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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019 (the "**Period**") together with comparative figures. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

For the Period, the Group recorded a revenue of RMB27.8 million, which was primarily attributable to the revenue from sales of crude oil, compared to the revenue of RMB21.8 million for the six months ended 30 June 2018 (the "**Comparative Period**"). Profit attributable to the equity holders of the Company was RMB91.6 million for the Period, while loss attributable to the equity holders of the Company was RMB1,137.6 million for the Comparative Period.

The increase in profit was mainly driven by the disposal of the loss-making discontinued operations and the recognition of a net disposal gain in the Period.

The Group's net deficit position was significantly improved during the Period. Compared to 31 December 2018, the net deficit was decreased by RMB993.4 million which was largely driven by the disposal of the discontinued operations which were in a net deficit position as at the date of the disposal.

Disposal

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

The Shipbuilding and Engineering Businesses were classified as discontinued operations and their underlying assets and liabilities were classified as 'Assets classified as held for sale' and 'Liabilities directly associated with assets classified as held for sale' respectively in accordance with International Financial Reporting Standard 5, as at 31 December 2018.

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

The Disposal was completed on 10 March 2019 (the "**Disposal Day**") when the sale share of Able Diligent Limited (the "**Sale Share**") was transferred to the Purchaser. A disposal gain of RMB7,026.6 million was recognized resulting from a significant portion of the Group's net deficit being disposed of in the Disposal. All the assets and liabilities associated to the Disposal were derecognized on the Disposal Day.

According to the Second Supplemental Agreement, the Purchaser will procure the discharge or release of relevant guarantees provided by the Company in respect of borrowings owed by the Disposal Group (the "**Relevant Guarantees**"). As at 30 June 2019 and the date of this announcement, a number of the guarantees provided by the Company to the Disposal Group in respect of bank and other borrowings, inclusive of principals and interest, were still in the process of being discharged or released. In consideration of such guarantees, the Group recognised financial guarantee contracts of RMB6,627.4 million (31 December 2018: NIL) which will be released upon the releasing or discharging of these guarantees.

The abovementioned disposal gain of RMB7,026.6 million was offset by the provision for financial guarantees of RMB6,627.4 million, and as a result, a net disposal gain of RMB399.2 million was recognised in the profit and loss of the Period.

Details of the Disposal were disclosed in note 13 of the unaudited condensed consolidated interim financial information, and the announcements of the Company dated 9 October 2018, 15 November 2018, 25 December 2018, 4 March 2019 and 11 March 2019 and the circular of the Company dated 23 November 2018.

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

Debt Restructuring

Together with the Disposal, the Group has also conducted and executed a series of debt restructuring arrangements with an aim to ease the financial burden of the Group during the Period.

(a) Conversion of certain convertible bonds

During the Period, convertible bonds with an aggregate principal amount of approximately HK$327.1 million (equivalent to approximately RMB284.5 million) have been converted into ordinary shares. As at the date of this announcement, the aggregate principal amount of the outstanding convertible bonds is approximately HK$476.4 million (equivalent to approximately RMB418.7 million). The Company is currently negotiating with the remaining convertible bond holders and expects that more conversion of convertible bonds will take place from time to time.

(b) Repayment of bank loans

The Group has repaid the principal and interest payable of a secured bank loan amounting to approximately RMB58.8 million during the Period. The outstanding principal and interest payable balance was reduced to approximately RMB538.9 million. The Group intended to settle the remaining outstanding balance within the year of 2019.

(c) Extension of maturity date of promissory notes

The Group is also in the process of negotiating the extension of terms with certain promissory note holders with an aggregate principal amount of approximately HK$1,889.3 million (equivalent to approximately RMB1,660.7 million).

These aforesaid debt-restructuring actions are devised to align with the Disposal and disposal of liabilities as announced in the Company's announcement dated 22 November 2018 and circular dated 23 November 2018 (the "**Disposal of Liabilities**") to improve the overall financial position of the Group. The Group expects that the completion of the Disposal shall have a positive impact on the extension of maturity date of promissory notes.

Energy Exploration and Production

For the Period, the project involving four oilfields located in the Republic of Kyrgyzstan (the "**Kyrgyzstan Project**") (of which 60% interests were held by the Group) recorded sales of 87,286 barrels (bbl) of light crude oil (for the Comparative Period: 88,816 bbl). Revenue from the energy exploration and production segment was RMB27.8 million for the Period with an increase of approximately 27.5% from RMB21.8 million for the Comparative Period.

The growth of revenue in the Period were primarily driven by the increase in selling price, whilst the sales volume remained largely consistent.

Despite the revenue from the oil production during the Period was increased, the overall revenue growth has been restrained largely due to the revisit of oil field development plan as well as we are in progress of reviewing oilfield development tendering process, and the delay in the completion of the Disposal which has slowed down the drawdown process of loan facilities and the exploration development plan.

The Group has been making continuous endeavors to implement its plan to accelerate the development of upstream and downstream energy exploration and production business and increase the production volume through various means to cope with the recovery of oil price, including well-drilling operations and the construction of oil-production-related amenities to improve its operation efficiency and enhanced its production capacity.

Discontinued Operations

The Shipbuilding and Engineering Businesses have been classified as discontinued operations and its underlying assets and liabilities were derecognised as at 10 March 2019. Please refer to note 13 of the unaudited condensed consolidated interim financial information, and announcement dated 11 March 2019 and the circular of the Company dated 23 November 2018 for further details. A gain on disposal has been realized in the Period, as a result of a significant portion of the Group's net deficit being disposed of in the Disposal.

FINANCIAL REVIEW

Continuing Operations

Revenue and Gross Profit

For the Period, the continued operations of the Group recorded a revenue and gross profit of RMB27.8 million and RMB10.5 million respectively (for the Comparative Period: RMB21.8 million and RMB8.6 million respectively). The increase in both revenue and gross profit were primarily attributable to the increase of selling price from sales of crude oil which represented an increase of approximately 27.6% in revenue. However the improvement of oil price has been offset with increment of cost of sales which was largely driven by the increase of depreciation during the Period.

Selling and Marketing Expenses

For the Period, selling and marketing expenses decreased by approximately 13.3% to RMB1.3 million (for the Comparative Period: RMB1.5 million). This was primarily in line with the Group's strategic transformation by reducing selling and marketing expenses and the implementation of cost control measures.

General and Administrative Expenses

For the Period, general and administrative expenses decreased by approximately 15.2% to RMB23.9 million (for the Comparative Period: RMB28.2 million). This was mainly attributable to the reduction of employees benefit expenses, legal and professional fees, as well as the implementation of cost control measures.

Other Gains – Net

For the Period, other net gain amounted to RMB4.2 million (for the Comparative Period: RMB219.2 million), and the reduction was primarily due to lower mark-to-market valuation of financial derivatives associated to the convertible bond and exchange fluctuation.

Finance Costs – Net

For the Period, the net finance cost decreased by approximately 37.5% to RMB154.7 million (for the Comparative Period: RMB247.5 million). The decrease was mainly attributable to the reduction of outstanding convertible bonds principal and exchange fluctuation.

Total Comprehensive Income for the Period

During the Period, the Group recorded total comprehensive income of RMB91.0 million (for the Comparative Period: total comprehensive loss of RMB1,164.4 million), of which income attributable to equity holders of the Company was RMB92.2 million (for the Comparative Period: loss RMB1,120.5 million). The improvement on profit attributable to the equity holders of the Company was mainly driven by the recognition of the net disposal gain from the Disposal.

Discontinued Operations – Disposal Group

During the Period, the Disposal Group contributed loss of RMB142.5 million (for the Comparative Period: RMB1,131.8 million).

The loss was largely attributable to finance cost, and the net losses decreased by approximately 87.4% from the Comparative Period. Whilst the Disposal Group was disposed of on the Disposal Day, the interim condensed consolidated statements of comprehensive income only included the Disposal Group to that date.

Liquidity and Going Concern

During the Period, the Group recorded a profit of RMB91.8 million and had a net operating cash outflow of approximately RMB16.0 million. As at 30 June 2019, the Group had a total deficit of RMB8,636.7 million and the current liabilities exceeded its current assets by RMB10,239.3 million. As at 30 June 2019, the Group's total current borrowings amounted to RMB2,613.4 million, of which RMB2,549.5 million were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements. The Group's current borrowings also included the 7.0% convertible bonds issued by the Company with outstanding principals totaling HK$476.4 million (equivalent to approximately RMB418.7 million) as at 30 June 2019, which matured on the date falling 24 months after their issuance dates and immediately redeemable by the bondholders subject to the terms and conditions of the convertible bonds.

A series of plans and measures have been taken by the Group to mitigate liquidity pressure, to improve the financial position of the Group, to refinance its operations, to restructure its debts and proactively liaise with relevant financial institutions to discharge the relevant guarantees.

Foreign Exchange Risks

The Continuing Group incurred net foreign exchange losses of approximately RMB0.5 million (for the Comparative Period: gain of RMB113.2 million) due to the fluctuation of RMB again USD and HKD were being consistent during the period.

Material Acquisitions and Disposals of Investments

Other than the disposal of Shipbuilding and Engineering Businesses, the Group did not undertake any material acquisition or disposal of investments during the Period.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB0.1 million (for the Comparative Period: RMB128.3 million), which was mainly used in the energy exploration and production segment.

Gearing Ratio

Our gearing ratio (measured by total borrowings divided by the sum of total borrowings and total deficit) decreased from approximately 198.8% as at 31 December 2018 to approximately 66.9% as at 30 June 2019. Affected by the accumulated losses of RMB22,280.3 million as at 30 June 2019 (as at 31 December 2018: RMB25,907.6 million), the total deficit was RMB8,636.7 million as at 30 June 2019 (as at 31 December 2018: RMB9,630.1 million).

Contingent Liabilities

As at 30 June 2019, we had contingent liabilities of RMB853.7 million (as at 31 December 2018: RMB7,329.8 million), which resulted from financial guarantees provided by the Company to Disposal Group.

Credit Assessment and Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged deposits, as well as credit exposures to outstanding trade, bills and other receivables. As at 30 June 2019, the Group had cash and cash equivalents of RMB8.7 million (as at 31 December 2018: RMB9.3 million), of which RMB4.5 million (approximately 51.7%) was denominated in RMB and the remaining RMB4.2 million (approximately 48.3%) was denominated in USD, HKD and other currencies. The Group does not use any financial instruments for hedging purposes.

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

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

Human Resources

As at 30 June 2019, the Group had 92 employees (as at 31 December 2018: 470 employees). The decrease in the number of employees was mainly in relation to the Disposal. The principal elements of remuneration package of the Group include basic salary and other benefits, contribution to pension schemes, discretionary bonus and/or share options granted under an approved share option scheme. Such remuneration should reflect work complexity, time commitment, responsibility and performance with a view of attracting, motivating and retaining high performing individuals.

MARKET ANALYSIS AND PROSPECTS

During the Period, the Group completed the Disposal which has significantly strengthened the financial position of the Group. The Disposal has not only lifted the Group from financial burden of the Disposal Group, but also provided the Group with more flexibility and liquidity to expand its business scale, and generated greater opportunities for future growth and expansion within the energy-related industry.

With a view to strategically repositioning and expanding our business portfolio, we have established a presence in the Kyrgyzstan Project since 2014. During the Period, the Group continued to focus and explore opportunities and adopted various measures to improve production capabilities. We have reinforced cost control measures and improved operation efficiency in the oil production cycle and the oil well drilling development. These include but not limited to:

– Review the capital expenditure tendering process aiming to further reduce development costs. The Group management has explored the possibilities and believe there is a substantial headroom that can be reduced. The success of these actions shall improve the overall return on the Group's investment and benefit the Group's financial performance.

– Enhance the new oil production technique to increase production volume. The Group has worked with oilfield experts and analyzed the production method to improve productivity for the existing and newly developed wells. The Group has proposed new production techniques to local authority and the approval has been granted. It is expected the Group will receive additional economical benefit through the new techniques and further improve the Group's financial performance.

Due to the trade frictions and geopolitical uncertainties, the oil price in late 2018 underwent a downward plunge, the global oil and gas industry continued to recover slowly in the first half of 2019. Despite crude oil has enjoyed 30% increase in price since beginning of the Period, it is still yet to recover from the 40% drop in the fourth quarter of 2018. Going into the second half of 2019, the Group will remain cautious and closely monitor the latest development of the ongoing trade dispute.

In order to ease the reliance on the oil production and vertical expand the Group's energy business, the Group is actively pursuing other related opportunities within the energy industry to broaden the revenue source, which include, but without limitation to, trading of energy-related products, storage and logistic projects. This will provide the Group a platform in a sustainable fashion in the long run. Subsequent to the Period, the Group had established a trading platform for energy and mining related products. The trading operation will provide an extra income stream with favorable margin to the Group. Even though the establishment of trading operation is still ongoing, the Group recognises the opportunity to expand the existing business segments and believes the entry into new trading sector will benefit the Group as a whole.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

During the Period, the Company complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), apart from the deviations set out below.

Code provision A.2.1 of the Code stipulates that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer should be separate and should not be performed by the same individual. During the Period, Mr. Chen Qiang has performed both the roles of Chairman and chief executive officer of the Company in deviation from code provision A.2.1 of the Code. The Company believes that it is more efficient and effective for the Company to develop its long-term strategies and in execution of its business plans if Mr. Chen Qiang serves as both the Chairman and the chief executive officer of the Company.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has confirmed, following specific enquiries made by the Company that they complied with the required standards set out in the Model Code during the Period.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Subsequent Event

Subsequent to the reporting date, the Company has continued to negotiate with the lenders of the Disposal Group to obtain their internal approval for discharging and releasing the Relevant Guarantees. As additional time is required, and the Company and the Purchaser entered into a third supplemental agreement to the Agreement (the "**Third Supplemental Agreement**") on 29 August 2019, pursuant to which the parties agreed, among others, to procure the release or discharge of the Relevant Guarantees in full and completion of the relevant registration on or before 31 October 2019.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Zhou Zhan (chairman of the Audit Committee), Mr. Wang Jin Lian and Mr. Lam Cheung Mau. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the Period.

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Publication of Interim Report

The 2019 Interim Report of the Company will be dispatched to the shareholders of the Company and published on the respective websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.huarongenergy.com.hk in due course.

Gratitude

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

Board of Directors

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

On Behalf of the Board
China Huarong Energy Company Limited
CHEN Qiang
Chairman

Hong Kong, 29 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**732,202**	748,012
Intangible assets	*6*	**1,663,892**	1,668,765
Prepayments for non-current assets		**57,164**	33,939
		2,453,258	2,450,716
Current assets			
Inventories		**1,397**	3,022
Trade receivables	*7*	**3,520**	3,497
Other receivables, prepayments and deposits		**5,230**	5,265
Cash and cash equivalents		**8,717**	9,274
		18,864	21,058
Assets classified as held for sale	*13*	**–**	22,428,968
		18,864	22,450,026
Total assets		**2,472,122**	24,900,742
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Share capital		**2,021,534**	1,737,050
Convertible preference shares		**3,100,000**	3,100,000
Share premium		**8,374,605**	8,345,372
Other reserves		**169,546**	3,704,672
Accumulated losses		**(22,280,269)**	(25,907,616)
		(8,614,584)	(9,020,522)
Non-controlling interests		**(22,097)**	(609,604)
Total deficit		**(8,636,681)**	(9,630,126)

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**850,598**	754,638
		850,598	754,638
Current liabilities			
Trade and other payables	8	**1,017,350**	952,033
Borrowings		**2,613,434**	2,885,793
Derivative financial instruments		**–**	7,194
Financial guarantee contracts	13	**6,627,421**	–
		10,258,205	3,845,020
Liabilities directly associated with assets classified as held for sale	13	**–**	29,931,210
		10,258,205	33,776,230
Total liabilities		**11,108,803**	34,530,868
Total deficit and liabilities		**2,472,122**	24,900,742

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited for the six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Restated)
Continuing operations			
Revenue	*4*	**27,829**	21,807
Cost of sales	*9*	**(17,371)**	(13,192)
Gross profit		**10,458**	8,615
Selling and marketing expenses	*9*	**(1,274)**	(1,456)
General and administrative expenses	*9*	**(23,852)**	(28,239)
Other income	*10*	**299**	–
Other gains – net	*11*	**4,151**	219,237
Operating (loss)/profit		**(10,218)**	198,157
Finance income		**3,841**	1
Finance costs		**(158,534)**	(247,489)
Finance costs – net		**(154,693)**	(247,488)
Loss before income tax		**(164,911)**	(49,331)
Income tax expense	*12*	**–**	–
Loss for the period from continuing operations		**(164,911)**	(49,331)
Discontinued operations			
Loss for the period from discontinued operations		**(142,474)**	(1,131,767)
Gain on the disposal of discontinued operations	*13*	**399,193**	–
Profit/(loss) for the period arising from discontinued operations		**256,719**	(1,131,767)
Profit/(loss) for the period		**91,808**	(1,181,098)

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Attributable to:		
Equity holders of the Company	**91,630**	(1,137,604)
Non-controlling interests	**178**	(43,494)
	91,808	(1,181,098)
Profit/(loss) attributable to the equity holders of the Company arise from:		
– Continuing operations	**(165,089)**	(48,456)
– Discontinued operations	**256,719**	(1,089,148)
	91,630	(1,137,604)
Other comprehensive income/(loss) for the period:		
Items that cannot be reclassified to profit or loss		
– Fair value gain/(loss) on a financial asset at fair value through other comprehensive income	**2,616**	(2,692)
Other comprehensive income/(loss) arising from discontinued operations	**2,616**	(2,692)
Items that may be reclassified to profit or loss		
– Exchange difference on translation of foreign operations	**(3,375)**	19,428
Other comprehensive (loss)/income for the period, net of tax	**(759)**	16,736
Total comprehensive income/(loss) for the period	**91,049**	(1,164,362)

	Note	2019 *RMB'000*	2018 *RMB'000* (Restated)
Attributable to:			
Equity holders of the Company		**92,221**	(1,120,549)
Non-controlling interests		**(1,172)**	(43,813)
		91,049	(1,164,362)
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company arise from:			
– Continuing operations		**(164,498)**	(31,401)
– Discontinued operations		**256,719**	(1,089,148)
		92,221	(1,120,549)
Earnings/(loss) per share for attributable to the equity holders of the Company during the year (expressed in RMB per share)			
Basic			
– Continuing operations	*14*	**(0.04)**	(0.02)
– Discontinued operation	*14*	**0.06**	(0.46)
Total – Included Discontinued operation		**0.02**	(0.48)
Diluted			
– Continuing operations	*14*	**(0.04)**	(0.02)
– Discontinued operation	*14*	**0.02**	(0.46)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the energy exploration and production.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi ("**RMB'000**"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors of the Company on 29 August, 2019.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standards ("**IAS**") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which was prepared in accordance with International Financial Reporting Standards ("**IFRS**").

2.1 Going concern basis

The Group recorded a net profit of RMB91,808,000 (2018: net loss of RMB1,181,098,000) and had an operating cash outflow of RMB15,977,000 (2018: outflow of RMB170,552,000) during the period ended 30 June 2019. As at 30 June 2019, the Group had a deficit of RMB8,636,681,000 (2018: RMB9,630,126,000) and the Group's current liabilities exceeded its current assets by RMB10,239,341,000 (2018: RMB11,326,204,000). The Group maintained cash and cash equivalents of RMB8,717,000 (2018: RMB9,274,000) as at 30 June 2019.

On 9 October 2018, the Company entered into a conditional sale and purchase agreement with Unique Orient Limited (the "**Purchaser**"), an independent third party, to dispose of the core assets and liabilities of the Shipbuilding and Engineering Businesses (the " **Disposal Group**") at a consideration of HKD1 (the "**Transaction**"). There are certain conditions precedent pursuant to the Transaction, which included, but not limited to, the successful issuance of certain Convertible Preference Shares ("**CPS**") to certain bank creditors of the subsidiaries of the Disposal Group, and the release or discharge of the relevant guarantees provided by the Company in respect of the debts of the Disposal Group (the "**Relevant Guarantees**"). The conditional sale and purchase agreement and the issuance of CPS were approved by the shareholders of the Company and CPS were issued in December 2018. All the assets and liabilities of the Disposal Group were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified held for sale" as at 31 December 2018.

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

As at 30 June 2019, following the completion of the transfer of sale share, the Group has derecognised the Disposal Group assets and liabilities which were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified held for sale", and recognised a the disposal gain of RMB7,026,614,000. Detail of the disposal is disclosed in note 13.

As of the date of this report, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB7,481,164,000. The Group has considered its impact and recognised financial guarantee contract of RMB6,627,421,000 as at 30 June 2019. Details are disclosed in note 13(c).

As at 30 June 2019 borrowings of the Group, amounted to RMB3,464,032,000, out of which RMB1,335,562,000 were overdue. As at 30 June 2019, overdue interest payables amounted to RMB143,903,000. Certain borrowings of the Group contain cross-default terms, causing Borrowings of RMB1,282,769,000 at 30 June 2019 to become immediately repayable. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB1,660,726,000 outstanding as at 30 June 2019, out of which approximately RMB796,669,000 had been overdue since 2017. The remaining outstanding promissory notes amounting to RMB864,057,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements.

(ii) As at 30 June 2019, the Group had four outstanding convertible bonds (31 December 2018: five) with an aggregate principal amount of RMB418,712,000 (31 December 2018: RMB736,376,000) with maturity dates in November 2019. During the period ended 30 June 2019, convertible bonds with amounts of RMB284,484,000 were converted into equity. Since the bondholders have early redemption options to require the Company to redeem these convertible bonds at any time before the maturity dates, these convertible bonds are classified as current liabilities. In addition, all the convertible bonds became immediately repayable pursuant to the cross-default terms under the relevant agreements.

(iii) The Group had bank and other borrowings of RMB538,893,000, which was overdue in accordance with the repayment dates of the respective agreements as at 30 June 2019.

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

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

i) The Group has been actively negotiating with the relevant banks and lenders of the Disposal Group to release or discharge the Relevant Guarantees.

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

iii) The Group has also been actively negotiating with the banks and lenders regarding the borrowing of RMB2,618,331,000 to take the following actions:

a) As at 30 June 2019, the outstanding promissory notes amounting to RMB796,669,000 were not extended nor repaid upon the schedule repayment dates and thus became overdue and RMB864,057,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements. The Company is in the process of negotiating with these promissory note holders for further arrangements, including the extension of maturity dates and obtaining waiver from the lender for the due payment pursuant to the relevant cross-default terms.

b) During the period ended at 30 June 2019, the Group had four outstanding convertible bonds with an aggregate principal amount totaling RMB418,712,000 with maturity dates in November 2019, provided that the bondholders do not exercise the early redemption options. The Company is in the process of negotiating with the relevant bondholders for extension of repayment.

c) As at 30 June 2019, the Group had bank borrowing of RMB538,893,000 which was overdue. The Group is in the process of negotiating with the relevant bank for extension of repayment and renewal of such borrowing.

iv) During the period ended 30 June 2019, the Group extended security-free and interest-free loans from an entity controlled by a close family member of Mr. Zhang Zhi Rong amounting to RMB455,423,000 which will be repayable in June 2021.

v) During the period ended 30 June 2019, the Group has drawn down USD24,454,000 in total from the loan agreement, provided by entity controlled by Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to USD250,000,000 (equivalent to approximately RMB1,716,700,000) to the Group for the funding of the oilfield operations of the Energy Business.

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

During the period ended 30 June 2019, the Group has drawn down RMB9,100,000 in total from the loan agreement, provided by entity controlled by a close family member of Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment. The Group expects to draw down the remaining balance of the facility throughout 2019.

In addition, the Group also entered into a from the Co-operative Framework Agreement during the period ended 30 June 2019 with an independent third party who agreed to provide materials for the exploration and production of crude oil with an aggregate amount up to USD500,000,000, in exchange for an option to purchase up to 70% of the total crude oil produced by the Group at 92% to 95% of the market price as a form of repayment until all the liabilities are repaid. No facility has been utilised for the period ended 30 June 2019.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 30 June 2019. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the successful fulfillment of the following plans:

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

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

iii) negotiating with all existing promissory note holders of outstanding principals of RMB1,660,726,000, together with accrued interests thereon for further arrangement including the extension of the maturity dates;

iv) convincing the convertible bondholders of outstanding principal of RMB418,712,000 to convert the bonds into equity;

v) negotiating with the relevant bank for the renewal or extension for repayments for the bank borrowing of RMB538,893,000 that was overdue as at 30 June 2019;

vi) obtaining waivers from the relevant lenders for the due payment in relation to those loans that have cross-default terms in the respective loan agreements for the Group;

vii) implementing a business plan for its energy and exploration and production segment to generate cash inflows; and

viii) obtaining additional sources of financing other than those mentioned above, including those to finance the Energy Business, and the successful drawdown of the various facilities made available to the Group by entitles controlled by Mr Zhang Zhi Rong and a third party, as described in management's plan above, as and when needed.

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

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with all the years presented unless otherwise stated.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are insignificant. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

3.2 New accounting policy

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4 SEGMENT INFORMATION

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

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business from both geographic and product perspectives. The shipbuilding segment derives its revenue primarily from the construction and sales of vessels, and the offshore engineering segment derives its revenue from the construction of vessels for marine projects. The engineering machinery segment derives its revenue from sales of excavators while the marine engine building segment derives its revenue from building marine engines. The energy exploration and production segment derive its revenue from sales of crude oil. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. Segment results are calculated by offsetting segment revenue from external customers with segment cost of sales and including loss on cancellation of the construction contracts. The shipbuilding, offshore engineering, engineering machinery and marine engine building segments were disposed during the period, and information of the disposal is provided in note 13. The comparative figures in the condensed consolidated statement of comprehensive income have been restated to present the results of Disposal Group as discontinued operations. The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2019 and 2018 was as follows:

	Discontinued Operation										Continuing Operation					
	Shipbuilding For the six months ended 30 June		Offshore engineering For the six months ended 30 June		Engineering machinery For the six months ended 30 June		Marine engine buildings For the six months ended 30 June		Sub-total For the six months ended 30 June		Energy exploration and production For the six months ended 30 June		Sub-total For the six months ended 30 June		Total For the six months ended 30 June	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue																
– Revenue from sales of crude oil	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**27,829**	21,807	**27,829**	21,807	**27,829**	21,807
– Revenue from sales of excavators	**-**	–	**-**	–	**15,360**	15,511	**-**	–	**15,360**	15,511	**-**	–	**-**	–	**15,360**	15,511
Segment revenue	**-**	–	**-**	–	**15,360**	15,511	**-**	–	**15,360**	15,511	**27,829**	21,807	**27,829**	21,807	**43,189**	37,318
Segment results	**-**	–	**-**	–	**12,508**	9,706	**-**	–	**12,508**	9,706	**10,458**	8,615	**10,458**	8,615	**22,966**	18,321
Selling and marketing expenses									**-**	–			**(1,274)**	(1,456)	**(1,274)**	(1,456)
General and administrative expenses									**(49,269)**	(345,090)			**(23,852)**	(28,239)	**(73,121)**	(373,329)
Provision for impairments									**-**	–						
Other income									**11,704**	30,222			**299**	–	**12,003**	30,222
Other gains – net									**295,510**	(1,786)			**4,151**	219,237	**299,661**	217,451
Disposal gain									**399,193**	–				–	**399,193**	–
Finance costs – net									**(412,927)**	(824,819)			**(154,693)**	(247,488)	**(567,620)**	(1,072,307)
Profit/(loss) before income tax									**256,719**	(1,131,767)			**(164,911)**	(49,331)	**91,808**	(1,181,098)

During the six months ended 30 June 2019, revenue from continuing operations from the top customer of the energy exploration and production segment amounted to RMB7.3 million (2018: RMB10.3 million), representing 26.3% (2018: 47.2%) of the total revenue from continuing operations.

There are four individual customers contributed more than 10% revenue of the Group's revenue from continuing operations, for the period ended 30 June 2019 (2018: 3 individual customers). The revenue of these customers during the period are RMB7.3 million, RMB6.6 million, RMB5.1 million and RMB4.7 million (2018: RMB10.3 million and RMB5.0 million and RMB4.9 million respectively) respectively.

During the six months ended 30 June 2019, revenue from the top customer of the shipbuilding segment, excluding cancellation of construction contracts, amounted to RMB15.4 million (2018: RMB4.9 million), representing 100% of the total revenue from discontinued operations excluding revenue related to the cancellation of the construction contracts (2018: 31.6%).

Geographically, management considers the operations of shipbuilding, offshore engineering, engineering machinery and marine engine building segments are all located in the PRC while the energy exploration and production segment is located in Kyrgyzstan, with revenue derived from different geographical locations, which is determined by the country in which the customer is located.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Kyrgyzstan	**27,829**	21,807

Geographically, total assets and capital expenditures are allocated based on where the assets are located. For assets under the Energy Exploration and Production segment, which are mainly located in Kyrgyzstan.

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

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
Kyrgyzstan	**788,371**	780,846
Hong Kong	**125**	124
China	**870**	981
	789,366	781,951

5 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Oil properties *RMB'000*	Computer equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2018						
Cost or valuation	326,676	501,259	298	1,061	1,382	830,676
Accumulated depreciation and impairment losses	–	(81,804)	(75)	(488)	(297)	(82,664)
Net book amount	326,676	419,455	223	573	1,085	748,012
For the six months ended 30 June 2019						
Opening net book amount	326,676	419,455	223	573	1,085	748,012
Additions	–	–	–	25	102	127
Disposals	(2,297)	–	(9)	–	–	(2,306)
Depreciation *(Note 9)*	–	(11,997)	(9)	(48)	(101)	(12,155)
Exchange differences	(589)	(887)	–	–	–	(1,476)
Closing net book amount	323,790	406,571	205	550	1,086	732,202
At 30 June 2019						
Cost or valuation	323,790	500,404	289	1,086	1,484	827,053
Accumulated depreciation and impairment losses	–	(93,833)	(84)	(536)	(398)	(94,851)
Net book amount	323,790	406,571	205	550	1,086	732,202

Had the Group's buildings, including buildings under construction, been carried at historical cost less accumulated depreciation and impairment losses, their net book amounts would have been the same as to their revalued amounts.

Please refer to Note 6 for the impairment assessment associated with the property, plant and equipment of the energy exploration and production segment, together with the related intangible assets of the Co-operation Rights as defined below.

6 INTANGIBLE ASSETS

	Total
At 31 December 2018	
Cost	1,678,702
Accumulated amortisation and impairment losses	(9,937)
Net book amount	1,668,765
For the six months ended 30 June 2019	
Opening net book amount	1,668,765
Amortisation *(Note 9)*	(1,359)
Exchange differences	(3,514)
Closing net book amount	1,663,892
At 30 June 2019	
Cost	1,675,846
Accumulated depreciation and impairment losses	(11,954)
Net book amount	1,663,892

The intangible assets represent rights to cooperate with the national oil company of Kyrgyzstan in the operation of the four oilfields ("**Co-operation Rights**"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. As a result, amortisation of RMB1,359,000 has been charged to the profit or loss during the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB1,255,000 based on the units-of-production method.)

During the six months ended 30 June 2019, the development of the energy exploration and production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under the energy exploration and production segment amounting to RMB1,663,892,000 and RMB732,202,000, respectively, the directors have evaluated the recoverable amounts based on value-in-use calculations using pre-tax cash flow projections. Key assumptions are crude oil price of USD58-91 per barrel (31 December 2018: USD58-91 per barrel) and a discount rate of 12% (31 December 2018: 12%).

As a result of the above assessment, the recoverable amounts of the intangible assets and property, plant and equipment under the energy exploration and production segment as estimated by the directors exceeded the carrying amounts of these assets and therefore, the directors are of the opinion that no impairment charge is considered necessary as at 30 June 2019.

7 TRADE RECEIVABLES

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Trade receivables	**3,520**	3,497
Total	**3,520**	3,497

Ageing analysis of trade receivables by invoice date is as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
0-30 days	**3,520**	3,497
Total	**3,520**	3,497

As at 30 June 2019, no trade receivables was past due but not impaired. The ageing analysis of these trade receivables by invoice date is listed above.

The credit terms granted to customers of the Group are generally ranging from 30 to 90 days, accordingly, balances are past due if not settled within the credit period.

The carrying amounts of trade receivables approximate their fair values, and are denominated in US Dollars.

8 TRADE AND OTHER PAYABLES

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Trade payables	**351,343**	362,349
Other payables		
– Third parties	**238,017**	229,654
– Related parties	**29,577**	33,808
Contract liabilities	**68**	120
Accrued expenses		
– Payroll and welfare	**20,777**	22,112
– Interests	**234,480**	165,011
– Exploration costs	**129,789**	132,554
– Professional fees	**10,373**	4,071
Lease liabilities	**200**	–
Other tax-related payables	**2,726**	2,354
Current trade and other payables	**1,017,350**	952,033

Ageing analysis of trade payables by invoice date is as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
0 – 30 days	**77**	2,751
31 – 60 days	**295**	10,613
61 – 90 days	**–**	1,359
Over 90 days	**350,971**	347,626
	351,343	362,349

9 EXPENSES BY NATURE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Agency fees	**–**	429
Amortisation of intangible assets *(Note 6)*	**1,359**	1,255
Auditors' remuneration	**604**	855
Bank charges (include refund guarantee charges)	**60**	17
Depreciation of property, plant and equipment *(Note 5)*	**12,155**	8,930
Employee benefit expenses	**9,206**	7,715
Legal and consultancy fees	**5,613**	12,902
Miscellaneous expenses	**9,893**	7,163
Operating lease payments	**332**	507
Outsourcing and processing costs	**3,275**	3,114
Total cost of sales, selling and marketing expenses, and general and administrative expenses	**42,497**	42,887

10 OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Others	**299**	–

11 OTHER GAINS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Fair value gain on derivative instruments – embedded derivatives in convertible bonds	**4,646**	105,993
Net foreign exchange (losses)/gains	**(495)**	113,244
	4,151	219,237

12 INCOME TAX EXPENSE

No Hong Kong, PRC and Kyrgyzstan profits tax have been provided for during the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil) as the Group had no assessable profit in Hong Kong, PRC and Kyrgyzstan.

Income tax expense is recognised based on management's estimation of the weighted average annual income tax rate expected for the full financial year. Management expected that there is no income tax expense for the six months ended 30 June 2019 since it is not expected to have any tax assessable profit (for the six months ended 30 June 2018: same).

13 DISCONTINUED OPERATIONS

(a) Description

On 9 October 2018, the Company entered into a conditional sale and purchase agreement with the Purchaser to dispose of the Disposal Group at a consideration of HKD1. As at 31 December 2018, assets and liabilities of the Shipbuilding Business were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified held for sale" respectively in the consolidated statement of financial position.

There are certain conditions precedent pursuant to the Disposal, which included, but not limited to, the release or discharge of the Relevant Guarantees. The conditional sale and purchase agreement were approved by the shareholders of the Company.

On 10 March 2019, the Group transferred the Sale Share to the Purchaser. The Disposal Group is reported as discontinued operation in the period up to the Disposal Day. Financial information relating to the discontinued operation for the period up to the date of disposal is set out below.

(b) Financial performance and cashflow information

The financial performance and cashflow information presented are for the period ended 10 March 2019 and the six months ended 30 June 2018.

	10 March 2019	30 June 2018
	RMB'000	*RMB'000*
Revenue	**15,360**	15,511
Cost of sales	**(2,852)**	(5,805)
Gross Profit	**12,508**	9,706
Other gain/(losses) – net	**295,510**	(1,786)
Other income	**11,704**	30,222
Expenses	**(49,269)**	(345,090)
Finance costs – net	**(412,927)**	(824,819)
Loss before income tax	**(142,474)**	(1,131,767)
Income tax expense	**–**	–
Loss from discontinued operations	**(142,474)**	(1,131,767)
Fair value gains on a financial asset at fair value through other comprehensive income	**2,616**	2,692
Total comprehensive loss from discontinued operations	**(139,858)**	(1,129,075)
Net cash inflow/(outflow) from operating activities	**19,489**	(138,815)
Net cash outflow from investing activities	**(32,951)**	(8,940)
Net cash (outflow)/inflow from financing activities	**(500)**	146,577
Net decrease in cash and cash equivalents	**(13,962)**	(1,178)

(c) Gain on disposal of Discontinued Operations

	10 March 2019
	RMB'000
Consideration	–
Carrying value of net liabilities of the Disposal Group	23,520,310
Less: Derecognition of non-controlling interest of the Disposal Group	(599,957)
Less: Transfer of amount due from/to the Disposal Group to Purchase	(15,877,596)
Less: Transaction costs	(16,143)
Gain on disposal	7,026,614
Less: Financial guarantee contracts recognised *(note (i))*	(6,627,421)
Net Gain on disposal	399,193

Note (i): According to the second supplement agreement signed on 3 March 2019, the Purchaser agreed to procure the release or discharge of the relevant guarantees provided by the Company in respect of borrowings owed by the Disposal Group (the "**Relevant Guarantee**") before 29 August 2019. As at 30 June 2019 and the date of this interim report, the exercise of releasing or discharging of the Relevant Guarantee was not yet finalised. Approximately RMB6,627,421,000 of the Disposal Group's financial liabilities remained guaranteed by the Company.

The carrying amounts of assets and liabilities of the Disposal Group as at the Disposal Day were as follows:

	10 March 2019
	RMB'000
Financial assets at fair value through other comprehensive income	**30,323**
Land use right	**3,425,509**
Property, plant and equipment	**14,962,869**
Prepayment for non-current assets	**143**
Inventories	**61,660**
Trade receivables	**4,459**
Other receivables, prepayments and deposits	**3,733,122**
Pledged deposits	**1,772**
Cash and cash equivalents	**38,855**
Total assets	**22,258,712**
Trade and other payables *(note)*	**30,466,991**
Contract liabilities	**39,236**
Borrowings	**15,272,795**
Total liabilities	**45,779,022**
Net liabilities of the discontinued operations	**23,520,310**

Note: Trade and other payables included amounts due to the Group by Disposal Group amounting to RMB15,509.4 million.

(d) Assets and liabilities of disposal group classified held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2018:

	2018
	RMB'000
Assets classified as held for sale	
Financial assets at fair value through other comprehensive income	27,707
Land use right	3,425,755
Property, plant and equipment	14,970,308
Prepayment for non-current assets	153
Inventories	425,884
Trade receivables	4,459
Other receivables, prepayments and deposits	3,558,969
Pledged deposits	1,771
Cash and cash equivalents	13,962
Total assets of the Disposal Group held for sale	22,428,968
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	13,783,523
Advances from related parties	368,959
Contract liabilities	42,900
Borrowings	15,735,828
Total liabilities of the Disposal Group directly associated with assets classified as held for sale	29,931,210

14 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	For the six months ended 30 June	
	2019	2018
	RMB	*RMB*
Loss from continuing operations per share	**(0.04)**	(0.02)
Earnings/(loss) from discontinued operations per share	**0.06**	(0.46)
Earnings/(loss) per share	**0.02**	(0.48)

(b) Dilutive earnings/(loss) per share

Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2019 is calculated by dividing the results to equity holders of the Company by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (30 June 2018: the diluted loss from discontinued operations per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding).

	For the six months ended 30 June 2019
Earnings from discontinuing operations per share in calculating diluted earnings per share *(RMB'000)*	91,630
Weighted average number of ordinary shares in issue	11,415,409,076
Diluted earnings per share (RMB per share)	0.01

Diluted loss from continuing operations per share

Diluted loss from continuing operations per share for the period ended 30 June 2019 is the same as basic loss from continuing operation per share as there were no potential dilutive ordinary shares outstanding (2018: same).

Diluted earnings/(loss) from discontinued operations per share

Diluted earnings from discontinued operations per share for the six months ended 30 June 2019 is calculated by dividing the results from discontinued operations attributable to equity holders of the Company by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (30 June 2018: the diluted loss from discontinued operations per share is the same as basic loss from discontinued operation per share as there were no potential dilutive ordinary shares outstanding).

	For the six months ended 30 June 2019
Earnings from discontinued operations per share in calculating diluted earnings per share *(RMB'000)*	256,719
Weighted average number of ordinary shares in issue	12,368,109,076
Diluted earnings from discontinued operations per share (RMB per share)	0.02

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Basic and diluted earnings/(loss) per share		
Profit/(loss) attributable to equity holders of the Company		
– Continuing operations	**(165,089)**	(48,456)
– Discontinued operations	**256,719**	(1,089,148)
	91,630	(1,137,604)

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

	For the six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**4,409,409,076**	2,347,615,816
Adjustment for calculating diluted earnings per share:		
– Convertible preference shares	**7,006,000,000**	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**11,415,409,076**	2,347,615,816
Weighted average number of ordinary shares used as the denominator in calculating basic earnings from discontinued operations per share	**4,409,409,076**	2,347,615,816
Adjustment for calculating diluted earnings from discontinued operations per share:		
– Convertible preference shares	**7,006,000,000**	–
– Convertible bonds	**952,700,000**	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings from discontinued operations per share	**12,368,109,076**	2,347,615,816

15 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).