy and the independence assessment criteria as set out in the Listing Rules with regards to the nomination and appointment of INEDs.

(iii) Compensation

- No equity-based remuneration with performance related elements will be granted to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) Board Decision Making

- The Directors (including INEDs) upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties.
- The Directors (including INEDs) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director has a conflict of interest.
- The chairman of the Board shall at least annually hold meetings with the INEDs without the presence of other Directors to discuss major issues and any concerns.

The implementation and effectiveness of such mechanism was reviewed on an annual basis. The Board considers that such mechanism has been implemented properly and effectively during the year.

The Board is able to exercise objective judgment on corporate affairs of the Company and no individual or group of individuals is allowed to dominate the Board's decision-making. Currently, half of the Board's members are INEDs. The Company has also met the requirements of Rule 3.10 of the Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. The Board is therefore of the view that there is sufficiently strong independent element on the Board to enable independent Directors to exercise independent, constructive and informed comments on the Company's strategy and policies, taking into account factors such as the number of independent Directors and the size and scope of the affairs and operations of the Group.

CORPORATE GOVERNANCE REPORT



BOARD COMMITTEES

The Company has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee with defined terms of reference, to assist the Board in discharging its duties and responsibilities. To further reinforce independence and effectiveness, all audit committee members are independent non-executive Directors, and the nomination and remuneration committees have been structured with a majority of independent non-executive Directors as members.

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 is responsible for the appointment of external auditors, review of the Group's financial information and overseeing the Group's financial reporting, risk management and internal control systems. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting, risk management and internal control systems and to this end has unrestricted access to the Company's senior management and external auditors. Its written terms of reference are available on the websites of the Stock Exchange and the Company.

The audit committee has reviewed the accounting principles and policies adopted by the Company and has discussed the risk management, internal control systems and financial reporting matters with the management. The audit committee has reviewed the Group's results for the year ended 31 December 2025.

During the year ended 31 December 2025, the audit committee held five meetings and performed the following works:

- (i) reviewed the audit planning for the year ended 31 December 2024 with the external auditors;
- (ii) reviewed the annual results of the Group for the year ended 31 December 2024 with the external auditors;
- (iii) reviewed the Group's financial reporting, risk management and internal control systems with the independent professional adviser;
- (iv) reviewed the profit warning announcement in relation to the interim results of the Group for the six months ended 30 June 2025;
- (v) reviewed the interim results of the Group for the period ended 30 June 2025;
- (vi) reviewed the audit planning for the year ended 31 December 2025 with the external auditors;
- (vii) reviewed the continuing connected transactions; and
- (viii) made recommendation to the Board on the re-appointment of external auditors of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The remuneration committee currently comprises two independent non-executive Directors, namely Mr. Sun Liming and Mr. Leung Ting Yuk, and an executive Director, Mr. Feng Yinguo. Mr. Sun Liming is the chairman of the remuneration committee.

The remuneration committee was established for the purpose of making recommendations to the Board on the Company's policies and structure on remuneration of all Directors (including the INEDs) and senior management. The Remuneration Committee has adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. Its written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2025, the remuneration committee held two meetings and performed the following works:

- (i) reviewed the existing remuneration package of the Directors and senior management of the Company;
- (ii) reviewed the remuneration of the newly appointed non-executive Director;
- (iii) reviewed the revised 2025 performance targets of Novus; and
- (iv) reviewed the revised 2025 performance targets of the senior management of the Company.

The remuneration paid to the senior management by band for the year ended 31 December 2025 and 31 December 2024 is set out as below:

	Number of individuals	
	2025	2024
HK\$		
1,500,001–2,000,000	1	2
2,000,001–2,500,000	1	1
2,500,001–3,000,000	1	–
3,000,001–3,500,000	–	1
3,500,001–4,000,000	–	–
4,000,001–4,500,000	–	1
4,500,001–5,000,000	1	–
5,000,001–5,500,000	1	–
	5	5

CORPORATE GOVERNANCE REPORT



BOARD COMMITTEES *(Continued)*

Nomination Committee

The nomination committee currently comprises two independent non-executive Directors, namely Mr. Ng Wing Ka and Mr. Sun Liming, and an executive Director, Ms. Wang Haining. Mr. Ng Wing Ka is the chairman of the nomination committee.

The nomination committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The nomination committee will also give consideration to the board diversity policy (as defined above) when identifying suitable qualified candidates to become members of the Board. The nomination committee will review the board diversity policy, so as to develop and review measurable objectives for implementing the board diversity policy and to monitor the progress on achieving these objectives. Its written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2025, the nomination committee held two meetings and performed the following works:

- (i) reviewed and assessed the independence of the INEDs;
- (ii) reviewed and assessed the composition and structure of the Board;
- (iii) made recommendation to the Board on the re-appointment of Directors;
- (iv) reviewed the new service contracts of the INEDs; and
- (v) made recommendation to the Board on the appointment of the non-executive Director.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AT MEETINGS

Details of the Directors' attendance (either in person or by phone) at the Board meetings, general meetings, audit committee meetings, remuneration committee meetings and nomination committee meetings held during the year ended 31 December 2025 are set out in the table below:

Directors	No. of meetings attended/entitled to attend					
	Annual General Meeting	Special General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:						
Mr. Feng Yinguo	0/1	1/1	13/13	–	2/2	2/2
Ms. Wang Haining	0/1	1/1	13/13	–	–	–
Mr. Ding Jiasheng	0/1	1/1	13/13	–	–	–
Non-Executive Director:						
Ms. Lu Yiwen (appointed on 8 April 2025)	0/1	1/1	9/9	–	–	–
Mr. Sun Jian (resigned on 8 April 2025)	–	–	0/5	–	–	–
Independent Non-executive Directors:						
Mr. Ng Wing Ka	1/1	1/1	13/13	5/5	–	2/2
Mr. Leung Ting Yuk	1/1	1/1	13/13	5/5	2/2	–
Mr. Sun Liming	1/1	1/1	13/13	5/5	2/2	2/2
Dr. Mu Guodong	1/1	1/1	13/13	–	–	–

NOMINATION POLICY

The Company has adopted a nomination policy which specifies the procedures, process and criteria of the nomination of Directors.

Selection criteria

In assessing the suitability of the proposed candidate, the nomination committee shall consider various factors including but not limited to the following:

- (i) character and integrity of the proposed candidate;
- (ii) whether the proposed candidate is able to commit sufficient time and attention to the Company's business;
- (iii) potential contribution of the proposed candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity of perspective;
- (iv) diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- (v) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- (vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

CORPORATE GOVERNANCE REPORT



NOMINATION POLICY *(Continued)*

Nomination procedures and process

The nomination policy sets out the procedure and process in relation to the nomination of Directors as follows:

- (i) the nomination committee will identify suitable candidates through different recruitment channels, including referrals from directors, shareholders, management, business acquaintances, industry peers and external executive search firms.
- (ii) in order to ensure a fair and open recruitment process, the nomination committee shall select the most suitable candidate to fill a Board vacancy based on merit having regard to the balance of skills, knowledge and experience as well as the overall Board diversity.
- (iii) the secretary of the nomination committee shall convene a meeting to consider the proposed candidates.
- (iv) in the case of appointment of new director, the nomination committee shall undertake adequate due diligence in respect of such individual, evaluate the candidate in accordance with the selection criteria set out in the nomination policy, and make recommendations for the Board's consideration and approval.
- (v) in the case of re-appointment of director, the nomination committee shall review the overall contribution to the Company of the retiring director as well as the selection criteria set out in the nomination policy. The nomination committee will then make recommendations to the Board for its consideration and recommendation, for the proposed candidate to stand for re-election at a general meeting.
- (vi) for procedures regarding a candidate nominated by a shareholder to be elected as a director, please refer to the "Procedures for a Shareholder to Propose a Person for Election as a Director", which is available on the Company's website.

The nomination policy is subject to review by the Board from time to time to ensure its effectiveness and compliance with good corporate governance practice and regulatory requirements.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach to achieve diversity on the Board. The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Company has considered different aspects of diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

In order to ensure that the Board has an appropriate balance of skills, experience and diversity of perspectives necessary to support the Board effectiveness and quality decision making, the following measurable objectives have been adopted:

1. selection of candidates for the Board appointment will be conducted in accordance with the Company's nomination policy and with regard to the relevant provisions of the board diversity policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY *(Continued)*

2. the Company aims to achieve and maintain a Board with different diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
3. the Company is committed to maintaining an appropriate ratio of female directors on the Board and ensure that the proportion of female directors on the Board is not less than 10%.

As at the date of this report, the Board comprises six male Directors and two female Directors. The Company considers that the Board has achieved gender diversity and possessed skill and expertise and a diversity mix appropriate for the business of the Group. The Board has satisfactorily achieved the measurable objectives under the board diversity policy for the year. The nomination committee will review the board diversity policy as well as the measurable objectives on an annual basis, to ensure its continued effectiveness.

In regards of the workforce diversity, the Company believes that a diverse workforce and an inclusive culture would be beneficial to the Group's business development and drive high operational performance across the Group. The Company implements a workforce diversity policy to enhance inclusion and diversity in the workforce (including senior management). It provides women with equal employment opportunities, ensures equal pay for male and female employees for equal work, and provides women career development plans. As at 31 December 2025, the ratio of female employees of the Group was around 36%. With its diversified employment policy and practices, the Company will continue to strive towards gender equality in the workforce with a target of achieving a greater gender parity. For further details of workforce composition, please refer to the Company's 2025 Environmental, Social and Governance Report.

DIVIDEND POLICY

The Company has adopted the dividend policy to allow its shareholders to participate in the Company's profits whilst to retain adequate cash reserves for meeting its working capital needs and future development. The Board shall take into account, inter alia, the following factors of the Group before declaring or recommending dividends:

- a. the Group's actual and expected financial performance;
- b. retained earnings and distributable reserves of the Company and each member of the Group;
- c. the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- d. the Group's expected working capital requirements and future expansion plans;
- e. liquidity position and future commitments at the time of declaration of dividend;
- f. general economic conditions, general business environment and business cycle of the Group;
- g. other internal or external factors that may have an impact on the business or financial performance and financial position of the Group; and
- h. other factors that the Board considers appropriate.

CORPORATE GOVERNANCE REPORT



DIVIDEND POLICY *(Continued)*

The Company does not have any pre-determined dividend payout ratio. Dividends may be paid only out of the Company's distributable reserves as permitted under the relevant laws, rules and regulations. Final dividend for any financial year will in addition be subject to the shareholders' approval.

During the year under review, to reserve resources for the Company's business development, the Board has decided not to distribute any dividend. To enhance shareholders' returns, the Company will focus on optimizing core operations to strengthen competitiveness, utilise idle funds to generate additional returns while controlling risk exposure, continuously refine the cost structure, and improve capital efficiency, thereby maximizing overall shareholders' returns.

COMPANY SECRETARY

Mr. Law Hing Lam was appointed as the company secretary of the Company with effect from 21 March 2011. He is responsible to support the Board by ensuring good information flow within the Board and that Board meeting procedures and policies are followed. He is also responsible for advising the Board through the chairman and/or the chief executive officer on corporate governance matters and also facilitating induction and professional development of Directors. In addition, Mr. Law is directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

Mr. Law is also the financial controller and the authorised representative of the Company. The biographical details of Mr. Law is set out in the section "Directors' and Senior Management's Biographies" on page 22 of the annual report.

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 2025.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The consolidated financial statements of the Group for the year ended 31 December 2025 have been reviewed by the audit committee and audited by the external auditors, BDO Limited. The statement of the Company's external auditors about their responsibilities for the audit of the consolidated financial statements are set out in the independent auditor's report on pages 50 to 54.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The Directors would like to draw attention to note 3(b) in the consolidated financial statements on pages 67 to 68, which indicates that the Group incurred net loss of approximately HK\$782,386,000 for the year ended 31 December 2025, and as at that date, the Group had net current liabilities of HK\$1,559,000. The conditions stated in note 3(b) indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. In assessing the Group's ability to continue as a going concern, the Directors have prepared a cash flow forecast covering a period of fifteen months from the date of the reporting period with careful consideration of the Group's future liquidity, performance, and available sources of financing and taking account of the following:

- (i) the Group will be able to obtain additional finance from various sources including but not limited to banks and shareholders; and
- (ii) the Group is able to renew the existing banking facilities from the banks and the loan granted by Yanchang Petroleum HK, the immediate parent of the Company.

On the basis of successful implementation of the above, the Directors considered that the Group would have sufficient financial resources to finance its operations and to meet its obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. The independent auditor's opinion is not modified in respect of this matter, the consolidated financial statements of the Group for the ended 31 December 2025 give a true and fair view.

AUDITORS' REMUNERATION

Auditors' remuneration for the year amounted to a total of HK\$2,792,000, which was incurred for audit service.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound systems of risk management and internal controls and also reviewing their effectiveness to safeguard the Group's assets and the interests of shareholders.

The Board has established an on-going process for identifying, evaluating and managing the significant risks (including ESG risks) faced by the Group and this process includes enhancing the systems of risk management and internal controls from time to time in response to the changes to the business environment or regulatory guidelines. The Group's risk management and internal control systems are, however, designed to manage and minimise rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board considers that it is more cost-effective to engage external independent consultants to perform such annual internal audit function. The Company has engaged external independent consultants with professional staff in possession of relevant expertise to conduct an independent review of the risk management and internal control systems of the Group annually in order to maintain high standards of corporate governance.

CORPORATE GOVERNANCE REPORT



RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Board and its audit committee had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems during the year under review. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. Having confirmed by the management, the Board and its audit committee were not aware of any material internal control defects, and considered such systems effective and adequate throughout the year under review.

DISSEMINATION OF INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the Listing Rules.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent breach of disclosure requirements in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality covenants will be in place when the Group enters into significant negotiations.

In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the securities transaction rules adopted by the Company which are on terms no less exacting than the required standard set out in the Model Code under the Listing Rules.

ANTI-CORRUPTION POLICES

The Company has always been operating its businesses with integrity and ethics. The Company requires all staff to adhere to professional and ethical standards, and set standards for staff's behaviour. The Company does not tolerate any form of corruption, including bribery and extortion, fraud, and money laundering. As such, the Group has established an effective internal monitoring and management systems to ensure that employees act with integrity, impartiality, and honesty. During the year under review, no prosecutions were brought against the Company and its subsidiaries or any of their employee, in relation to corruption.

To take forward a corporate culture of integrity and anti-corruption, the Group has established a clear standard of conduct to guide our employees and partners, which provides rules and guidelines for dealing with gifts, treats, transactions, financial management. The Group has in place internal anti-corruption policies that employees are required to comply. The Group has also formulated fair, open and impartial procedures for product or service procurement and tendering to inhibit any potential corruption.

CORPORATE GOVERNANCE REPORT

WHISTLE-BLOWING POLICY

To avoid the occurrence of corruption and frauds, the Company has put in place the whistle-blowing policy that encourages employees and other stakeholders to report any suspected improper or illegal activities via anonymous ways such as by mail, email, telephone, etc. The Company will investigate and handle the case once fraud or malpractice related information is received. The investigations are administered on a confidential basis and there will be no reprisal against employees. The identity of the whistle-blower and all the concerns or irregularities raised will be treated with confidence and every effort will be made to ensure that confidentiality is maintained throughout the process.

The investigations are conducted by the chief executive officer (if chief executive officer is involved, the case will be passed to the chairman) or any designated person by the Directors, and notify the complainant the result of investigation. The complainant may raise the matter directly to the Directors. If there is evidence of criminal activity, activity on solicitation and acceptance of advantages or breach of legal and regulatory requirements, the person responsible for the internal investigation may legally be obliged to inform the relevant public or regulatory bodies, as appropriate. The chief executive officer shall summarise the complaints received and report any matter of significance to the audit committee at appropriate time.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene a Special General Meeting

The Board may whenever it thinks fit call special general meetings, and members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within three (3) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

(2) Procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed

Shareholders may send their enquires and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Yanchang Petroleum International Limited
 Room 3403, 34/F, Lee Garden One
 33 Hysan Avenue, Causeway Bay, Hong Kong
 Telephone: 3528 5228
 Fax: 3528 5238
 Email: info@yanchanginternational.com

The company secretary will forward the enquires or concerns to the chief executive officer or the chairman of the Board committees or senior management as appropriate within their area of responsibilities for answering and/or further handling.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CORPORATE GOVERNANCE REPORT



SHAREHOLDERS' RIGHTS *(Continued)*

(3) Procedures for putting forward proposals at shareholders' meetings

Shareholders are requested to follow the provisions of the Company's Bye-laws for including a resolution at a SGM. The requirements and procedures are set out above. Pursuant to Bye-law 88 of the Company's Bye-laws, no person, other than a Director retiring at a meeting, shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any general meeting unless there shall have been lodged at the head office or at the principal place of business in Hong Kong of the Company notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a Director and also notice in writing signed by that person of his willingness to be elected as a Director. The minimum length of the period for lodgment of the said notices shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election), the period for lodgment of the said notice(s) shall commence on the day after the dispatch of the notice of the general meeting for such election of Director(s) and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

COMMUNICATION WITH SHAREHOLDERS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its annual and interim reports and the public relations company, Cornerstones Communications Limited. Constantly being updated in a timely manner, the Company maintains its website at www.yanchanginternational.com on which press releases, announcements, financial and other information relating to the Company and its business are disclosed. The annual report together with the annual general meeting circular which contains the notice of the annual general meeting are distributed to all the shareholders at least 20 clear business days before the meeting.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The chairman of the Board as well as the respective chairman of the audit committee, nomination committee and remuneration committee are pleased to answer shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issue.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Shareholders' Communication Policy

The Company adopted a shareholders' communication policy in March 2012 which aims at enhancing the corporate communication effectively between the shareholders, and the Board and senior management of the Company through various official channels so that the shareholders can access the Company's public information equally and effectively in a timely manner.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Yanchang Petroleum International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 131, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), as applicable to audits of consolidated financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred net loss of approximately HK\$782,386,000 for the year ended 31 December 2025, and as at that date, the Group had net current liabilities of HK\$1,559,000. As stated in note 3(b), along with other matters set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT



KEY AUDIT MATTERS *(Continued)*

Assessing impairment of petroleum and natural gas properties

As at 31 December 2025, the Group had petroleum and gas properties with the carrying amount of approximately HK\$1,094,012,000 (see note 17), which contributed 39.6% of the Group's total assets. Management reviewed petroleum and natural gas properties, which comprise different cash-generating units ("CGUs"), for indicators of possible impairment or reversal of impairment by considering events or changes in circumstances. Such events and changes in circumstances included the economic impact on these CGUs resulting from fluctuation of oil and gas prices, production costs and change in production and oil and gas reserve volumes.

For those CGUs where an indicator of impairment or reversal of impairment was identified, management compared the carrying amount of each CGU with its recoverable amount, which was estimated by calculating the fair value less costs of disposal using a discounted cash flow forecast, to determine the amount of impairment or reversal of impairment, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating future selling prices for crude oil and natural gas, future production profiles and in determining appropriate discount rates.

As a result of the impairment assessment exercise, an impairment loss on petroleum and natural gas properties of HK\$548,925,000 was recognised in profit or loss for the year ended 31 December 2025.

We identified the assessment of impairment of petroleum and natural gas properties as a key audit matter because the impairment assessments are complex and involve the exercise of significant management judgement in estimating the inputs in the impairment assessment models, which can be inherently uncertain and could be subject to management bias.

Our response:

- assessing management's identification of indicators of potential impairment of petroleum and natural gas properties, identification of CGUs, the allocation of assets to those CGUs and the methodology adopted by management in the impairment assessments with reference to the requirements of the prevailing accounting standards;
- challenging the key inputs in the discounted cash flow forecasts, including future selling prices for crude oil and natural gas and future production profiles, with reference to the Group's business plans and external data and forecasts, together with oil and gas reserves reports issued by third party reserves specialists and considering whether there were any indicators of management bias in the selection of key inputs;
- involving our internal valuation specialists to assist us in assessing whether the discount rates applied by the Group in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;
- assessing the competence, capabilities, independence and objectivity of the third party reserves specialists engaged by the Group to estimate the oil and gas reserves;
- comparing the actual results for the current year with management's forecasts prepared in the prior year to assess the historical accuracy of management's forecasting process;
- making enquiries of management as to the reasons for any significant variations identified and considering whether these had been taken into account in the current year's forecasts; and
- considering the disclosures in the consolidated financial statements in respect of the impairment assessment of petroleum and natural gas properties and the key assumptions adopted with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Assessing impairment of goodwill

As at 31 December 2025, as a result of the acquisition of Forever Peace Investment Limited and its subsidiary in 2011, the Group had goodwill of HK\$51,418,000 (before impairment), relating to a cash-generating unit engaged in the supply and procurement of oil-related products in the People's Republic of China (the "PRC") ("Forever Peace CGU").

Management concluded that there were impairment loss on goodwill of approximately HK\$51,418,000 recognised during the year. This impairment assessment was based on a value-in-use calculation that required significant estimations with respect to the underlying cash flows and discount rate, in particular the future revenue growth. An independent external valuation was obtained in respect of the impairment assessment on goodwill in order to support management's estimates.

We identified the impairment of goodwill as a key audit matter because of the significant estimation uncertainty involved in the determination of the recoverable amount of the Forever Peace CGU and the significance of the carrying amount of the Forever Peace CGU (including the allocated goodwill) to the consolidated financial statements.

Refer to Note 21 to the consolidated financial statements and accounting policy in note 3(d).

Our response:

- Obtaining and inspecting the valuation report prepared by the external valuers engaged by the Group on which the management's assessments of impairment of goodwill were based;
- Assessing the external valuers' qualifications, experience and expertise and considering their objectivity;
- Assessing and challenging the Group's identification of CGUs and the allocation of goodwill to those CGUs with reference to the requirements of the prevailing accounting standards;
- With the assistance of our internal valuation specialists, evaluating the methodology used in the valuations of CGUs, challenging the key assumptions and critical judgements made in the preparation of the discounted cash flow forecasts prepared by management, and evaluating the discount rate applied in the discounted cash flow forecasts by assessing if the parameters adopted in calculating the discount rate was within the range of those adopted by other companies in the same industry and with similar risk profile; and
- Assessing whether the disclosures in the consolidated financial statements in respect of the assessment of potential impairment of goodwill are adequate with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT



OTHER INFORMATION IN THE ANNUAL REPORT *(Continued)*

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Lee, Alfred

Practising Certificate Number P04960

Hong Kong, 26 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025



	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	8	17,326,524	29,184,915
Other revenue	8	6,321	9,132
		17,332,845	29,194,047
Expenses			
Cost of revenue		(17,088,082)	(28,782,973)
Royalties		(25,127)	(57,592)
Field operation expenses		(85,903)	(89,376)
Exploration and evaluation expenses		(2,550)	(2,680)
Selling and distribution expenses		(14,205)	(21,295)
Administrative expenses		(73,234)	(86,830)
Depreciation, depletion and amortisation	10	(126,575)	(163,402)
Net (recognition)/reversal of impairment loss on non-current assets	17, 20	(566,099)	137,606
Impairment loss on goodwill and intangible asset	21	(58,149)	–
Provision for expected credit loss	5(b)	(52,201)	(5,676)
Other gains and losses	9	12,988	(31,744)
		(18,079,137)	(29,103,962)
(Loss)/profit from operating activities	10	(746,292)	90,085
Finance costs	13	(35,912)	(34,930)
(Loss)/profit before taxation		(782,204)	55,155
Taxation	14	(182)	423
(Loss)/profit for the year		(782,386)	55,578
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong			
– Exchange differences arising during the year		68,394	(98,762)
Other comprehensive income for the year, with nil tax effect		68,394	(98,762)
Total comprehensive income for the year		(713,992)	(43,184)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		(758,613)	54,128
Non-controlling interests	36(b)	(23,773)	1,450
		(782,386)	55,578
Total comprehensive income for the year attributable to:			
Owners of the Company		(692,389)	(42,958)
Non-controlling interests		(21,603)	(226)
		(713,992)	(43,184)
(Loss)/earnings per share			
Basic and diluted, HK cents	16	(68.96)	4.92

The notes on pages 63 to 131 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025



	Notes	2025 HK\$'000	2024 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,183,211	1,771,918
Investment properties	18	11,365	11,542
Exploration and evaluation assets	19	8,034	8,898
Right-of-use assets	20	55,941	75,730
Goodwill and intangible asset	21	–	58,149
		1,258,551	1,926,237
Current assets			
Inventories	22	291,118	89,851
Trade receivables	23	1,105,185	457,758
Prepayments, deposits and other receivables	24	45,351	47,478
Cash and bank balances	25	63,724	278,675
		1,505,378	873,762
Total assets		2,763,929	2,799,999
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	26	440,041	440,041
Reserves		115,525	807,914
Total equity attributable to the owners of the Company		555,566	1,247,955
Non-controlling interests		25,652	52,224
Total equity		581,218	1,300,179

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
LIABILITIES			
Current liabilities			
Trade and other payables	27	1,245,796	650,214
Lease liabilities	28	5,240	5,065
Bank borrowings and other loans	29	254,317	159,691
Current tax payables		1,584	1,908
		1,506,937	816,878
Non-current liabilities			
Decommissioning liabilities	30	176,931	166,761
Lease liabilities	28	43,119	61,352
Deferred tax liabilities	31	10,549	10,177
Secured term loans	32	445,175	444,652
		675,774	682,942
Total liabilities		2,182,711	1,499,820
Total equity and liabilities		2,763,929	2,799,999
Net current (liabilities)/assets		(1,559)	56,884
Total assets less current liabilities		1,256,992	1,983,121

Approved and authorised for issue by the board of directors on 26 March 2026.

Mr. Feng Yinguo
Chairman

Ms. Wang Haining
Director

The notes on pages 63 to 131 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025



	Attributable to the owners of the Company							Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Contribution surplus	Exchange reserve	Reserves					
					Statutory reserve	Other reserve	Accumulated losses			
HK\$'000	HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000	HK\$'000 (note iii)	HK\$'000 (note iv)	HK\$'000 (note v)	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2024	440,041	2,322,864	6,400,652	(333,795)	21,898	6,311	(7,567,058)	850,872	57,253	1,348,166
Profit for the year	-	-	-	-	-	-	54,128	54,128	1,450	55,578
Other comprehensive income for the year										
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	-	-	-	(97,086)	-	-	-	(97,086)	(1,676)	(98,762)
Total comprehensive income for the year	-	-	-	(97,086)	-	-	54,128	(42,958)	(226)	(43,184)
Transfer of reserves	-	-	-	-	-	4,774	(4,774)	-	-	-
Dividend paid to non-controlling interests (note 36(b))	-	-	-	-	-	-	-	-	(4,803)	(4,803)
At 31 December 2024 and 1 January 2025	440,041	2,322,864	6,400,652	(430,881)	21,898	11,085	(7,517,704)	807,914	52,224	1,300,179
Loss for the year	-	-	-	-	-	-	(758,613)	(758,613)	(23,773)	(782,386)
Other comprehensive income for the year										
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	-	-	-	66,224	-	-	-	66,224	2,170	68,394
Total comprehensive income for the year	-	-	-	66,224	-	-	(758,613)	(692,389)	(21,603)	(713,992)
Transfer of reserves	-	-	-	-	-	1,228	(1,228)	-	-	-
Dividend paid to non-controlling interests (note 36(b))	-	-	-	-	-	-	-	-	(4,969)	(4,969)
At 31 December 2025	440,041	2,322,864	6,400,652	(364,657)	21,898	12,313	(8,277,545)	115,525	25,652	581,218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

Notes:

- (i) The share premium represents (a) the difference between the nominal value and the fair value of the consideration shares of the Company (as defined in note 1) paid for acquisition of subsidiaries in prior years and (b) the excess of the proceeds received over the nominal value of the shares of the Company issued, less expenses incurred in connection with the issue.
- (ii) The contribution surplus of the Group (as defined in note 1) represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange (as defined in note 1) set out in the Company's prospectus dated 30 March 2001, over the nominal value of the shares of the Company issued in exchange therefor.
- (iii) As stipulated by the relevant laws and regulations in the PRC (as defined in note 1), the subsidiaries of the Company established in the PRC shall set aside 10% of their net profit after taxation for the statutory surplus reserve fund (except when the reserve balance has reached 50% of the subsidiaries' paid-up capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset accumulated losses or increase capital.
- (iv) The other reserve represents the safety production fund. Under PRC's laws and regulations, the Group is required to accrue safety production fund at a certain percentage of the sales of dangerous goods. The fund is earmarked for improving the safety of production. The fund is accrued from retained earnings to other reserve and converted back to retained earnings when used.
- (v) Accumulated losses represent the cumulative net revenue, expenses, gains and losses recognised in profit or loss.

The notes on pages 63 to 131 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025



	Notes	2025 HK\$'000	2024 HK\$'000
(Loss)/profit before taxation		(782,204)	55,155
Adjustments for:			
Interest income	8	(2,710)	(5,117)
Depreciation and depletion of property, plant and equipment	17	120,102	155,588
Depreciation of right-of-use assets	20	6,473	7,814
Fair value change on investment properties	18	699	679
Impairment loss on inventories	9	2,636	–
Loss on disposal of property, plant and equipment	9	413	–
Gain on leases modification	9	(1,234)	(6,588)
Written off of expired exploration and evaluation assets	19	1,551	1,373
Net recognition/(reversal) of impairment loss on goodwill and intangible asset, property, plant and equipment and right-of-use asset	17, 20, 21	624,248	(137,606)
Provision for expected credit loss	5(b)	52,201	5,676
Net foreign exchange (gain)/loss	9	(13,444)	36,281
Finance costs	13	35,912	34,930
Operating profit before movements in working capital		44,643	148,185
(Increase)/decrease in inventories		(198,328)	247,305
(Increase)/decrease in trade receivables		(673,704)	521,265
Decrease in prepayments, deposits and other receivables		3,912	6,716
Increase/(decrease) in trade and other payables		562,264	(519,603)
Decrease in decommissioning liabilities		(1,579)	(6,373)
Cash (used in)/generated from operations		(262,792)	397,495
Interest received	8	2,710	5,117
Income tax (paid)/refunded		(1,051)	1,777
Net cash (used in)/generated from operating activities		(261,133)	404,389
Cash flows from investing activities			
Purchases of exploration and evaluation assets		(235)	(382)
Purchases of property, plant and equipment		(8,426)	(64,833)
Net cash used in investing activities		(8,661)	(65,215)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Cash flows from financing activities			
Proceeds from new bank borrowings	25(b)	514,557	53,365
Proceeds from other loans	25(b)	–	160,095
Other interest paid	25(b)	(30,688)	(28,746)
Repayment of bank borrowings	25(b)	(372,668)	(181,334)
Repayment of other loans	25(b)	(55,210)	(266,825)
Dividend paid to non-controlling interests	36(b)	(4,969)	(4,803)
Capital element of lease rentals paid	25(b)	(4,331)	(5,663)
Interest element of lease rentals paid	25(b)	(2,550)	(3,598)
Net cash generated from/(used in) financing activities		44,141	(277,509)
Net (decrease)/increase in cash and cash equivalents		(225,653)	61,665
Cash and cash equivalents at the beginning of the year		278,675	226,188
Effect of exchange rate changes on cash and cash equivalents		10,702	(9,178)
Cash and cash equivalents at the end of the year	25(a)	63,724	278,675

The notes on pages 63 to 131 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



1. CORPORATE INFORMATION

Yanchang Petroleum International Limited (the “Company”) was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Bermuda Companies Act and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company while its subsidiaries are engaged in supply and procurement of oil related products as well as oil and gas exploration, exploitation, sale and operation. The Company and its subsidiaries are collectively referred to as the “Group”.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

The directors of the Company (the “Directors”) consider the immediate parent and ultimate holding company of the Company to be Yanchang Petroleum Group (Hong Kong) Co., Limited (“Yanchang Petroleum HK”), a company incorporated in Hong Kong, and Shaanxi Yanchang Petroleum (Group) Co., Limited (“Yanchang Petroleum Group”), a state-owned corporation registered in the People’s Republic of China (the “PRC”) with limited liability, respectively. These entities do not produce financial statements available for public use.

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS

(a) Adoption of new or amendments to HKFRS Accounting Standards

The Group has applied for the first time the following new or amendments to standards and interpretations (the “new or amendments to HKFRS Accounting Standards”) 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 2025:

- Amendments to HKAS 21 – The effects of changes in foreign exchange rates “Lack of exchangeability”
- Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 – Disclosures about Uncertainties in the Financial Statements

The nature and the impact of the revised HKFRS Accounting Standards are described below:

Amendments to HKAS 21

Amendments to HKAS 21 specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability. As the Group is able to obtain foreign currency at a spot rate, the amendments did not have any impact on the Group’s financial statements.

Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37

These amendments include examples illustrating how an entity applies the requirements in HKFRS Accounting Standards to disclose the effects of uncertainties in its financial statements. The examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS *(Continued)*

(b) New or amendments to HKFRS Accounting Standards, 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 2025. These new and amendments to standards and interpretation include the following which may be relevant to the Group.

- HKFRS 18 – Presentation and Disclosure in Financial Statements²
- HKFRS 19 and its amendments – Subsidiaries without Public Accountability: Disclosures²
- Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments¹
- Amendments to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity¹
- Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³
- Amendments to HKAS 21 – Translation to a Hyperinflationary Presentation Currency²
- Annual Improvements to HKFRS Accounting Standards – Volume 11 – Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards 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 HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards 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 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



2. ADOPTION OF HKFRS ACCOUNTING STANDARDS *(Continued)*

(b) New or amendments to HKFRS Accounting Standards, that have been issued but are not yet effective *(Continued)*

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified 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 consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7 Contracts Referencing Nature-dependent Electricity clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS *(Continued)*

(b) New or amendments to HKFRS Accounting Standards, that have been issued but are not yet effective *(Continued)*

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 Translation to a Hyperinflationary Presentation Currency require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 Financial Reporting in Hyperinflationary Economies, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



2. ADOPTION OF HKFRS ACCOUNTING STANDARDS *(Continued)*

(b) New or amendments to HKFRS Accounting Standards, that have been issued but are not yet effective *(Continued)*

- 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 consolidated financial statements.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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 “HKFRS Accounting Standards”) 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”).

(b) Basis of preparation of the consolidated financial statements and going concern

The consolidated financial statements for the year ended 31 December 2025 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 as explained in the accounting policies set out in note 3(g).

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards 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.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 4.

The Group incurred net loss of approximately HK\$782,386,000 for the year ended 31 December 2025, and as at that date, the Group had net current liabilities of HK\$1,559,000. In addition, as disclosed in note 5(b), the Group had financial liabilities totalling HK\$1,956,475,000 as at 31 December 2025 that are on demand or have contractual maturities within one year, while its cash and bank balances amounted to only HK\$63,724,000. The Group will be unable to repay these borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or other sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Basis of preparation of the consolidated financial statements and going concern *(Continued)*

In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the Directors have prepared a cash flow forecast covering a period of fifteen months from the end of the reporting period with careful consideration of the Group's future liquidity, performance and available sources of financing, and taking account of the following:

- (i) the Group will be able to obtain additional finance from various sources including but not limited to banks and shareholders; and
- (ii) the Group is able to renew the existing banking facilities from the banks and the loan granted by Yanchang Petroleum HK, the immediate parent of the Company.

On the basis of successful implementation of the above, the Directors considered that the Group would have sufficient financial resources to finance its operations and to meet its obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, whether the Group would be able to continue as a going concern is dependent upon the successful implementation of the above plans and measures on a timely basis for which the outcomes are subject to the associated inherent uncertainties that include whether:

- (i) sufficient operating cash flows could be generated based on the expected economic outlook and market conditions;
- (ii) the potential financing providers could provide the necessary funding to the Group on a timely basis; and
- (iii) the banks and the immediate parent of the Company would renew the credit facilities based on the prevailing terms and conditions.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. This is even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassify exchange reserve to profit or loss or transferred statutory reserve to another category of equity). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Goodwill and intangible asset

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of CGUs). Any impairment loss is recognised in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets with indefinite useful lives, which are carried at cost less any subsequent accumulated impairment losses, are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(e) Revenue

Income from sales of goods is classified by the Group as revenue as it arises from the ordinary course of the Group's business.

Revenue from sales of goods is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, including the following items:

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest (see note 3(k)); and
- items of property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

Properties in the course of construction for production or for its own use purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for petroleum and natural gas properties, depreciation is recognised so as to write-off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The annual rates used are as follows:

Buildings	:	over the shorter of the term of the lease or 50 years
Plant and machinery	:	20%
Furniture, fixtures and equipment	:	20%–30%
Motor vehicles	:	20%–30%
Leasehold improvements	:	over the term of the related lease
Leasehold land	:	over the unexpired term of lease

Petroleum and natural gas properties are depleted on an area-by-area basis using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Calculation of depletion is based on total capitalised costs plus estimated future development costs of proved plus probable reserves. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at least at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Property, plant and equipment and right-of-use assets *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset including related decommissioning liability and is recognised in profit or loss.

(g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

(h) Exploration and evaluation assets

Exploration and evaluation assets include costs capitalised by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the Group has obtained the legal rights to explore an area are expensed. Exploration and evaluation assets are initially capitalised as intangible assets and are not amortised. Exploration and evaluation assets are assessed for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. An impairment loss is recognised in profit or loss and separately disclosed. Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable based on technical data available to determine proved and/or probable reserves exist, exploration and evaluation assets attributable to that area are transferred to property, plant and equipment. For divestitures of exploration and evaluation assets, a gain or loss is recognised in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset.

(i) Impairment on tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest groups of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(i) Impairment on tangible assets and intangible assets *(Continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average costing method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less which do not contain purchase option and leases of low-value assets which, for the Group are primarily laptops, office furniture and staff quarters. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Leased assets *(Continued)*

(i) *As a lessee (Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3(f) and 3(ii)).

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

(ii) *As a lessor*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(l) Foreign currencies

(i) *Functional and presentation currencies*

The consolidated financial statements are presented in Hong Kong dollars which is the same as the financial currency.

(ii) *Foreign currencies translation*

In preparing the financial statements of each individual group entity, transactions in foreign currencies are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(l) Foreign currencies *(Continued)*

(ii) Foreign currencies translation (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirements plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit/(loss) differs from profit/(loss) before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(n) Taxation *(Continued)*

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

(o) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into financial assets at amortised cost.

Accounts receivable

A receivable is recognised when the Group has an unconditional right to receive consideration.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Financial instruments *(Continued)*

Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, accounts and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Financial instruments *(Continued)*

Credit losses from financial instruments (Continued)

Measurement of ECLs *(Continued)*

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or (ii) the financial asset is 30 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Financial instruments *(Continued)*

Credit losses from financial instruments (Continued)

Significant increases in credit risk *(Continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial asset

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Financial instruments *(Continued)*

Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Financial liabilities and equity instruments

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, lease liabilities, bank borrowings and other loans and secured term loans are subsequently measured at amortised cost, using the effective interest method.

Interest expense is recognised on an effective interest basis and subject to capitalisation (see note 3(r)).

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Decommissioning liabilities

Decommissioning liabilities are recognised for decommissioning and restoration obligations associated with the Group's exploration and evaluation assets and property, plant and equipment. The best estimate of the expenditure required to settle the present obligation at the end of the reporting period is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated exploration and evaluation assets or property, plant and equipment and is depleted as part of the cost of exploration and evaluation assets or property, plant and equipment. The provision is accreted over time through charges to finance costs with actual expenditures charged against the accumulated obligation. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognised as changes in the decommissioning provision and related asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any differences between the recorded provision and the actual costs incurred is recorded as a gain or loss on asset derecognition in profit or loss.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which, are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(s) Related party

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, fellow associates, immediate holding company, ultimate holding company and key management personnel, where the individual or company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Segment reporting

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Going concern assumption

The directors of the Company consider that the Group has the ability to continue as a going concern. The assessment of the going concern assumption, as disclosed in Note 3(b), involves making judgements by the directors of the Company, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. These include

- (i) renewal of the Group's existing banking facilities of HK\$750,938,000 (equivalent to RMB675,000,000) upon their maturity. Should the banks not renew these facilities on similar terms, the Group would need to secure alternative funding.
- (ii) renewal of secured term loan from Yanchang Petroleum HK of US\$35,000,000, which is due on 17 January 2027. Failure to renew this facility would create a significant liquidity event.

(b) Depletion and impairment of petroleum and natural gas properties

The amounts recorded for depletion and impairment of petroleum and natural gas properties are based on estimates. These estimates include proved and probable reserves, production rates, future petroleum and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Group's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under Canadian Oil and Gas Evaluation Handbook. Changes in reserve estimates impact the financial results of the Group as reserves and estimated future development costs are used to calculate depletion and are also used in impairment calculations.

The decision to transfer exploration and evaluation assets to petroleum and natural gas properties is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Depletion and impairment of petroleum and natural gas properties *(Continued)*

For impairment testing, petroleum and natural gas properties and exploration and evaluation assets are aggregated into CGUs, based on management's judgment in defining the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The discount rate used to calculate the net present value of future cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate company and industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

(c) Impairment of goodwill and intangible asset and property, plant and equipment other than petroleum and natural gas properties

Goodwill and intangible asset and property, plant and equipment other than petroleum and natural gas properties are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill and intangible assets of supply agreement are required to be tested annually for impairment. For the purpose of impairment testing, goodwill and intangible assets of supply agreement has been allocated to a CGU operating in the supply and procurement of oil related products.

Determining whether goodwill and other assets allocated to a CGU is impaired requires an estimation of the value-in-use. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(d) Decommissioning liabilities

The Group estimates future remediation costs of production facilities, well sites and gathering systems at different stages of development and construction of assets. In most instances, removal of assets occurs many years in the future. This requires an estimate regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 HK\$'000	2024 HK\$'000
Financial assets		
At amortised cost		
– Trade receivables (<i>note 23</i>)	1,105,185	457,758
– Deposits (<i>note 24</i>)	843	929
– Other receivables (<i>note 24</i>)	4,134	3,181
– Cash and bank balances (<i>note 25</i>)	63,724	278,675
	1,173,886	740,543
Financial liabilities		
At amortised cost		
– Trade and other payables (<i>note 27</i>)	1,208,624	542,825
– Lease liabilities (<i>note 28</i>)	48,359	66,417
– Bank borrowings and other loans (<i>note 29</i>)	254,317	159,691
– Secured term loans (<i>note 32</i>)	445,175	444,652
	1,956,475	1,213,585

(b) Financial risk management objectives

The Group's financial instruments include trade and other receivables, other deposits, cash and bank balances, trade and other payables, lease liabilities, bank borrowings and other loans and secured term loans. Details of these financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency risk and interest rate risk.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risk or the manner in which these risks are managed and measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives *(Continued)*

Market risk (Continued)

(i) **Foreign currency risk management**

The Group operates in Hong Kong, Canada, and the PRC and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to US dollars ("USD"), Canadian dollars ("CAD") and Renminbi ("RMB"). Foreign currency risk arises from the foreign currency denominated commercial transactions, monetary assets and monetary liabilities. The Group has no significant direct exposure to foreign currencies on commercial transactions as most of the commercial transactions are denominated in a currency same as the functional currency of each entity of the Group.

However, the Group has significant foreign currency exposures on monetary liabilities. Such exposures arise from the balances of monetary liabilities that are denominated in a currency other than the functional currency of each entity of the Group. The carrying amounts of the foreign currency denominated monetary liabilities at the end of the reporting period are as follows:

	2025 HK\$'000	2024 HK\$'000
Liabilities		
USD – secured term loans	445,175	444,652
USD – Interest payable	7,020	6,178

Management monitors foreign currency exposure by closely monitoring the movements of foreign currency rates. Management has set up a policy to require group entities to manage their foreign currency risk against their respective functional currency.

The following table indicates the approximate change in the Group's profit or loss for the year and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit or a decrease in loss and decrease in accumulated losses where the CAD strengthens against the relevant currency, USD. For a weakening of the CAD against USD, there would be an equal and opposite impact on the profit or loss and accumulated losses, and the balances below would be negative. The 5% change in CAD against USD represents management's best assessment of the possible changes in foreign exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives *(Continued)*

Market risk (Continued)

(i) *Foreign currency risk management (Continued)*

The following sensitivity analysis has been determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the reporting year and held constant throughout the year:

	2025	2024
	(Increase)/ decrease in loss for the year and accumulated losses HK\$'000	(Increase)/ decrease in loss for the year and accumulated losses HK\$'000
Changes in exchange rate:		
CAD depreciates by 5% against USD	(10,086)	(9,566)
CAD appreciates by 5% against USD	10,086	9,566

(ii) *Interest rate risk management*

The Group is exposed to cash flow interest rate risk because entities in the Group borrow funds from banks at floating interest rates. The effective interest rate for the bank borrowings was approximately 2.37% as at 31 December 2025 (2024: 2.68%). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate published by the People's Bank of China for the Group's RMB denominated borrowings and by the National Bank of Canada for the Group's USD denominated borrowings.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 150 basis points (2024: 150 basis points) increase or decrease used represent management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 150 basis points (2024: 150 basis points) higher/lower and all other variables were held constant, the Group's pre-tax profit for the year would decrease/increase by HK\$46,000 (2024: pre-tax profit would decrease/increase by HK\$5,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives *(Continued)*

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The carrying amounts of trade and other receivables and cash and bank balances included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in Canada and the PRC.

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. At the end of the reporting period, 82% (2024: 73%) and 99% (2024: 95%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate loss allowance are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and deposits and other receivables:

	Expected loss rate %	2025 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Trade receivables			
Collective assessment			
– Not yet past due	0.33%	1,107,372	3,561
– 0 to 30 days past due	0.33%	49	–
Individual assessment	98.69%	100,891	99,566
		1,208,312	103,127
Deposits and other receivables			
Individual assessment	0.05%–100%	5,239	262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives *(Continued)*

Credit risk (Continued)

	Expected loss rate %	2024 Gross carrying amount HK\$'000	Loss allowance HK\$'000
Trade receivables			
Collective assessment			
– Not yet past due	0.02%–22.36%	440,786	6,555
– 0 to 30 days past due	0.2%	385	–
Individual assessment	63.2%–100%	64,927	41,785
		506,098	48,340
Deposits and other receivables			
Individual assessment	0.05%–100%	4,347	237

The following table shows the movement in loss allowance account in respect of trade receivables under the simplified approach:

	Lifetime ECL (not credit impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
As at 1 January 2024	125	44,032	44,157
Impairment loss charged/(reversed) to profit or loss	6,453	(952)	5,501
Exchange realignment	(23)	(1,295)	(1,318)
As at 31 December 2024 and 1 January 2025	6,555	41,785	48,340
Impairment loss (reversed)/charged to profit or loss	(3,270)	55,461	52,191
Exchange realignment	276	2,320	2,596
As at 31 December 2025	3,561	99,566	103,127

The following table shows the movement in the loss allowance account in respect of deposits and other receivables during the year:

	Total HK\$'000
As at 1 January 2024	63
Impairment loss charged to profit or loss	175
Exchange realignment	(1)
As at 31 December 2024 and 1 January 2025	237
Impairment loss charged to profit or loss	10
Exchange realignment	15
As at 31 December 2025	262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives *(Continued)*

Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended lines of funding from major financial institutions to meet the Group's liquidity requirements in the short-term and long-term.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
31 December 2025						
Non-derivative financial liabilities						
Trade and other payables	–	1,208,624	–	–	1,208,624	1,208,624
Lease liabilities	5.23	7,670	21,986	35,991	65,647	48,359
Bank borrowings and other loans	2.31	258,117	–	–	258,117	254,317
Secured term loans	4.96	22,059	460,753	–	482,812	445,175
		1,496,470	482,739	35,991	2,015,200	1,956,475
31 December 2024						
Non-derivative financial liabilities						
Trade and other payables	–	542,825	–	–	542,825	542,825
Lease liabilities	5.09	8,364	27,591	57,729	93,684	66,417
Bank borrowings and other loans	2.27	163,317	–	–	163,317	159,691
Secured term loans	4.96	22,034	460,229	–	482,263	444,652
		736,540	487,820	57,729	1,282,089	1,213,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- (i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively; and
- (ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

6. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years. Further details regarding the Group's ability to continue as a going concern are disclosed in note 3(b).

The capital structure of the Group consists of debts which include total liabilities (which includes trade and other payables, current tax payables, bank borrowings and other loans, secured term loans, lease liabilities, decommissioning liabilities and deferred tax liabilities) and total equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total liabilities divided by total equity. The gearing ratio at 31 December 2025 and 31 December 2024 were as follows:

	2025 HK\$'000	2024 HK\$'000
Total liabilities	2,182,711	1,499,820
Total equity	581,218	1,300,179
Gearing ratio	375.5%	115.4%

7. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION *(Continued)*

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	
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	186,175	331,333	17,140,349	28,853,582	17,326,524	29,184,915
Segment (loss)/profit	(68,040)	(4,300)	1,723	5,084	(66,317)	784
Other revenue					6,321	9,132
Fair value change on investment properties					(699)	(679)
Net foreign exchange gain/(loss)					13,444	(36,281)
Net (recognition)/reversal of impairment loss on non-current assets					(566,099)	137,606
Impairment loss on goodwill and intangible asset					(58,149)	–
Impairment loss on inventories					(2,636)	–
Unallocated corporate expenses					(72,157)	(20,477)
(Loss)/profit from operating activities					(746,292)	90,085
Finance costs					(35,912)	(34,930)
(Loss)/profit before taxation					(782,204)	55,155
Taxation					(182)	423
(Loss)/profit for the year					(782,386)	55,578

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2024: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss)/profit represents the loss incurred/profit earned by each segment without allocation of other revenue, fair value change on investment properties, net foreign exchange gain/(loss), net (recognition)/reversal of impairment loss on non-current assets, impairment loss on goodwill and intangible asset, impairment loss on inventories, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION *(Continued)*

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	
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,159,338	1,741,246	1,576,653	1,033,640	2,735,991	2,774,886
Unallocated assets					27,938	25,113
Total assets					2,763,929	2,799,999
Segment liabilities	495,277	497,991	1,501,837	819,523	1,997,114	1,317,514
Unallocated liabilities					185,597	182,306
Total liabilities					2,182,711	1,499,820

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION *(Continued)*

Other segment information

	Exploration, exploitation and operation		Supply and procurement		Unallocated		Consolidated	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Other segment information:								
Depreciation of property, plant and equipment	261	158	12,881	9,737	6	19	13,148	9,914
Depletion of property, plant and equipment	106,954	145,674	–	–	–	–	106,954	145,674
Depreciation of right-of-use assets	205	285	4,629	5,656	1,639	1,873	6,473	7,814
Impairment loss on inventories	–	–	2,636	–	–	–	2,636	–
Net recognition/(reversal) of impairment loss on non-current assets	548,925	(137,651)	17,174	45	–	–	566,099	(137,606)
Impairment loss on goodwill and intangible asset	–	–	58,149	–	–	–	58,149	–
Provision for expected credit loss	–	–	52,201	5,676	–	–	52,201	5,676
Finance costs	17,726	16,596	9,053	9,707	9,133	8,627	35,912	34,930
Taxation	(10)	–	156	(423)	36	–	182	(423)
Additions to non-current assets*	7,349	76,244	1,711	4,156	4,435	–	13,495	80,400

* The amount represents additions to property, plant and equipment, right-of-use assets and exploration and evaluation assets for the years ended 31 December 2025 and 31 December 2024.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



7. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Canada, the PRC and Hong Kong.

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

	Revenue from external customers		Non-current assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
PRC	17,140,349	28,853,582	151,678	254,293
Canada	186,175	331,333	1,103,260	1,671,122
Hong Kong and others	–	–	3,613	822
	17,326,524	29,184,915	1,258,551	1,926,237

Information about major customers

Included in revenue arising from supply and procurement business segment of HK\$17,140,349,000 (2024: HK\$28,853,582,000) are revenue of HK\$11,593,364,000 (2024: HK\$21,001,432,000) which arose from one (2024: two) customer of the Group, each of which contributed 10% or more to the Group's total revenue for the year.

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

	2025 HK\$'000	2024 HK\$'000
Customer A	11,593,364	16,349,901
Customer B	–	4,651,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. 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:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of crude oil and natural gas	186,175	331,333
Trading and distribution of oil related products	17,140,349	28,853,582
	17,326,524	29,184,915
Other revenue		
Bank interest income	2,710	5,117
Rental income (<i>note 18</i>)	354	382
Storage fee income	700	858
Others	2,557	2,775
	6,321	9,132

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:

	2025 HK\$'000	2024 HK\$'000
Not later than one year	132	314
Later than one year and not later than two years	–	301
Later than two years and not later than three years	–	75
	132	690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



9. OTHER GAINS AND LOSSES

	2025 HK\$'000	2024 HK\$'000
Net foreign exchange gain/(loss)	13,444	(36,281)
Fair value change on investment properties (note 18)	(699)	(679)
Impairment loss on inventories	(2,636)	–
Gain on lease modification	1,234	6,588
Loss on disposal of property, plant and equipment	(413)	–
Others	2,058	(1,372)
	12,988	(31,744)

10. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	2025 HK\$'000	2024 HK\$'000
Auditors' remuneration		
– Audit services	2,538	2,772
– Non-audit services	33	452
Cost of inventories sold	17,088,082	28,782,973
Depreciation and depletion of property, plant and equipment (note 17)	120,102	155,588
Depreciation of right-of-use assets (note 20)	6,473	7,814
	126,575	163,402
Loss on disposal of property, plant and equipment	413	–
Impairment loss on inventories	2,636	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	1,264	1,085
Staff costs (including Directors' remuneration)		
– Salaries and wages	69,596	82,318
– Pension scheme contributions (note 33)	4,584	4,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' REMUNERATION

The board of Directors is composed of executive Directors and independent non-executive Directors. Directors' remuneration disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2025

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Pension scheme contributions HK\$'000	Equity-settled share option expenses HK\$'000 <i>(note 26)</i>	Total HK\$'000
Executive Directors						
Mr. Feng Yinguo (<i>Chairman</i>)	-	250	-	-	-	250
Ms. Wang Haining	-	250	-	-	-	250
Mr. Ding Jiasheng	-	2,381	2,133	25	-	4,539
Sub-total	-	2,881	2,133	25	-	5,039
Non-executive Directors						
Ms. Lu Yiwen (appointed on 8 April 2025)	-	-	-	-	-	-
Mr. Sun Jian (resigned on 8 April 2025)	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Independent non-executive Directors						
Mr. Ng Wing Ka	128	-	-	-	-	128
Mr. Leung Ting Yuk	128	-	-	-	-	128
Mr. Sun Liming	128	-	-	-	-	128
Dr. Mu Guodong	128	-	-	-	-	128
Sub-total	512	-	-	-	-	512
Total	512	2,881	2,133	25	-	5,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. DIRECTORS' REMUNERATION (Continued)

For the year ended 31 December 2024

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Pension scheme contributions HK\$'000	Equity-settled share option expenses HK\$'000 (note 26)	Total HK\$'000
Executive Directors						
Mr. Feng Yinguo (<i>Chairman</i>)	–	250	–	–	–	250
Ms. Wang Haining (appointed on 22 July 2024)	–	118	–	–	–	118
Mr. Zhang Jianmin (resigned on 22 July 2024)	–	132	–	–	–	132
Mr. Ding Jiasheng	–	2,265	2,060	22	–	4,347
Sub-total	–	2,765	2,060	22	–	4,847
Non-executive Director						
Mr. Sun Jian	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Independent non-executive Directors						
Mr. Ng Wing Ka	128	–	–	–	–	128
Mr. Leung Ting Yuk	128	–	–	–	–	128
Mr. Sun Liming	128	–	–	–	–	128
Dr. Mu Guodong	128	–	–	–	–	128
Sub-total	512	–	–	–	–	512
Total	512	2,765	2,060	22	–	5,359

The executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive Directors' emoluments shown above were for their services as Directors.

No Directors waived or agreed to waive any remuneration during the year (2024: nil). In addition, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. SENIOR MANAGEMENT'S EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Senior management of the Group

Senior management of the Group represents the executive Directors during the years ended 31 December 2025 and 31 December 2024.

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year included one Director (2024: one), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining four (2024: four) highest paid individuals including two chief executives of the Company are as follows:

	2025 HK\$'000	2024 HK\$'000
Basic salaries	4,344	5,255
Pension scheme contributions	3,487	84
Bonuses	4,566	3,553
	12,397	8,892

The number of the highest paid individuals who are not the Directors whose remuneration fall within the following band is as follows:

	Number of individuals	
	2025	2024
HK\$		
1,000,001–1,500,000	–	–
1,500,001–2,000,000	1	2
2,000,001–2,500,000	1	1
2,500,001–3,000,000	1	–
3,000,001–3,500,000	–	1
3,500,001–4,000,000	–	–
4,000,001–4,500,000	–	–
4,500,001–5,000,000	–	–
5,000,001–5,500,000	1	–
	4	4

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2024: nil). No five highest paid individuals waived or agreed to waive any remuneration during the year (2024: nil).

During the year ended 31 December 2025, no share options to subscribe for ordinary shares of the Company were granted to these individuals under the Company's share option scheme (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



13. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest expenses on bank borrowings and secured term loans wholly repayable within five years	27,017	22,840
Interest expenses on lease liabilities	2,550	3,598
Interest expenses on other loans	3,671	5,906
	33,238	32,344
Accretion expenses of decommissioning liabilities (note 30)	2,674	2,586
	35,912	34,930

14. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	2025 HK\$'000	2024 HK\$'000
Current tax – Hong Kong Profits Tax		
Under-provision in prior years	26	–
Current tax – Outside Hong Kong		
Provision for the year	331	3,023
Over-provision in prior years	–	(3,276)
	331	(253)
Deferred tax		
Reversal of temporary differences (note 31)	(175)	(170)
	182	(423)

The provision for Hong Kong Profits Tax for 2025 is calculated at 16.5% (2024: 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% (2024: 25%) and 25% (2024: 25%) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(b) Reconciliation between tax expense/(credit) and accounting (loss)/profit at applicable tax rates:

	2025 HK\$'000	2024 HK\$'000
(Loss)/profit before taxation	(782,204)	55,155
Notional tax on profit before taxation, calculated at the rates applicable to profit in the countries concerned	(197,771)	12,721
Tax effect of non-deductible expenses	33,704	11,601
Tax effect of non-taxable income	(3,770)	(185)
Tax effect of deductible temporary difference not recognised	166,974	(22,309)
Withholding tax on dividends from subsidiary outside of Hong Kong	571	561
Withholding tax on interest income from subsidiary outside of Hong Kong	623	636
Over-provision in prior years	26	(3,276)
Others	(175)	(172)
Actual tax expense/(credit)	182	(423)

(c) Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong. The Group will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at 31 December 2025 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. There are a limited number of jurisdictions where the Pillar Two effective tax rate is slightly below 15%. The Group does not expect a material exposure to Pillar Two income taxes. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders during the year ended 31 December 2025, nor has any dividend been proposed since the end of the reporting period (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



16. (LOSS)/EARNINGS PER SHARE

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

	2025 HK\$'000	2024 HK\$'000
(Loss)/profit		
(Loss)/profit for the year attributable to the owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(758,613)	54,128
	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	1,100,103	1,100,103

Diluted (loss)/earnings per share for the years ended 31 December 2025 and 31 December 2024 were the same as the basic (loss)/earnings per share as the Company had no dilutive potential ordinary shares in existence during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Petroleum and natural gas properties HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost								
At 1 January 2024	173,400	24,497	15,467	5,167	4,645	4,270,201	111,592	4,604,969
Additions	287	2,960	516	8	–	74,415	476	78,662
Transfer from exploration and evaluation assets (note 19)	–	–	–	–	–	562	–	562
Written off	(139)	(295)	(310)	(10)	–	–	–	(754)
Exchange differences	(5,112)	(730)	(728)	(148)	(38)	(355,936)	(3,303)	(365,995)
At 31 December 2024 and 1 January 2025	168,436	26,432	14,945	5,017	4,607	3,989,242	108,765	4,317,444
Additions	999	59	807	–	–	6,949	30	8,844
Written off	–	–	(68)	–	–	(413)	–	(481)
Exchange differences	7,703	1,208	1,040	228	12	207,543	4,990	222,724
At 31 December 2025	177,138	27,699	16,724	5,245	4,619	4,203,321	113,785	4,548,531
Accumulated depreciation, depletion and impairment								
At 1 January 2024	64,570	15,376	14,092	4,274	4,645	2,531,078	111,401	2,745,436
Charge for the year	6,393	2,503	657	361	–	145,674	–	155,588
Eliminated on written off	(139)	(295)	(310)	(10)	–	–	–	(754)
Impairment (reversal)/loss during the year	–	–	–	–	–	(137,651)	45	(137,606)
Exchange differences	(1,924)	(460)	(671)	(122)	(38)	(210,641)	(3,282)	(217,138)
At 31 December 2024 and 1 January 2025	68,900	17,124	13,768	4,503	4,607	2,328,460	108,164	2,545,526
Charge for the year	6,666	5,589	625	268	–	106,954	–	120,102
Eliminated on written off	–	–	(68)	–	–	–	–	(68)
Impairment loss during the year	14,734	623	132	40	–	548,925	170	564,624
Exchange differences	3,198	825	983	207	12	124,970	4,941	135,136
At 31 December 2025	93,498	24,161	15,440	5,018	4,619	3,109,309	113,275	3,365,320
Net book value								
At 31 December 2025	83,640	3,538	1,284	227	–	1,094,012	510	1,183,211
At 31 December 2024	99,536	9,308	1,177	514	–	1,660,782	601	1,771,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment loss on petroleum and natural gas properties

As discussed in note 4(b) to the consolidated financial statements, 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 (2024: 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% (2024: 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 2025, 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 2025 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 2025, the Group recognised an impairment loss on petroleum and natural gas properties of HK\$548,925,000. 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 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.

The aggregate recoverable amount of the Group's petroleum and natural gas properties amounted to HK\$1.09 billion (2024: HK\$1.66 billion).

Impairment loss on construction in progress

At 31 December 2025, the Group has recognised an impairment loss on construction in progress of HK\$170,000 due to the indication for impairment of CGU for trading and distribution of oil related products belongs to supply and procurement segment to the Group's business and conducted impairment assessment on recoverable amounts of construction in progress. please refer to note 21 for details.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment loss on construction in progress *(Continued)*

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.

Impairment loss on other property, plant and equipment

Please refer to note 21 for detail.

18. INVESTMENT PROPERTIES

	HK\$'000
Fair values	
At 1 January 2024	12,590
Decrease in fair values recognised in profit or loss <i>(note 9)</i>	(679)
Exchange differences	(369)
	<hr/>
At 31 December 2024 and 1 January 2025	11,542
Decrease in fair values recognised in profit or loss <i>(note 9)</i>	(699)
Exchange differences	522
	<hr/>
At 31 December 2025	11,365

All of the Group’s property interest held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group’s investment properties in the PRC at 31 December 2025 have been arrived at on the basis of valuations carried out by Vincorn Consulting and Appraisal Limited (“Vincorn”) (2024: Vincorn), independent qualified professional valuer not related to the Group. Vincorn has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

At each reporting date, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 in the both years.

The Group’s policy is to recognise transfer into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



18. INVESTMENT PROPERTIES (Continued)

Valuation techniques

Income approach (term and reversion approach)

The income approach (term and reversion approach) estimates the value of investment properties on a market basis by capitalising net rental income on a fully leased basis. This method is typically used when a property is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, vacancy loss, and other necessary expenses.

Direct sales comparison approach

Direct sales comparison approach estimates the value of the property interest by comparing recent sales of similar interests in the building or buildings located in their surrounding area. By analysing such sales which qualify as “arm’s-length” transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject properties.

Significant observable and unobservable inputs used to determine fair value

	Fair value at		Valuation technique	Fair value hierarchy	Range of significant observable and unobservable inputs			Sensitivity
	31 December 2025 HK\$'000	31 December 2024 HK\$'000			Monthly market unit rent	Market unit value	Capitalisation rates	
Investment properties located in the PRC	11,365	11,542	Direct sales comparison approach and income approach	Level 3	RMB16.70 to RMB53.90 per square metre (2024: RMB16.98 to RMB24.02 per square metre)	RMB3,414 to RMB9,500 per square metre (2024: RMB1,690 to RMB7,724 per square metre)	4.5% to 7.0% (2024: 3.7% to 12.1%)	<p>A significant increase in the monthly market unit rent used would result in a significant increase in fair value, and vice versa.</p> <p>A significant increase in the market unit value used would result in a significant increase in fair value, and vice versa.</p> <p>A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties are mainly situated in the PRC and are held under medium-term lease.

There has been no significant change from the valuation technique used in the prior year.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 HK\$'000	Fair value as at 31 December 2025 HK\$'000
Commercial and office buildings located in the PRC	11,365	11,365
		Fair value as at 31 December
	Level 3 HK\$'000	2024 HK\$'000
Commercial and office buildings located in the PRC	11,542	11,542

The following shows the details of rental income earned and direct operating expenses incurred by the Group during the years ended 31 December 2025 and 31 December 2024:

	2025 HK\$'000	2024 HK\$'000
Gross rental income from investment properties <i>(note 8)</i>	354	382
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	–	–
	354	382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



19. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
Cost	
At 1 January 2024	12,438,464
Additions	382
Written off	(1,373)
Transfer to property, plant and equipment (<i>note 17</i>)	(562)
Exchange differences	(933)
	<hr/>
At 31 December 2024 and 1 January 2025	12,435,978
Additions	235
Written off	(1,551)
Exchange differences	452
	<hr/>
At 31 December 2025	12,435,114
	<hr/>
Accumulated impairment	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	12,427,080
	<hr/>
Carrying amount	
At 31 December 2025	8,034
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At 31 December 2024	8,898
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. EXPLORATION AND EVALUATION ASSETS *(Continued)*

The exploration and evaluation assets represent (i) the unproved properties and capitalised exploration, drilling and completion costs which are pending the determination of commercial viability in Canada (“E&E in Canada”); and (ii) the oil and gas exploration, exploitation and operation rights and profit sharing rights at the Exploration Block 2104 and the Exploration Block 3113 (“Two Exploration Blocks”) in Madagascar, onshore sites for oil and gas exploration, exploitation and operation, together with the expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in the Two Exploration Blocks in Madagascar.

The Group has adopted HKFRS 6 Exploration for and Evaluation of Mineral Resources and HKAS 36 Impairment of Assets which requires the Group to assess any impairment at the end of each reporting period.

Impairment test – E&E in Canada

The Group assessed E&E in Canada for any indication of impairment or recovery due to industry pricing fundamentals. Based on recent land sales and future drilling plans, the Group did not recognise a recovery or impairment of loss for the years ended 31 December 2025 and 2024.

Impairment test – Two Exploration Blocks

The Group entered into an investment and co-operation agreement with Yanchang Petroleum Group and ECO Energy (International) Investments Limited (“ECO”) on exploration, exploitation and operation in the Exploration Block 3113 in Madagascar. Pursuant to the investment and co-operation agreement, the capital investment of the Exploration Block 3113 shall be contributed by the Group, Yanchang Petroleum Group and ECO.

The Two Exploration Blocks in Madagascar were fully impaired during the year ended 31 December 2016. In November 2017, the rights to explore in the Two Exploration Blocks were expired. There was no impairment loss or reversal of impairment loss recognised for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. RIGHT-OF-USE ASSETS

	HK\$'000
Cost	
At 1 January 2024	129,800
Additions	1,356
Modification	(26,642)
Exchange differences	(3,083)
At 31 December 2024 and 1 January 2025	101,431
Additions	4,416
Expiration of lease agreement	(12,849)
Early termination of lease	(23,345)
Exchange differences	3,873
At 31 December 2025	73,526
Accumulated depreciation	
At 1 January 2024	30,451
Charge for the year	7,814
Modification	(12,282)
Exchange differences	(282)
At 31 December 2024 and 1 January 2025	25,701
Charge for the year	6,473
Expiration of lease agreement	(12,849)
Early termination of lease	(3,890)
Impairment loss during the year (Note 21)	1,475
Exchange differences	675
At 31 December 2025	17,585
Net book value	
At 31 December 2025	55,941
At 31 December 2024	75,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. RIGHT-OF-USE ASSETS (Continued)

The analysis of expense items in relation to right-of-use assets in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	445	430
Other properties leased for own use	6,028	7,384
	6,473	7,814

The Group entered 1 new lease agreement for the use of office for the year ended 31 December 2025 (2024: 3). The leases of offices, gas stations and staff quarters contain minimum annual lease payment terms that are fixed.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 25(c) and 28 respectively.

21. GOODWILL AND INTANGIBLE ASSET

	Goodwill HK\$'000	Intangible asset HK\$'000	Total HK\$'000
Carrying amount as at 1 January 2024 and as at 31 December 2024	51,418	6,731	58,149
Impairment loss during the year	(51,418)	(6,731)	(58,149)
Carrying amount as at 31 December 2025	-	-	-

As a result of the acquisition of Forever Peace Investment Limited and its subsidiary in 2011, the Group had goodwill of HK\$51,418,000 (before impairment), relating to a cash-generating unit engaged in the supply and procurement of oil-related products in the People's Republic of China (the "PRC") ("Forever Peace CGU").

Goodwill acquired through business combinations is allocated to the Forever Peace CGU for impairment testing:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. GOODWILL AND INTANGIBLE ASSET (Continued)

The carrying amount of the Forever Peace CGU which belonged to the supply and procurement segment was impaired by HK\$75,323,000 during the year ended 31 December 2025. Consequently, the carrying amount of goodwill, intangible asset, property, plant and equipment, and right-of-use assets included in the cash-generating unit were written down as follows:

	HK\$'000
Other property, plant and equipment (note 17)	
– Buildings	14,734
– Plant and machinery	623
– Furniture, fixtures and equipment	132
– Motor vehicles	40
– Construction in progress	170
Right-of-use assets (note 20)	1,475
Goodwill	51,418
Intangible asset	6,731
	<hr/>
	75,323

The impairment loss recognised was included in “Net (recognition)/reversal of impairment loss on non-current assets” and “Impairment loss on goodwill and intangible asset” in the consolidated statement of profit or loss. The recoverable amount of the cash-generating unit was HK\$336,720,000 as at 31 December 2025. The impairment was attributable to the downtrend in the overall market, weakening end-user demand, and adjustments to direct distribution policies.

The recoverable amount of the above CGU was determined on the basis of value-in-use calculation. The recoverable amount is based on certain assumptions. All value-in-use calculations use cash flow projections based on the financial budgets approved by management covering a 3-year period. The pre-tax discount rate used is 15.46% (2024: 17.20%). Cash flows beyond 3-year period are extrapolated using a steady growth rate of 2% per annum. The Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The key assumption used in the value-in-use calculation of the CGU is as follows:

Budgeted operating margin	Average operating margin achieved in the period immediately before the budget period. The value assigned to the assumptions reflects past experience.
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Note: Trading and distribution of oil related products belongs to supply and procurement segment to the Group's business for the years ended 31 December 2025 and 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. INVENTORIES

Inventories represented the merchandise of refined oil and by-products at the end of the reporting period.

23. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of up to 90 days (2024: 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:

	2025 HK\$'000	2024 HK\$'000
0 to 30 days	1,103,811	434,230
31 to 60 days	49	385
61 to 90 days	43	688
Over 90 days	1,282	22,455
	1,105,185	457,758

Details of the Group's credit policy and impairment assessment on trade receivables for the years ended 31 December 2025 and 2024 are set out in note 5(b). The Group does not hold any collaterals or other credit enhancements over these balances.

Ageing of trade receivables which are past due but not credit-impaired at the reporting date is as follows:

	2025 HK\$'000	2024 HK\$'000
0 to 30 days past due	1,282	22,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Prepayments to suppliers of refined oil products	7,537	29,465
Other prepayments	3,828	2,308
Value added tax recoverable	29,009	11,595
Deposits	843	929
Other receivables	4,134	3,181
	45,351	47,478

In determining the recoverability of deposits and other receivables, the Group considers any change in credit quality of the receivables from the date credit was initially granted up to the end of the reporting period. Details of impairment assessment on deposits and other receivables are set out in note 5(b). The Group does not hold any collateral over these balances.

25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

Bank balances carry interest at market rates which range from 0.001% to 2.17% (2024:0.001% – 2.92%) per annum.

Included in the cash and bank balances as at 31 December 2025 were amounts in RMB equivalent to HK\$3,029,000 (2024: HK\$216,417,000) which are not freely convertible into other currencies.

(a) Cash and bank balances comprise:

	2025 HK\$'000	2024 HK\$'000
Deposits with banks	63,678	278,631
Cash at bank and on hand	46	44
Cash and bank balances	63,724	278,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows are, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Secured term loans <i>(note 32)</i> HK\$'000	Bank borrowings and other loans <i>(note 29)</i> HK\$'000	Lease liabilities <i>(note 28)</i> HK\$'000	Total HK\$'000
At 1 January 2024	445,355	405,594	94,653	945,602
Changes from financing cash flows:				
Proceeds from new bank borrowings	–	53,365	–	53,365
Repayment of bank borrowings	–	(181,334)	–	(181,334)
Proceeds from other loans	–	160,095	–	160,095
Repayment of other loans	–	(266,825)	–	(266,825)
Capital element of lease rentals paid	–	–	(5,663)	(5,663)
Interest element of lease rentals paid	–	–	(3,598)	(3,598)
Other interest paid	(22,466)	(6,280)	–	(28,746)
Total changes from financing cash flows	(22,466)	(240,979)	(9,261)	(272,706)
Other changes:				
Interest expenses <i>(note 13)</i>	22,466	6,280	3,598	32,344
Lease modification	–	–	(20,948)	(20,948)
Additions to lease liabilities	–	–	1,356	1,356
Total other changes	22,466	6,280	(15,994)	12,752
Exchange adjustments	(703)	(11,204)	(2,981)	(14,888)
At 31 December 2024 and 1 January 2025	444,652	159,691	66,417	670,760
Changes from financing cash flows:				
Proceeds from new bank borrowings	–	514,557	–	514,557
Repayment of bank borrowings	–	(372,668)	–	(372,668)
Repayment of other loans	–	(55,210)	–	(55,210)
Capital element of lease rentals paid	–	–	(4,331)	(4,331)
Interest element of lease rentals paid	–	–	(2,550)	(2,550)
Other interest paid	(23,973)	(6,715)	–	(30,688)
Total changes from financing cash flows	(23,973)	79,964	(6,881)	49,110
Other changes:				
Interest expenses <i>(note 13)</i>	23,973	6,715	2,550	33,238
Early termination of lease	–	–	(20,689)	(20,689)
Additions to lease liabilities	–	–	4,416	4,416
Total other changes	23,973	6,715	(13,723)	16,965
Exchange adjustments	523	7,947	2,546	11,016
At 31 December 2025	445,175	254,317	48,359	747,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Total cash outflows for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	1,264	1,085
Within financing cash flows	6,881	9,261
	8,145	10,346

These amounts relate to lease rentals paid to and cash allowance granted and received from a lessor.

26. SHARE CAPITAL

	Par value HK\$	Number of shares		Amount	
		2025 '000	2024 '000	2025 HK\$'000	2024 HK\$'000
Ordinary shares					
Authorised:					
At the beginning and at the end of the year	0.4	5,000,000	5,000,000	2,000,000	2,000,000
Issued and fully paid:					
At the beginning and at the end of the year	0.4	1,100,103	1,100,103	440,041	440,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. SHARE CAPITAL *(Continued)*

Share options

In order to enable the Company to continue to grant share options to eligible participants as incentive or rewards for their contributions or potential contribution to the success of the Group, the Board adopts a share option scheme (the "Scheme"), eligible participants of the Scheme included the Directors and other employees of the Group. The Scheme was adopted on 27 May 2022 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme. In addition, the maximum number of shares in respect of which share options may be granted to any eligible person within any 12-month period is limited to 1% of the total number of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated on the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK\$1 being payable by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof and to the minimum period for which the option has to be held before it can be exercised as the Directors may at their discretion determine.

The maximum number of shares available for issue under options which may be granted under the Scheme of the Company is 110,010,280 (2024: 110,010,280) shares after the Share Consolidation became effective (being not more than 10% of the total number of the shares in issue as at the date of adoption of the Scheme), representing 10% (2024: 10%) of the total number of shares in issue as at the date of this annual report.

As at 31 December 2025, none of shares in respect of which options had been granted and remained outstanding under the Scheme (2024: nil).

None of share option was granted under the Scheme during the years ended 31 December 2025 (31 December 2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



27. TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payable	1,142,950	468,732
Contract liabilities	11,963	75,965
Value added tax payables	7,761	11,059
Other tax payables	8,027	4,664
Staff cost payables	9,421	15,701
Other payables	65,674	74,093
	1,245,796	650,214

Note:

Contract liabilities

Contract liabilities as at 31 December 2025 and 31 December 2024 mainly represent the advance received from customers upon order placement, and were fully recognised as revenue during the year when the control over a product is transferred to customer. The Group typically receives advance on acceptance of orders. The amount of the advance, if any, was negotiated on a case by case basis with customers.

Contract liabilities of HK\$11,963,000 were recognised as at 31 December 2025 (2024: HK\$75,965,000) as a result of the receipt of payment during the year in advance of the satisfaction of performance obligation, and are expected to be fully recognised as revenue within one year.

The table below details movements in contract liabilities:

	2025 HK\$'000	2024 HK\$'000
At 1 January	75,965	39,495
Amount included in contract liabilities at the beginning of the year that was recognised as revenue during the year	(75,965)	(39,475)
Cash received in advance of performance and not recognised as revenue during the year	11,874	76,226
Exchange differences	89	(281)
At 31 December	11,963	75,965

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

	2025 HK\$'000	2024 HK\$'000
0 to 30 days	1,141,598	464,345
31 to 60 days	71	229
61 to 90 days	52	6
Over 90 days	1,229	4,152
	1,142,950	468,732

As at 31 December 2025 and 2024, the trade payables are non-interest bearing and have an average credit period on purchases of up to 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting period:

	31 December 2025		31 December 2024	
	Present value of the future lease payments HK\$'000	Total future lease payments HK\$'000	Present value of the future lease payments HK\$'000	Total future lease payments HK\$'000
Within 1 year	5,240	7,670	5,065	8,364
After 1 year but within 2 years	4,425	6,639	4,136	7,251
After 2 years but within 5 years	9,835	15,347	12,115	20,340
After 5 years	28,859	35,991	45,101	57,729
	43,119	57,977	61,352	85,320
	48,359	65,647	66,417	93,684
Less: total future interest expenses		(17,288)		(27,267)
Present value of lease liabilities		48,359		66,417

29. BANK BORROWINGS AND OTHER LOANS

At the end of each reporting period, details of bank borrowings and other loans were as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount repayable within one year or on demand:		
Unsecured bank borrowings (note a)	143,067	106
Unsecured other loans (note b)	111,250	159,585
	254,317	159,691

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings and other loans are as follows:

	2025	2024
Bank borrowings		
Floating rate	2.20%–2.50%	2.68%
Other loans		
Fixed rate	2.27%	2.27%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. BANK BORROWINGS AND OTHER LOANS (Continued)

Notes:

- (a) As at 31 December 2025, Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang"), a subsidiary of the Company, has drawn down unsecured bank borrowings of RMB128,600,000 (equivalent to HK\$143,067,000) (2024: RMB100,000 (equivalent to HK\$106,000)). The bank borrowings denominated in RMB bear interest at the prevailing market rates quoted by the People's Bank of China and repayable within next twelve months.
- (b) The balance represents loan advances from ultimate holding company of approximately HK\$111,250,000 (2024: HK\$159,585,000). As at 31 December 2025, loan advance from ultimate holding company is unsecured, interest-bearing at 2.27% (2024: 2.27%) per annum and repayable in December 2026 (2024: December 2025).

30. DECOMMISSIONING LIABILITIES

The Group's decommissioning liabilities are based on the Group's net ownership in wells and facilities along with management's estimate of the timing and expected future costs associated with the plugging and abandonment of wells, facilities dismantlement and site reclamation.

The following table reconciles the changes in the Group's decommissioning liabilities during the year:

	2025 HK\$'000	2024 HK\$'000
At the beginning of the year	166,761	171,349
Additional provision in the year	1,042	13,543
Utilisation in the year	(2,204)	(6,372)
Accretion expenses (note 13)	2,674	2,586
Exchange differences	8,658	(14,345)
At the end of the year	176,931	166,761

The inflated, undiscounted amount of the future cash flows required to settle the obligations is estimated to be CAD43,300,000 (equivalent to HK\$245,944,000) (2024: CAD36,600,000 (equivalent to HK\$197,640,000)). The obligations were calculated using a risk-free interest rate of 1.85% (2024: 1.85%) and an inflation rate of 2.0% (2024: 2.0%). The risk-free interest rate adopted was referenced to the Bank of Canada Benchmark bond rate. It is expected that the obligations will be funded from the Group resources at the time the costs are incurred, none of which are expected to be short-term.

31. DEFERRED TAX LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Deferred tax liabilities	(10,549)	(10,177)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. DEFERRED TAX LIABILITIES (Continued)

	Property, plant and equipment HK\$'000	Prepaid lease payments HK\$'000	Investment properties HK\$'000	Total HK\$'000
At 1 January 2024	(6,468)	(1,581)	(2,666)	(10,715)
Credited to profit or loss during the year (note 14)	–	–	170	170
Exchange differences	74	46	248	368
At 31 December 2024 and 1 January 2025	(6,394)	(1,535)	(2,248)	(10,177)
Credited to profit or loss during the year (note 14)	–	–	175	175
Exchange differences	(196)	(70)	(281)	(547)
At 31 December 2025	(6,590)	(1,605)	(2,354)	(10,549)

The Group did not have any significant unprovided deferred tax liabilities at 31 December 2025 and 2024.

As at December 31, 2025, the Group has not recognised a net deferred tax assets of HK\$315,882,000 (2024: HK\$158,614,000) as future cash flows are not expected to be sufficient to realise the deferred tax assets.

32. SECURED TERM LOANS

- (a) On 20 December 2019, Novus Energy Inc. ("Novus"), a subsidiary of the Company, drew down a secured term loan of US\$35,000,000, pursuant to the loan agreement between Novus (as the borrower) and Yanchang Petroleum HK (as the lender), the immediate parent of the Company, signed on 5 November 2019. The relevant secured term loan denominated in US dollars bears interest rate at 4.8% per annum and was repayable in three years. The maturity date of the secured loan was 20 December 2022. On 6 December 2022, Novus entered into an agreement to extend the facility by entering into a supplemental facility agreement with Yanchang Petroleum HK. Under the deed of undertaking regarding the secured term loan dated 12 December 2022, the lender agreed to waive the right to exercise its right under the debenture during the period from 20 December 2022 to 17 January 2023. On 17 January 2023, the supplementary facility agreement was approved at the special general meeting by independent shareholders of the Company and become effective as all conditions precedent have been fulfilled. The term of the relevant secured term loan was extended for an additional three years. On 16 December 2025, Novus entered into the Loan Renewal Request Notice with Yanchang Petroleum HK, pursuant to which Yanchang Petroleum HK has conditionally agreed to renew the secured term loan of US\$35,000,000 which bears interest rate at 4.8% per annum with maturity further extended for a year. On 15 January 2026, the Loan Renewal Request Notice was approved at the special general meeting by independent shareholders of the Company and become effective as all conditions precedent have been fulfilled. The relevant secured term loan is now due on 17 January 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



32. SECURED TERM LOANS *(Continued)*

(a) *(Continued)*

The relevant secured term loan is secured by a US\$70,000,000 debenture with the following charges: (1) first and fixed charge over all of Novus' right, title and interest, whether freehold, leasehold or other, under or in respect of the lands, in relation to the properties held by Novus from time to time; (2) a first priority security interest to and over all of Novus' present and after-acquired personal property (i.e. movable property) from time to time, tangible and intangible, in each case, of every nature and kind and wherever situate and all proceeds thereof; and (3) a floating charge over all of Novus' property to the extent not otherwise described above (excluding any agreement, right, franchise, intellectual property, license or permit). The relevant secured term loan is subject to a financial covenant that requires Novus to maintain a working capital ratio of at least 1:1. As at 31 December 2025, this ratio was 1.45:1 (31 December 2024: 1.36:1).

(b) On 3 September 2021, the Company drew down a secured term loan of US\$22,000,000, pursuant to the loan agreement between the Company (as the borrower) and Yanchang Petroleum HK (as the lender) signed on 30 June 2021. The relevant secured term loan denominated in US dollars bears interest rate at 4.8% per annum and is repayable in three years.

The relevant secured term loan is secured by 350 ordinary shares of Sino Union Energy International Limited ("Sino Union Energy") (representing 35% of the issued share capital of Sino Union Energy which is a direct wholly-owned subsidiary of the Company) under the share charge deed pursuant to which the Company agreed to provide a guarantee in favour of Yanchang Petroleum HK that the Company shall procure on the best effort basis the carrying valuation of Henan Yanchang will be not less than US\$104,800,000. As at 31 December 2023, Sino Union Energy was able to maintain the above-mentioned valuation of Henan Yanchang. The said share charge was released on 8 August 2024.

On 8 August 2024, the Company entered into the supplemental loan agreement with Yanchang Petroleum HK, pursuant to which Yanchang Petroleum HK conditionally agreed to renew the relevant secured term loan for a term of three years bearing interest rate at 5.2% per annum. On 30 August 2024, the supplemental loan agreement was approved at the special general meeting by independent shareholders of the Company and become effective as all conditions precedent had been fulfilled. The relevant secured term loan is now due on 2 September 2027.

The relevant secured term loan is secured by 70% of the issued share capital of Henan Yanchang indirectly held by the Company under the share charge deed pursuant to which the Company agreed to provide a guarantee in favour of Yanchang Petroleum HK that the Company shall procure on the best effort basis the carrying valuation of Henan Yanchang will be not less than US\$31,430,000. As at 31 December 2025, the Company was able to maintain the above-mentioned valuation of Henan Yanchang.

(c) As at 31 December 2025, the carrying amount of the secured term loans was HK\$445,175,000 (2024: HK\$444,652,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. RETIREMENT BENEFITS PLANS

The Group operates a defined contribution MPF Scheme in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Pursuant to the regulations of the relevant authorities in the PRC, the Group participates in the state-managed retirement benefit schemes ("PRC Schemes") whereby the Group is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes. The retirement benefit schemes contribution represents gross contributions by the Group to the PRC Schemes operated by the relevant authorities of the PRC.

The employees of the Group's subsidiary which operates in Canada may make voluntary contributions to a RRSP. The subsidiary matches the employee contributions up to an annual maximum. The subsidiary has no further payment obligation once the contributions have been paid. The contributions are recognised as staff costs when they are due.

The total cost charged to profit or loss of HK\$4,584,000 for the year ended 31 December 2025 (2024: HK\$4,289,000) represented contributions payable to the above schemes by the Group.

34. CAPITAL COMMITMENTS

The Group had capital commitments for purchase of property, plant and equipment amounting to HK\$596,000 (2024: HK\$179,000) which were contracted but not provided for as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. MATERIAL RELATED PARTIES TRANSACTIONS AND BALANCES

Save as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

Remuneration for key management personnel, including emoluments paid to the Company's Directors and certain highest paid individuals, as disclosed in notes 11 and 12 to the consolidated financial statements, are as follows:

Key management personnel

	2025 HK\$'000	2024 HK\$'000
Salaries, bonus and allowances	13,923	13,633
Pension scheme contributions	3,512	106
	17,435	13,739

Related party transactions

Relationship	Nature of transactions	2025 HK\$'000	2024 HK\$'000
Ultimate holding company	Purchase of refined oil and by-products (note 1)	4,277,839	7,219,739
Fellow subsidiaries	Purchase of refined oil and by products (note 1)	2,798,781	2,693,095
Fellow associates	Purchase of refined oil and by products (note 1)	455	29,370
Fellow associates	Sales of refined oil and by-products (note 2)	3,256	27,817
Fellow subsidiary	Sales of refined oil and by-products (note 2)	26,629	–
Immediate holding company	Secured term loan interest expenses	43,929	22,466
Ultimate holding company	Other loan interest expenses	3,671	5,882

Notes:

- (1) The Group had connected transactions with ultimate holding company, fellow associates and fellow subsidiaries arising from the refined oil supply agreement dated 18 November 2022 and the supplemental agreements dated 27 November 2023 entered into between Henan Yanchang and Yanchang Petroleum Group in respect of the purchases of refined oil and by-products from Yanchang Petroleum Group by Henan Yanchang for the three years ending 31 December 2025.
- (2) The Group had connected transactions with China Petroleum Yanchang Petroleum Trading Stock Limited Company ("China Petroleum Yanchang") and Yanchang Shell Henan Petroleum Limited ("Yanchang Shell Henan") arising from the sales agreements dated 27 November 2023 entered into between Henan Yanchang, China Petroleum Yanchang and Yanchang Shell Henan in respect of the sales of refined oil and by-products from Henan Yanchang to China Petroleum Yanchang and Yanchang Shell Henan, respectively, for the three years ending 31 December 2026.
- (3) The above transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the requirements under Chapter 14A of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. MATERIAL RELATED PARTIES TRANSACTIONS AND BALANCES *(Continued)*

Following is a summary of related party balances as at 31 December 2025 and 31 December 2024.

	2025 HK\$'000	2024 HK\$'000
Prepayments to suppliers of refined oil products		
– prepayment to ultimate holding company	6,184	27,465
– prepayment to a fellow subsidiary	–	2,000
Other receivables		
– amount due from a fellow associate	18	4
– amount due from a fellow subsidiary	3,473	522
Trade payables		
– amount due to ultimate holding company	(696,162)	(240,016)
– amount due to a fellow subsidiary	(140,758)	(22,907)
Other payables		
– amount due to ultimate holding company	(8,608)	(4,120)
– amount due to immediate holding company	(707)	(6,886)
– amounts due to fellow subsidiaries	(1,244)	(986)
Other loan		
– amount due to ultimate holding company <i>(note 29)</i>	(111,250)	(159,585)
Secured term loans		
– amount due to immediate holding company <i>(note 32)</i>	(445,175)	(444,652)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2025 were as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued and fully paid-up share/ registered capital	Percentage of ownership interests and voting power held by the Company		Principal activities
				Directly	Indirectly	
Forever Peace Investment Limited	Hong Kong	Hong Kong	HK\$1	–	100	Investment holding
Henan Yanchang [^]	PRC	PRC	Registered and paid-up capital of RMB35,000,000	–	70	Wholesale, retail, storage and distribution of refined oil
Henan Yanchang Petroleum Energy Technology Limited (“Henan Yanchang Energy”) [^]	PRC	PRC	Registered and paid-up capital of RMB50,000,000	–	70	Distribution of refined oil
Noble Soar Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	100	–	Investment holding
Novus	Canada	Canada	Common CAD215,371,475	–	100	Acquiring, exploring for, developing and producing crude oil and natural gas
Yanchang International (Canada) Limited	Canada	Canada	Common CAD314,100,594	–	100	Investment holding
Yanchang Petroleum (Shenzhen) Limited ^{^^}	PRC	PRC	Registered and paid-up capital of RMB10,000,000	–	100	Fuel oil and oil related product trading
Yanchang Petroleum International Energy Trading Limited (“Yanchang Energy Trading”)	Hong Kong	Hong Kong	HK\$10,000	–	51	Investment holding

[^] These entities are established in the PRC in the form of Taiwan, Hong Kong, Macao and domestic joint venture.

^{^^} This entity is established in the PRC in the form of solely funded by Taiwan, Hong Kong or Macao corporate body.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. PARTICULARS OF SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

(b) Details of non-wholly owned subsidiary that has material non-controlling interests

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests are set out below. The summarised financial information below represents amounts before intra-group eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



36. PARTICULARS OF SUBSIDIARIES *(Continued)*

Henan Yanchang

	2025 HK\$'000	2024 HK\$'000
Current assets	1,500,702	852,694
Non-current assets	151,580	201,493
Current liabilities	(1,445,738)	(742,585)
Non-current liabilities	(55,090)	(74,455)
Equity attributable to the owners of the Company	106,018	166,003
Non-controlling interests	45,436	71,144
Revenue	17,140,349	28,853,582
Cost of sales	(17,088,082)	(28,782,973)
Expenses	(131,510)	(65,739)
(Loss)/profit for the year attributable to the owners of the Company	(55,470)	3,409
(Loss)/profit for the year attributable to the non-controlling interests	(23,773)	1,461
(Loss)/profit for the year	(79,243)	4,870
Other comprehensive income for the year attributable to the owners of the Company	7,079	(5,251)
Other comprehensive income for the year attributable to the non-controlling interests	3,034	(2,250)
Other comprehensive income for the year	10,113	(7,501)
Total comprehensive income for the year attributable to the owners of the Company	(48,391)	(1,842)
Total comprehensive income for the year attributable to the non-controlling interests	(20,739)	(789)
Total comprehensive income for the year	(69,130)	(2,631)
Dividend paid to non-controlling interests	(4,969)	(4,803)
Net cash inflows from operating activities	20,268	25,961
Net cash outflows from investing activities	(1,711)	(3,793)
Net cash inflows/(outflows) from financing activities	141,890	(127,969)
Net cash inflows/(outflows)	160,447	(105,801)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2025 HK\$'000	2024 HK\$'000
Assets		
Non-current assets		
Interests in subsidiaries	924,026	918,914
Property, plant and equipment	17	4
Right-of-use assets	3,557	781
	927,600	919,699
Current assets		
Prepayments and other receivables	4,556	4,630
Cash and bank balances	22,435	21,219
	26,991	25,849
Total assets	954,591	945,548
Equity		
Capital and reserves attributable to the owners of the Company		
Share capital	440,041	440,041
Reserves	329,736	323,200
Total equity	769,777	763,241
Liabilities		
Current liabilities		
Other payables	8,028	8,318
Lease liabilities	1,446	1,289
	9,474	9,607
Non-current liabilities		
Lease liabilities	2,640	–
Secured term loans	172,700	172,700
	175,340	172,700
Total liabilities	184,814	182,307
Total equity and liabilities	954,591	945,548
Net current assets	17,517	16,242
Total assets less current liabilities	945,117	935,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movement in the Company's reserves

	Share premium HK\$'000	Contribution surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	2,322,864	6,454,818	(8,434,545)	343,137
Loss and total comprehensive income for the year	–	–	(19,937)	(19,937)
At 31 December 2024 and 1 January 2025	2,322,864	6,454,818	(8,454,482)	323,200
Profit and total comprehensive income for the year	–	–	6,536	6,536
At 31 December 2025	2,322,864	6,454,818	(8,447,946)	329,736

38. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2026, the loan renewal request notice in relation to the renewal of the secured term loan of US\$35,000,000 granted by Yanchang Petroleum HK was approved at the special general meeting by independent shareholders of the Company and become effective as all conditions precedent have been fulfilled. The relevant secured term loan is now due on 17 January 2027.

39. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors on 26 March 2026.

SCHEDULE OF INVESTMENT PROPERTIES

The particulars of the investment properties at 31 December 2025 are as follows:

Location	Type	Tenure	Attributable interest to the Group
No. 22 Xinjian North Road, Xinzheng City, Zhengzhou, Henan Province, The PRC	Building and land	Medium-term lease	70%
No. 1601–1609 on level 16 of Zijincheng, No. 16 Zijinshan Road, Jinshui District, Zhengzhou City, Henan Province, The PRC	Building and car park space	Medium-term lease	70%