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 2020

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 2020 (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 RMB14.3 million, which was primarily attributable to the revenue from sales of crude oil, compared to the revenue of RMB27.8 million for the six months ended 30 June 2019 (the "**Comparative Period**"). Profit attributable to the equity holders of the Company was RMB465.0 million for the Period, while profit attributable to the equity holders of the Company was RMB88.5 million for the Comparative Period.

The increase in profit was mainly driven by the discharge of Relevant Guarantees, offset by the impairment provision for property, plant and equipment and intangible assets in the Period.

The Group's net deficit position was improved during the Period. Compared to 31 December 2019, the net deficit was decreased by RMB478.6 million. It was largely driven by the further discharge of the Relevant Guarantees, offset by the impairment provision for property, plant and equipment and intangible assets in the Period.

Disposal and Relevant Guarantees

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 Company signed the second supplemental agreement on 3 March 2019 regarding the Disposal, pursuant to which (1) the transfer of sale share of Able Diligent Limited (the "**Sale Share**"), the holding company of Disposal Group, to the Purchaser shall take place on or before 31 March 2020; (2) the Purchaser agreed to procure the release or discharge of the relevant guarantees provided by the Company in respect of borrowings owed by the Disposal Group (the "**Relevant Guarantees**"); and (3) the Purchaser agreed to execute a share charge over the Sale Share in favour of the Company.

The Disposal was completed on 10 March 2019 (the "**Disposal Day**") when the Sale Share was transferred to the Purchaser. All the assets and liabilities associated to the Disposal were derecognized on the Disposal Day. The Company signed the third and fourth supplemental agreements on 29 August 2019 and 30 October 2019, respectively. According to the latest supplemental agreements, the Purchaser will procure the release or discharge of the Relevant Guarantees and complete the relevant registration before 31 December 2020.

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.

During the Period, the Company, together with the Purchaser, has successfully discharged the Relevant Guarantees in an amount of approximately RMB1,468.8 million. In particular, the Company has taken the following actions in respect of the discharge of the Relevant Guarantees during the last one and half years:

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

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

Given that the discharging process of banks was time-consuming and procedurally and administratively complicated, particularly given that each bank or lender would have its own internal review procedures as well as approval hierarchy, the Relevant Guarantees could not be fully discharged in 2019 and the Period despite that the above actions had been taken by the Company and the Purchaser. Also, additional time was required for the relevant banks and lenders to conduct their internal risk assessment in respect of the discharging proposals. As the Company is only in the capacity as the guarantor of the Relevant Guarantees, the Company may not always be in the position to negotiate with the relevant banks and lenders concerning certain financial conditions or obligations which they would like to impose on the Purchaser. Such discussions could only be initiated by the Purchaser, and the Company would not have control over the relevant progress and timing.

Nonetheless, both the Company and the Purchaser are committed to procuring the full discharge of the Relevant Guarantees by 2020.

As at the date of this announcement, the Company and/or the Purchaser (as appropriate) has prepared and submitted discharging proposals to the relevant banks and lenders with the aim of discharging the Relevant Guarantees by batches during the course of 2020. Details of the Relevant Guarantees (classified by the Company as Relevant Guarantees A to D for ease of reference) and the expected time for discharging is summarised as follows:

Relevant Guarantees	**Current Status**	**Expected Time of Discharge**
Relevant Guarantees A	• A portion of the Relevant Guarantees A has been discharged as at the date of this announcement • Pending relevant bank's final approval for discharging the remaining outstanding amount	By 30 September 2020
Relevant Guarantees B	Discharging proposal has been submitted to the head office of the relevant bank in September 2019 and currently under internal review	By the fourth quarter of 2020
Relevant Guarantees C	• Auction conducted by the relevant bank in December 2019 to transfer the relevant guaranteed amount to a third-party lender • Relevant Guarantee C discharged in full on 30 June 2020	Fully discharged on 30 June 2020

Relevant Guarantees	Current Status	Expected Time of Discharge
Relevant Guarantees D	Discharging proposal has been submitted to the relevant bank by the Purchaser in July 2018. Discharge progress shall expedite following the settlement of the outstanding bank loan (please refer to the paragraph headed "Repayment of bank loans" in this announcement for further details)	Subject to the settlement of the outstanding bank loans, by the fourth quarter of 2020

As at 30 June 2020 and the date of this announcement, the Relevant Guarantees provided by the Company to the Disposal Group in the process of being discharged or released amounted to RMB5,200.5 million, inclusive of principals and interests. In consideration of such financial guarantees, the Group recognised financial guarantee contracts of RMB5,200.5 million (31 December 2019: RMB6,545.1 million) which will be released upon the releasing or discharging of these Relevant Guarantees.

Details of the Disposal were disclosed in note 18 of the 2019 annual report, and the announcements of the Company dated 9 October 2018, 15 November 2018, 25 December 2018, 4 March 2019, 11 March 2019, and the circular of the Company dated 23 November 2018. Since the beginning of 2020, the Company has further discharged certain part of the Relevant Guarantees and recognised a gain of RMB1,344.6 million in the Period.

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) Repayment of bank loans

The Group had an overdue secured bank borrowing of RMB461,243,000 as at 31 December 2019. It is the intention of the Company to repay such bank loan by utilizing the US dollar facility entered with a shareholder of the Company (the "**Shareholder**") in 2018 (the "**Facility**"). The Facility has a total amount of USD250 million. It is an interest-free and unsecured facility with a maturity date of 31 December 2021. The Company expects to utilise the Facility to repay the outstanding secured bank loan by batches and all such repayments shall be made by the third quarter of 2020. Based on the best knowledge and information available to the Company after having discussed with the Shareholder, the Shareholder is committed to provide the Facility required by the Company to settle the outstanding secured bank loan in full in 2020.

During the Period, the Group has repaid the principal and interest payable of the secured bank loan amounting to approximately RMB126.8 million. As at the date of this announcement, the outstanding bank loan amounted to approximately RMB340.8 million.

(b) Extension of maturity date of promissory notes

As at 30 June 2020, the Company had outstanding promissory notes of RMB2.1 billion (31 December 2019: RMB2.1 billion), including the amount of promissory notes replacing the convertible bonds expired in November 2019.

During 2019 and the Period, the Company has been in continuous discussions and negotiations with the noteholders with the objective of obtaining their agreements to extend the overdue liabilities. Up to the date of this announcement, the Company has already had numerous discussions with each of the promissory noteholders (including the convertible bondholders who subsequently became noteholders as a result of the replacement of the convertible bonds with promissory notes in November 2019) regarding the extension of maturity dates of the promissory notes. Some of the noteholders have indicated their willingness to extend the maturity dates of the promissory notes. As at the date of this announcement, despite that the Company was unable to obtain final consents from all the noteholders for extending the overdue liabilities, several noteholders have agreed in writing to the extension of the maturity date.

The Company is committed to undertaking further discussions and negotiations with noteholders during 2020. The Company has already scheduled further meetings and/or telephone conferences with the noteholders throughout 2020, and seeks to obtain their full consensus by the fourth quarter of 2020.

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

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

Obtaining Financial Resources

To further improve the Group's financing position for its future development, the Group has continued to utilise certain financing arrangements during the Period, mainly being the Facility entered with the Shareholder in 2018. The Facility has a total amount of USD250 million. It is an interest-free and unsecured facility with a maturity date of 31 December 2021. Up to the date of this announcement, the Company has utilised approximately USD105.4 million, mainly for the oilfield development, repayment of remaining debts and general working capital.

The Company also expects to continue to utilise the Facility for its capital expenditure on the Company's Energy Business and for general working capital purpose. As a result of the outbreak of COVID-19, the Group's operations in Kyrgyzstan have been temporarily restricted. Coupled with the current low oil price and stagnant global demand on oil, it is expected that expenditures in the Energy Business would only start to be resumed by the Group in around the fourth quarter of 2020, the earliest. The management of the Group is taking a prudent approach to manage the capital expenditure of the Energy Business and will continue to monitor the development of the oil market in making any capital expenditure decisions.

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

Energy Exploration and Production

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

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

On the exploration front, the Group has drilled a total of 76 wells across the five oilfields zones, including 54 in exploration, and 22 currently being construction-in-progress. The Group has also held a number of appraisal wells for exploration and development.

For the Period, as a result of the outbreak of COVID-19, the Group's operations in Kyrgyzstan have been temporarily restricted. Coupled with the current low oil price and stagnant global demand on oil, it is expected that expenditures in the Energy Business would only start to be resumed by the Group in around the fourth quarter of 2020, the earliest.

For the Period, the Kyrgyzstan Project recorded sales of 73,293 barrels (bbl) of light crude oil (for the Comparative Period: 87,286 bbl). Revenue from the energy exploration and production segment was RMB14.3 million for the Period with a decrease of approximately 48.6% from RMB27.8 million for the Comparative Period.

The decline of revenue in the Period were primarily driven by the decrease in both selling price and sales volume. The management of the Group is foreseeing the segment performance will continued to be restrained by COVID-19, and both the oil price and sales volume will not return to normal pre-COVID-19 level within the next 6 to 12 months.

In response to the collapse in crude prices and demand for refined products, the management of the Group decided to postpone the capital expenditures plan, temporarily reduce production, and implement companywide cost saving measures, with an aim to maintain its financial positions while protecting value in an extended low commodity price environment. However, the Group remains positive with the business model in long term, and the Group is in the view that the new oil well development method shall improve and achieve a better production efficiency on the oil well-drilling operation.

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

On 1 March 2020, a new director, Mr. Niu Jianmin, was appointed as executive director to the board of the Company. Mr. Niu Jianmin has over 30 years of experience in oil and energy industry. He will be playing a leading role in the expansion and development of the Energy Business of the Group.

Impairment provision for Co-operation Rights

As a result of the outbreak of COVID-19, the Group's operations in Kyrgyzstan has been restricted temporarily. Coupled with the current low oil price and stagnant global demand on crude oil, there has been a strong indication of assets impairment in the non-current assets associated with the Group's operations in Kyrgyzstan.

The management of the Group has conducted an impairment assessment to estimate the amount of impairment. The Group has also engaged an external valuer to conduct a full scope valuation on the assets associated with the Group's operations in Kyrgyzstan, concurrently.

As at the date of this announcement, the external valuation exercise is not yet finalized and it is expected to be completed by the end of 2020.

After consulting with the external valuer, the management has made its best accounting estimate and provided an interim impairment provision of RMB670.0 million for the assets associated with the Group's operations in Kyrgyzstan. Please refer to the financial review section for details.

The management of the Group has taken a prudent approach, and will continue working closely with the valuer to finalise the valuation and impairment assessment by the end of 2020.

FINANCIAL REVIEW

Revenue and Gross Profit

For the Period, the Group recorded a revenue and gross profit of RMB14.3 million and RMB3.8 million respectively (for the Comparative Period: RMB27.8 million and RMB10.5 million respectively). The decrease in both revenue and gross profit were primarily attributable to the decrease of both selling price from sales of crude oil and sales volume which represented decrease of approximately 54.1% and 16.0% in revenue respectively.

Selling and Marketing Expenses

For the Period, selling and marketing expenses decreased by approximately 99.9% to RMB2,000 (for the Comparative Period: RMB1.3 million). This was primarily in line with the decline in revenue due to COVID-19, 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 3.6% to RMB23.0 million (for the Comparative Period: RMB23.9 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.

Impairment loss – Property, plant and equipment

For the Period, the Group recorded an impairment loss on property, plant and equipment of RMB13.8 million (for the Comparative Period: nil). This impairment is associated with certain specific oil well assets of the Company that became idle because of mechanical issues.

Impairment loss – Intangible Assets – Co-operation Rights

For the Period, the Group recorded an impairment loss on Co-operation Rights of RMB670 million (for the Comparative Period: nil). This was primarily in line with the oil and gas industry where majority of the players were recognizing impairment due to the significant decline in oil price and the low demand within the market. The management of the Group has engaged an independent valuer to re-assess the underlying fair value of the Co-operation Rights. As at the date of this announcement, the external valuation exercise is not yet finalized and it is expected to be completed by the end of 2020.

After consulting with the external valuer, the management has made its best accounting estimate and provided an interim impairment provision of RMB670 million for the assets associated with the Group's operations in Kyrgyzstan, all of which were applied against the Co-operation Rights within intangible assets.

The management of the Group has taken a prudent approach, and we will continue working closely with the valuer to finalise the valuation, and impairment assessment by the end of 2020.

Other (Losses)/Gains – Net

For the Period, other net losses amounted to RMB6.2 million (for the Comparative Period: net gain RMB4.2 million), and the loss was primarily due to exchange fluctuation associated with other financial assets and liabilities.

Finance Costs – Net

For the Period, the net finance cost increased by approximately 11.3% to RMB176.5 million (for the Comparative Period: RMB154.7 million). The increase was mainly attributable to exchange fluctuation associated with borrowings denominated in other currencies.

Total Comprehensive Income for the Period

During the Period, the Group recorded total comprehensive income of RMB478.6 million (for the Comparative Period: total comprehensive income of RMB87.9 million), of which income attributable to equity holders of the Company was RMB489.3 million (for the Comparative Period: income RMB89.1 million). The improvement on total comprehensive income attributable to the equity holders of the Company was mainly driven by the reduction in Relevant Guarantees, offset by the impairment provision for property, plant and equipment and intangible assets in the Period.

Liquidity and Going Concern

During the Period, the Group recorded a profit of RMB454.5 million and had a net operating cash outflow of approximately RMB9.7 million. As at 30 June 2020, the Group had a total deficit of RMB8,085.0 million and the current liabilities exceeded its current assets by RMB8,922.8 million. As at 30 June 2020, the Group's total current borrowings amounted to RMB2,858.1 million, of which RMB2,858.1 million were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements.

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 Group incurred net foreign exchange losses of approximately RMB6.2 million (for the Comparative Period: loss of RMB0.5 million) due to the fluctuation of RMB again USD and HKD were being consistent during the Period.

Material Acquisitions and Disposals of Investments

The Group did not undertake any material acquisition or disposal of investments during the Period.

Gearing Ratio

The Group's gearing ratio (measured by total borrowings divided by the sum of total borrowings and total deficit) increase from approximately 72.3% as at 31 December 2019 to approximately 82.4% as at 30 June 2020. Affected by the accumulated losses of RMB21,788.9 million as at 30 June 2020 (as at 31 December 2019: RMB22,253.8 million), the total deficit was RMB8,085.0 million as at 30 June 2020 (as at 31 December 2019: RMB8,563.5 million).

Contingent Liabilities

As at 30 June 2020, the Group had contingent liabilities of RMB883.8 million (as at 31 December 2019: RMB853.7 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 2020, the Group had cash and cash equivalents of RMB7.2 million (as at 31 December 2019: RMB42.9 million), of which RMB4.6 million (approximately 63.9%) was denominated in RMB and the remaining RMB2.6 million (approximately 36.1%) 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 2020, the Group had 81 employees (as at 31 December 2019: 93 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

Subsequent to the completion of the Disposal in March 2019, the Group has devoted significant focus on the production and sales of crude oil, with the objective of maintaining sustainable production while minimising production cost. In the meanwhile, the management of the Group has proactively sought opportunities to improve the Group performance.

However, the outbreak of COVID-19 has created greater uncertainty to the global economy, and the Group performance has been disrupted significantly since then. Despite the recent developments in July and August have suggested some signs of improvement within certain regions, the Group management is in the view that COVID-19 shall have a prolonged impact to the demand of crude oil and oil price fluctuation.

Given the Group's Energy business will be operating under pressure in the current low oil price environment and the unpredictable crude market outlook, the Group will continue to be stringent with variable cost and capital expenditure, in order to maintain strong and resilient financial positions through prudent management of debt levels and liquidity across the board.

In response to the collapse in crude prices and in demand for refined products, Group management decided to postpone the capital expenditures plan, temporarily reduce production, and implement companywide cost saving measures, with an aim to maintain its financial positions while protecting value in an extended low commodity price environment. However, the Group remains positive with the business model in long term, and the Group is in the view of the new oil well development method shall improve and achieve a better production efficiency on the oil well-drilling operation.

On the hindsight. the Group has actively pursued into other related opportunities within the energy industry to broaden the revenue source to ease the sole reliance on the oil exploration since the beginning of the year. The Group has established several trading companies in China for energy and mining related products with the objective of creating a new income stream and improve the Group profit margin, in which we have crystalized a number of business development since July 2020 and it is expected to start generating profit by the end of 2020.

The Group is also seeking opportunity and pursuing into oil-and-gas-related storage and logistic projects which shall vertically expand the Group's Energy Business which will provide the Group a platform in a sustainable fashion in the long run.

The Group is also continuing to negotiate with lenders in relation to the extension of existing financial obligations of the Group that will require restructuring. The Group remains positive on the progress and is exploring other initiatives to increase the liquidity of the Group including different financing options.

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

Other than disclosed elsewhere in the announcement, the Group does not have any significant event after the end of reporting period.

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 2020 (six months ended 30 June 2019: Nil).

Publication of Interim Report

The 2020 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, Ms. ZHU Wen Hua and Mr. NIU Jianmin; 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, 28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**591,593**	598,369
Intangible assets	*6*	**1,040,458**	1,686,779
		1,632,051	2,285,148
Current assets			
Inventories		**1,011**	1,717
Trade receivables	*7*	**416**	2,777
Other receivables, prepayments and deposits		**22,194**	16,491
Cash and cash equivalents		**7,247**	42,851
		30,868	63,836
Total assets		**1,662,919**	2,348,984
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**2,021,534**	2,021,534
Convertible preference shares		**3,100,000**	3,100,000
Share premium		**8,374,605**	8,374,605
Other reserves		**235,472**	211,147
Accumulated losses		**(21,788,851)**	(22,253,809)
		(8,057,240)	(8,546,523)
Non-controlling interests		**(27,710)**	(16,982)
Total deficit		**(8,084,950)**	(8,563,505)

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**794,213**	937,125
		794,213	937,125
Current liabilities			
Trade and other payables	*8*	**895,021**	772,802
Borrowings		**2,858,137**	2,657,418
Financial guarantee contracts	*10*	**5,200,498**	6,545,144
		8,953,656	9,975,364
Total liabilities		**9,747,869**	10,912,489
Total deficit and liabilities		**1,662,919**	2,348,984

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited for the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
			(Restated)
Continuing operations			
Revenue			
– Revenue from sales of crude oil	*4*	**14,258**	27,829
Cost of sales			
– Cost of crude oil sold	*9*	**(10,438)**	(17,371)
Gross profit		**3,820**	10,458
Selling and marketing expenses	*9*	**(2)**	(1,274)
General and administrative expenses	*9*	**(22,975)**	(23,852)
Provision for impairment of property, plant and equipment	*5*	**(13,782)**	–
Provision for impairment of intangible assets	*6*	**(670,000)**	–
Other income	*11*	**108**	299
Other (losses)/gains – net	*12*	**(6,167)**	4,151
Operating loss		**(708,998)**	(10,218)
Finance income		**–**	3,841
Finance costs		**(176,461)**	(158,534)
Finance costs – net		**(176,461)**	(154,693)
Loss before income tax		**(885,459)**	(164,911)
Income tax expense	*13*	**(4,650)**	–
Loss for the period from continuing operations		**(890,109)**	(164,911)

	Note	Unaudited for the six months ended 30 June 2020 RMB'000	2019 RMB'000 (Restated)
Discontinued operations			
Loss for the period from discontinued operations		**–**	(443,074)
Net gain on the disposal of discontinued operations		**–**	916,012
Profit for the period arising from discontinued operations		**–**	472,938
Change in provision for financial guarantee contracts	*10*	**1,344,646**	(219,390)
Profit for the period		**454,537**	88,637
Attributable to:			
Equity holders of the Company		**464,958**	88,459
Non-controlling interests		**(10,421)**	178
		454,537	88,637
Profit/(loss) attributable to the equity holders of the Company arise from:			
– Continuing operations		**464,958**	(165,089)
– Discontinued operations		**–**	253,548
		464,958	88,459
Other comprehensive income for the period:			
Items that may be reclassified to profit or loss			
– Fair value gain on a financial asset at fair value through other comprehensive income		**–**	2,616
Other comprehensive income arising from discontinued operations		**–**	2,616
Items that may be reclassified to profit or loss			
– Exchange difference on translation of foreign operations		**24,018**	(3,375)
Other comprehensive income/(loss) for the period, net of tax		**24,018**	(759)
Total comprehensive income for the period		**478,555**	87,878

	Note	Unaudited for the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
			(Restated)
Attributable to:			
Equity holders of the Company		**489,283**	89,050
Non-controlling interests		**(10,728)**	(1,172)
		478,555	87,878
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company arise from:			
– Continuing operations		**489,283**	(164,498)
– Discontinued operations		**–**	253,548
		489,283	89,050
Earnings/(loss) per share for attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic			
– Continuing operations	*14*	**0.04**	(0.01)
– Discontinued operation	*14*	**–**	0.02
Total – Included Discontinued operation		**0.04**	0.01
Diluted			
– Continuing operations	*14*	**0.04**	(0.01)
– Discontinued operation	*14*	**N/A**	N/A

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 28 August 2020.

This condensed consolidated interim financial information has not been audited.

2. PRINCIPLE ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, which was prepared in accordance with International Financial Reporting Standards ("**IFRS**").

2.1 Basis of preparation

The Group recorded a net profit of RMB454,537,000 (2019: net profit of RMB88,637,000) and had an operating cash outflow of RMB9,658,000 (2019: outflow of RMB15,977,000) during the period ended 30 June 2020. As at 30 June 2020, the Group had a deficit of RMB8,084,950,000 (31 December 2019: RMB8,563,505,000) and the Group's current liabilities exceeded its current assets by RMB8,922,788,000 (31 December 2019: RMB9,911,528,000). The Group maintained cash and cash equivalents of RMB7,247,000 (31 December 2019: RMB42,851,000) as at 30 June 2020.

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.

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

Following the completion of the transfer of sale shares, the Group has derecognised the Disposal Group's 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 disposal gain of RMB916,012,000. On 30 October 2019, a supplemental agreement was signed with the Purchaser, such that the share charge over the sale shares in favour of the Company executed by the Purchaser was replaced by a deed of indemnity provided by the Purchaser.

As at 30 June 2020, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB5,200,498,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 30 June 2020.

As at 30 June 2020 borrowings of the Group, amounted to RMB3,652,350,000, out of which RMB2,371,525,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 30 June 2020 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB422,851,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB2,140,089,000 outstanding as at 30 June 2020, out of which approximately RMB826,216,000, RMB788,678,000 and RMB415,791,000 had been overdue since 2017, 2018 and 2019 respectively. The remaining outstanding promissory notes amounting to RMB8,618,000 became immediately repayable pursuant to the cross-default terms under relevant loan agreements, and

(ii) The Group had bank borrowing of RMB340,840,000, which was overdue in accordance with the repayment date of the agreement as at 30 June 2020.

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. During the period ended 30 June 2020, guarantees of RMB1,468,774,000 were discharged while RMB5,200,498,000 are expected to be released in year 2020.

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 RMB2,380,143,000 to take the following actions:

  a) During the period ended 30 June 2020, promissory notes with aggregate principle amount of RMB100,786,000 were successfully extended to maturity date in May 2022. As at 30 June 2020, the outstanding promissory notes amounting to RMB2,030,685,000 were not extended nor repaid upon the schedule repayment dates and thus became overdue, and RMB8,618,000 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements. The Company is in the process of negotiating with these promissory note holders for further arrangements, including the extension of maturity dates and obtaining waiver from the lender for the due payment pursuant to the relevant cross-default terms.

  b) As at 30 June 2020, the Group had bank borrowing of RMB340,840,000 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) As at 30 June 2020, the Group has drawn down USD105,402,000 (equivalent to approximately RMB744,721,000) 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 RMB1,766,375,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment.

v) 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 generating steady operating cash flows.

   As at 30 June 2020, the Group has drawn down RMB9,100,000 in total from the loan agreement, provided by entity controlled by Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to RMB40,000,000 to the Group for the funding in respect of the energy exploration and production segment.

In addition, the Group also entered into a Co-operative Framework Agreement during the year ended 31 December 2018 with an independent third party who agreed to provide materials for the exploration and production of crude oil with an aggregate amount up to USD500,000,000, in exchange for an option to purchase up to 70% of the total crude oil produced by the Group at 92% to 95% of the market price as a form of repayment until all the liabilities are repaid. Such facility has not been utilised up to 30 June 2020.

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 2020. 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 RMB2,039,303,000, together with accrued interests thereon for further arrangement including the extension of the maturity dates;

iv) negotiating with the relevant bank for the renewal or extension for repayments for the bank borrowing of RMB340,840,000 that was overdue as at 30 June 2020;

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

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

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

Should the Group fail to achieve the 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. NEW ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax.

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 these 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, offshore engineering, engineering machinery and marine engine building segments (the "**Disposal Group**") were disposed in 2019. The result of Disposal Group is presented as discontinued operations. The discontinued operation derives its revenue primarily from the construction and sales of vessels, the construction of vessels for marine projects, sales of excavators and building marine engines. The comparative figures in the condensed consolidated statement of comprehensive income have been restated to present the results of Disposal Group. 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. The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2020 and 2019 was as follows:

	For the six months ended 30 June							
	Discontinued operation		Continued operation					
	Sub-total		Energy exploration and production		Sub-total		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue								
– Revenue from sales of crude oil	**–**	–	**14,258**	27,829	**14,258**	27,829	**14,258**	27,829
– Revenue from sales of excavators	**–**	15,360	**–**	–	**–**	–	**–**	15,360
Segment revenue	**–**	15,360	**14,258**	27,829	**14,258**	27,829	**14,258**	43,189
Segment results	**–**	12,508	**3,820**	10,458	**3,820**	10,458	**3,820**	22,966
Selling and marketing expenses	**–**	–	**–**	–	**(2)**	(1,274)	**(2)**	(1,274)
General and administrative expenses	**–**	(349,869)	**–**	–	**(22,975)**	(23,852)	**(22,975)**	(373,721)
Provision for impairments of property, plant and equipment	**–**	–	**–**	–	**(13,782)**	–	**(13,782)**	–
Provision for impairments of intangible assets	**–**	–	**–**	–	**(670,000)**	–	**(670,000)**	–
Other income	**–**	11,704	**–**	–	**108**	299	**108**	12,003
Other (losses)/gains	**–**	295,510	**–**	–	**(6,167)**	4,151	**(6,167)**	299,661
Net gain on disposal	**–**	916,012	**–**	–	**–**	–	**–**	916,012
Finance costs – net	**–**	(412,927)	**–**	–	**(176,461)**	(154,693)	**(176,461)**	(567,620)
Change in provision for financial guarantee contracts	**–**	(219,390)	**–**	–	**1,344,646**	–	**1,344,646**	(219,390)
Profit/(Loss) before income tax	**–**	253,548	**–**	–	**459,187**	(164,911)	**459,187**	88,637

During the six months ended 30 June 2020, revenue from the top customer of the energy exploration and production segment amounted to RMB4.1 million (2019: RMB7.3 million), representing 28.9% (2019: 26.3%) 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 2020 (2019: 4 individual customers). The revenue of these customers during the period are RMB4.1 million, RMB3.4 million, RMB3.1 million, and RMB2.2 million (2019: RMB7.3 million, RMB6.6 million, RMB5.1 million, and RMB4.7 million respectively) respectively.

During the six months ended 30 June 2019, revenue from the top customer of the discontinued operation, excluding cancellation of construction contracts, amounted to RMB15.4 million, representing 100% of the total revenue from discontinued operations excluding revenue related to the cancellation of the construction contracts.

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	
	2020	2019
	RMB'000	*RMB'000*
Kyrgyzstan	**14,258**	27,829

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

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

	30 June	31 December
	2020	2019
	RMB'000	*RMB'000*
Kyrgyzstan	**590,862**	597,514
Hong Kong	**90**	103
China	**641**	752
	591,593	598,369

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 2019						
Cost or valuation	188,671	511,559	309	1,226	2,416	704,181
Accumulated depreciation and impairment losses	(1,381)	(103,150)	(84)	(714)	(483)	(105,812)
Net book amount	187,290	408,409	225	512	1,933	598,369
For the six months ended 30 June 2020						
Opening net book amount	187,290	408,409	225	512	1,933	598,369
Additions	5,620	–	–	7	–	5,627
Disposals	(703)	(414)	–	–	(1,127)	(2,244)
Transfer	(115)	115	–	–	–	–
Depreciation *(Note 9)*	–	(4,780)	(8)	(149)	(177)	(5,114)
Impairment loss *(note)*	(13,782)	–	–	–	–	(13,782)
Exchange differences	2,760	5,952	–	–	25	8,737
Closing net book amount	181,070	409,282	217	370	654	591,593
At 30 June 2020						
Cost or valuation	196,259	506,544	309	1,233	1,321	705,666
Accumulated depreciation and impairment losses	(15,189)	(97,262)	(92)	(863)	(667)	(114,073)
Net book amount	181,070	409,282	217	370	654	591,593

Note: The Company recorded impairment losses on construction in progress for the period ended 30 June 2020. This impairment is associated with certain specific oil well assets of the Company that became idle because of mechanical issues.

Please refer to Note 6 for the impairment assessment associated with the impairment provision associated with the energy exploration and production segment.

6. INTANGIBLE ASSETS

	Total
	RMB'000
At 31 December 2019	
Cost	1,699,373
Accumulated amortisation and impairment losses	(12,594)
Net book amount	1,686,779
For the six months ended 30 June 2020	
Opening net book amount	1,686,779
Amortisation *(Note 9)*	(1,096)
Provision of impairment *(note)*	(670,000)
Exchange differences	24,775
Closing net book amount	1,040,458
At 30 June 2020	
Cost	1,724,341
Accumulated depreciation and impairment losses	(683,883)
Net book amount	1,040,458

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 RMB1,096,000 has been charged to the profit or loss during the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB1,359,000 based on the units-of-production method.)

Note: During the six months ended 30 June 2020, the production and development of the energy exploration and production segment has been limited due to the outbreak of COVID 19, which has caused significant decrease in both oil price and demand. Both factors have indicated an impairment for the underlying assets.

The management of the Group has engaged an independent valuer to re-assess the underlying fair value of exploration the rights. As at the date of this interim financial information, the external valuation is not yet finalized and it is expected to be completed by the end of 2020.

The management of the Group has also done its own assessment of the impairment. As a result of the assessment, the management of the Group considered the recoverable amounts of the intangible assets and property, plant and equipment under the energy exploration and production segment was lower than their carrying amounts. The management of the Group are of the opinion that impairment provision is required. In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under the energy exploration and production segment, the management of the Group have evaluated the recoverable amounts based on the comparison of the fair value less costs of disposal versus value in use. Key assumptions used include crude oil price of USD35-55 per barrel (31 December 2019: USD48-65 per barrel) and a discount rate of 15% (31 December 2019: 11.5%). As a result, the Group has recognised an interim provision of impairment of RMB670,000,000 as at 30 June 2020, all of which were applied against the Co-operation Rights.

The management of the Group will continue working closely with the valuer to finalise the valuation and impairment assessment by the end of 2020.

7. TRADE RECEIVABLES

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Trade receivables	**416**	2,777
Total	**416**	2,777

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

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
0 – 30 days	**–**	384
31 – 60 days	**1,762**	657
61 – 90 days	**–**	51
Over 90 days	**1,134**	1,685
Total	**2,896**	2,777
Provision for doubtful debts	**(2,480)**	–
	416	2,777

As at 30 June 2020, RMB2,480,000 trade receivables was past due and provision for doubtful debts have been provided for 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 Dollar.

8. TRADE AND OTHER PAYABLE

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Trade payables	**285,146**	276,829
Other payables		
– Third parties	**65,099**	81,507
– Related parties	**42,246**	30,866
Contract liabilities	**–**	63
Accrued expenses		
– Payroll and welfare	**22,741**	21,606
– Interests	**422,851**	322,367
– Custodian fee	**26,521**	26,096
– Other	**15,653**	7,127
Other tax-related payables	**14,764**	6,341
Current trade and other payables	**895,021**	772,802

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

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
0 – 30 days	**368**	28
31 – 60 days	**38**	1
61 – 90 days	**–**	14
Over 90 days	**284,740**	276,786
	285,146	276,829

9. EXPENSES BY NATURE

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Amortisation of intangible assets *(Note 6)*	**1,096**	1,359
Auditors' remuneration	**908**	604
Bank charges (including refund guarantee charges)	**77**	60
Depreciation of property, plant and equipment *(Note 5)*	**5,114**	12,155
Provision for doubtful debts *(Note 7)*	**2,480**	–
Employee benefit expenses	**8,341**	9,206
Legal and consultancy fees	**5,113**	5,613
Operating lease payments	**310**	332
Outsourcing and processing costs	**3,517**	3,275
Miscellaneous expenses	**6,459**	9,893
Total cost of sales, selling and marketing expenses, general and administrative expenses	**33,415**	42,497

10. FINANCIAL GUARANTEE CONTRACTS

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Financial guarantee contracts *(note)*	**5,200,498**	6,545,144
	5,200,498	6,545,144

The Group has provided guarantees to certain financial institutions in the PRC in respect of borrowings of the Disposal Group. Under the financial guarantee contracts, the Company is required to make payments to the financial institutions should the Disposal Group default on the borrowing. As at 30 June 2020, the total value of the guaranteed borrowings outstanding was RMB5,200,498,000 (31 December 2019: RMB6,545,144,000). Despite the risk of such guarantee to be exercised by the financial institution considered to be low, the Group has recognised financial guarantee contracts of RMB5,200,498,000 considered the maximum exposure according to the contractual obligation. Both the guarantee and provision shall release upon the completion of the transfer and discharging of the relevant guarantee.

As at 30 June 2020, the change in provision for financial guarantee contracts of RMB1,344,646,000 (31 December 2019: RMB13,333,000) mainly represents the accrual of interest expenses on the outstanding guaranteed borrowings of RMB124,128,000 since the date of disposal and the release of the principal and accrued interested expenses of a guaranteed borrowing of RMB1,468,774,000.

11. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Others	**108**	299

12. OTHER (LOSSES)/GAINS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Fair value gain on derivative instruments – embedded derivatives in convertible bonds	**–**	4,646
Net foreign exchange losses	**(6,167)**	(495)
Total	**(6,167)**	4,151

13. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax charge		
Hong Kong	**–**	–
Outside Hong Kong	**4,650**	–
	4,650	–

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2019 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

Income tax expenses are provided for under-provision in prior year.

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	
	2020	2019
	RMB	*RMB*
Earnings/(loss) from continuing operations per share	**0.04**	(0.01)
Earnings from discontinued operations per share	**–**	0.02
Earnings/(loss) per share	**0.04**	0.01

(b) Dilutive earnings/(loss) per share

Diluted earnings/loss from continuing operations per share

Diluted earnings/loss from continuing operations per share for the periods ended 30 June 2020 and 2019 are the same as basic earnings/loss for continuing operations per share as the potential dilutive ordinary shares were not included in the calculation of diluted earnings/loss per share as their inclusion would be anti-dilutive.

Diluted earnings from discontinued operations per share

For the period ended 30 June 2019, since there is earnings/loss from continuing operations per share, no dilutive impact from discontinued operations is presented.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Basic and diluted earnings/(loss) per share		
Profit/(loss) attributable to equity holders of the Company		
– Continuing operations	**464,958**	(165,089)
– Discontinued operations	**–**	253,548
	464,958	88,459

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

	For the six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**4,770,491,507**	4,409,409,076
Adjustment for calculating diluted earnings per share:		
– Convertible preference shares	**7,006,000,000**	7,006,000,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**11,776,491,507**	11,415,409,076

15. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).