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 2022

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 2022 (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

BUSINESS REVIEW

For the six months ended 30 June 2022, the Group recorded a revenue of RMB50.9 million, compared to the revenue of RMB135.4 million for the six months ended 30 June 2021 (the "**Comparative Period**"). The Group generated a gross profit of RMB25.2 million (for the Comparative Period: RMB22.9 million) from the oil exploration business, as well as the oil storage business and trading business.

Loss attributable to the equity holders of the Company was RMB381.0 million for the Period, while loss attributable to the equity holders of the Company was RMB82.8 million for the Comparative Period. The increase of loss attributable to equity holders of the Company was mainly driven by the currency exchange fluctuation. The Group recorded a net foreign exchange loss of RMB189.8 million during the Period, which was mainly caused by the significant appreciation of borrowings denominated in USD and Hong Kong dollar. This is compared with a foreign exchange gain of the Group of RMB27.2 million for the Comparative Period.

In addition, for the Period the imputed interest expense for interest-free loan amounted to RMB10.4 million (for the Comparative Period: imputed interest income RMB64.9 million), and the interest expenses were approximately RMB102.4 million (for the Comparative Period: RMB92.6 million).

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 Limited (the "**Listing Rules**"). An extraordinary general meeting of the Company was held on 13 December 2018 in which the Disposal was approved by the shareholders.

The Company signed the second supplemental agreement (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 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 of Able Diligent Limited (the "**Sale Share**") was transferred to the Purchaser. All the assets and liabilities associated to the Disposal, except the financial guarantee contract as mentioned hereafter, were derecognized on the Disposal Day. The Company signed the third, fourth, fifth and sixth supplemental agreements on 29 August 2019, 30 October 2019, 25 March 2021 and 25 March 2022, respectively. According to the latest supplemental agreements, the Purchaser will procure the discharge or release the Relevant Guarantees and complete the relevant registration before 31 December 2023.

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.

From the Disposal Day till 30 June 2022, financial guarantees of approximately RMB2,210,636,000 had been discharged, representing 37.17% of the total financial guarantees as at the Disposal Day.

Despite there is no Relevant Guarantees discharged during the Period, the Company has taken the following actions in respect of the discharge of the Relevant Guarantees during the last two and a half years:

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

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

(iii) the Company is also maintaining its relationship with the banks and the lenders of the Disposal Group.

The Company and/or the Purchaser (as appropriate) have prepared and submitted discharging proposals to the relevant banks and lenders since 2018, with an initial goal of discharging the Relevant Guarantees in batches by 2020. However, despite that the above actions had been taken by the Company and the Purchaser, the Relevant Guarantees could not be fully discharged in 2020, 2021 and first half of 2022 because of (1) the ongoing distraction and suspension of business caused by the novel coronavirus pneumonia (the "**COVID-19**") throughout 2020 and 2021; (2) outbreaks of more contagious COVID-19 variants and lockdown in major cities in Mainland China in the first half of 2022; and (3) the fact that the discharging process of banks was timeconsuming and procedurally and administratively complicated, particularly given that each bank or lender would have its own internal review procedures as well as approval hierarchy. As the discharging progressed further, additional time was required for the relevant banks and lenders to conduct their internal risk assessment in respect of the discharging proposals. As the Company is only in the capacity as the guarantor of the Relevant Guarantees, the Company may not always be in the position to negotiate with the relevant banks and lenders concerning certain financial conditions or obligations which would be imposed on the Purchaser. Such discussions could only be initiated by the Purchaser, and the Company would not have control over the relevant progress and timing.

Nonetheless, both the Company and the Purchaser are committed to procuring the full discharge of the Relevant Guarantees by the end of 2022.

As at the date of this announcement, the latest status of the Relevant Guarantees (classified by the Company as Relevant Guarantees A to D for ease of reference) and the expected time for discharging are summarized as follows:

Relevant Guarantees	31 December 2021 Status	Current Status	Expected Time of Discharge
Relevant Guarantees A	Relevant Guarantee A discharged in full on 30 September 2020.	—	—
Relevant Guarantees B	The discharging proposal was approved by the relevant division by the end of 2020. The relevant bank has completed the disposal provision process.	The relevant bank is remaining at the finalization stage.	By the end of 2022
Relevant Guarantees C	Relevant Guarantee C discharged in full on 30 June 2020.	—	—
Relevant Guarantees D	The relevant bank has transferred the creditor's right to an independent financial institution in December 2021. The transferee has commenced the guarantor discharging process.	The Purchaser is negotiating a debt restructuring deal with the relevant financial institutions.	By the end of 2022

As at 30 June 2022, the Relevant Guarantees provided by the Company to the Disposal Group in the process of being discharged or released amounted to RMB5,730.1 million, inclusive of principals and interests (31 December 2021: RMB5,634.0 million). In consideration of such financial guarantees, the Group recognized financial guarantee contracts of RMB4,790.3 million (31 December 2021: RMB4,709.0 million) which will be released upon the releasing or discharging of these Relevant Guarantees.

Details of the Disposal were disclosed in note 18 of the 2019 annual report, and the announcements of the Company dated 9 October 2018, 15 November 2018, 25 December 2018, 4 March 2019, 11 March 2019, and the circular of the Company dated 23 November 2018.

Debt Restructuring

Together with the Disposal, the Group has also conducted and executed a series of debt restructuring arrangements with an aim to ease the financial burden of the Group. The lenders have been supportive in general to the Group and the overall situation has been consistently improving.

(a) Repayment of a secured bank loan

The secured loan was secured by certain assets of the Disposal Group, and the Group has bundled the settlement of the loan in together with Relevant Guarantees D. This loan was a secured bank loan and has been transferred to an independent financial institution in December 2021.

The management of the Group still consider that it is better to bundle the repayment of this borrowing with the discharge of the Relevant Guarantees D. At the beginning of 2022, the management of the Group has commenced discussion with the transferee for the potential renewal or extension for repayments. At the same time, it is the intention of the Company to repay such secured 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 30 December 2023. 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 end of 2022. Based on the best knowledge and information available to the Company after having discussed with the Shareholder, the Shareholder is committed to providing the Facility required by the Company to settle the outstanding secured bank loan in full in 2022.

(b) Extension of maturity date of promissory notes

As at 30 June 2022, the Company had outstanding promissory notes of RMB2.3 billion (31 December 2021: RMB2.2 billion).

The Company has been in continuous discussions and negotiations with the promissory noteholders with the objective of obtaining their agreements to extend the overdue liabilities during the Period. The management of the Company has taken a proactive approach and had numerous discussions with all the promissory noteholders regarding the extension of maturity dates of the promissory notes. By 30 June 2022, the maturity date of promissory notes with aggregated principal amount of RMB1,029.1 million were successfully extended to June 2024.

Despite the remaining noteholders have not yet granted the final consents to the Company for extending the maturity of the remaining liabilities, the Company has been proactively negotiating the an extension of the maturity dates of the promissory notes with these noteholders. These negotiations were not finalized as at 30 June 2022 as certain commercial terms are remaining in discussion and finalization.

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

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

Obtaining Financial Resources

To further improve the Group's financing position for its future development, the Group has continued to utilise certain financing arrangements during the Period, mainly being the Facility entered with a shareholder in 2018. The Facility has a total amount of USD250.0 million. It is an interest-free and unsecured facility with an initial maturity date of 31 December 2023. Up to 30 June 2022, the Company had utilised approximately USD126.3 million, mainly for the oilfield development, repayment of remaining debts and general working capital.

The Company also expects to continue utilising the Facility for its repayment of debts, its capital expenditure on the Company's Energy Business and for general working capital purpose. Coupled with the outbreak of the Russo-Ukrainian war in late February 2022, the unpredictable market price in Kyrgyzstan, and global demand on refined products, it is expected that expenditures in the Energy Business would only start to be resumed by the Group by 2024, the earliest. The management of the Group is taking a prudent approach to manage the capital expenditure of the Energy Business and will continue to monitor the development of the oil market in making any capital expenditure decisions.

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

Energy Exploration and Production

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

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

On the exploration front, the Group has drilled a total of 78 wells across the five oilfields zones, including 67 in exploration, and 11 currently being construction-in-progress. The Group has also held a number of appraisal wells for exploration and development. As at 30 June 2022, 67 wells were at production (31 December 2021: 69 wells).

For the Period, the Kyrgyzstan Project recorded sales of 57,996 barrels (bbl) (for the Comparative Period: 64,769 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB23.5 million for the Period with a steady increase by approximately 69.9% from RMB13.8 million for the Comparative Period.

The increment of revenue in the Period was primarily driven by the increase in international oil prices. Due to the Russia-Ukraine conflict and a severely strained Sino-US relationship, the demand of the international refined oil market kept increasing from January to June. Even though the local oil price rose in the short run, the management of the Group is foreseeing that the oil exploration performance will continue to be restrained by COVID-19.

In response to the changing and complex market of refined products, the management of the Group decided to postpone the capital expenditures plan and strictly implement company-wide cost-saving measures, with an aim to maintain its financial position while protecting value in a volatile market environment. The Group has been implementing a new oil well development method which had been proved to improve and achieve a better production efficiency in the oil welldrilling operation. The Group remains positive with the business model in long term.

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

Oil Storage

The Group has acquired approximately 50.46% of the equity interest of Nantong Zhuosheng Petrochemical Co., Ltd. ("**Nantong Zhuosheng**"). Nantong Zhuosheng is principally engaged in provision of tank storage, and associated services for fuel oil and its related products in the PRC. It has (i) 37 storage tanks with total volume of 242,000 cubic meters; (ii) land and buildings with land area of 412,120 square meters and gross floor area of 6,156.27 square meters, respectively; (iii) certain shoreline rights; and (iv) a bare land with total area of 33,334.19 square meters.

Nantong Zhuosheng possesses the facility, capacity and expertise in the provision of oil storage services. The Board believes that the Group can accumulate sufficient experience in the operation and management in this area, and further expand its business presence within the oil sector after acquiring Nantong Zhuosheng. This acquisition also reflected the Group's strategy of investing in oil-and-gas-related storage and logistic projects, which would enable the Group to expand its energy business vertically.

For the Period, Nantong Zhuosheng has generated revenue of RMB24.1 million, with a slight decreased by approximately 8% from RMB26.2 million for the Comparative Period.

FINANCIAL REVIEW

Revenue and Gross Profit

For the Period, the Group recorded a revenue and gross profit of RMB50.9 million and RMB25.2 million respectively (for the Comparative Period: RMB135.4 million and RMB22.9 million respectively). The decrease in revenue was primarily attributable to: (1) a sharp decrease of approximately 97% in revenue from trading business in the first half of 2022 as compared to that of RMB95.2 million for the Comparative Period due to the implementation of control and lockdown measures to combat the Covid-19 outbreak in Shanghai city; (2) a slight decline of storage revenue by approximately 8% to RMB24.1 million, which was resulted from the Covid-19 pandemic outbreak nationwide. Whilst the sales of crude oil business showed a steady increase compared to the Comparative Period, it generated revenue of RMB23.5 million and gross profit of RMB12.2 million.

General and Administrative Expenses

For the Period, general and administrative expenses decreased by approximately 27.3% to RMB13.8 million (for the Comparative Period: RMB19.0 million). This was mainly attributable to the reduction of legal and professional fees, as well as the implementation of cost control measures in the existing businesses.

Other (Losses)/Gains — Net

For the Period, other net loss amounted to RMB3.2 million (for the Comparative Period: net gain RMB12.0 million), was primarily due to currency exchange fluctuation.

Finance Costs — Net

For the Period, the net finance cost increased by approximately 2,277.5% to RMB299.5 million (for the Comparative Period: RMB12.6 million). The increase was mainly attributable to the significant appreciation of borrowings denominated in USD and Hong Kong Dollar.

Total Comprehensive Loss for the Period

During the Period, the Group recorded total comprehensive loss of RMB355.8 million (for the Comparative Period: RMB87.0 million), of which total comprehensive loss attributable to equity holders of the Company was RMB362.8 million (for the Comparative Period: RMB89.9 million). The rise of total comprehensive loss for the Period was mainly driven by currency exchange fluctuation. The Group recorded a net foreign exchange loss of RMB189.8 million during the six months ended 30 June 2022, which was mainly due to the appreciation of borrowings denominated in USD and Hong Kong dollars. This is compared with a foreign exchange gain of the Group of RMB27.2 million for the six months ended 30 June 2021.

Liquidity and Going Concern

During the Period, the Group recorded a loss of RMB374.1 million and had a net operating cash inflow of approximately RMB18.2 million. As at 30 June 2022, the Group had a total deficit of RMB8,248.9 million and the current liabilities exceeded its current assets by RMB7,327.1 million. As at 30 June 2022, the Group's total current borrowings amounting to RMB1,530.3 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.

Borrowings

The Group's short-term borrowings increased by RMB112.9 million from RMB1,417.4 million as at 31 December 2021 to RMB1,530.3 million as at 30 June 2022, and the Group's long-term borrowings increased by RMB56.5 million from RMB2,162.7 million as at 31 December 2021 to RMB2,219.2 million as at 30 June 2022.

As at 30 June 2022, our total borrowings were RMB3,749.5 million (as at 31 December 2021: RMB3,580.1 million), of which RMB128.5 million (approximately 3.4%) was denominated in RMB (as at 31 December 2021: RMB124.1 million (approximately 3.5%)) and the remaining RMB3,621.0 million (approximately 96.6%) was denominated in other currencies such as USD and HKD (as at 31 December 2021: RMB3,456.0 million (approximately 96.5%)).

Foreign Exchange Risks

The Group incurred net foreign exchange loss of approximately RMB189.8 million (for the Comparative Period: gain of RMB27.2 million) due to the fluctuation of RMB against USD and HKD during the Period.

Material Acquisitions and Disposals of Subsidiaries

The Group did not undertake any material acquisitions or disposals of subsidiaries during the Period.

Gearing Ratio

Our gearing ratio (measured by total borrowings divided by the sum of total borrowings and total deficit) increased from approximately 83.0% as at 31 December 2021 to approximately 83.3% as at 30 June 2022. Affected by the accumulated losses of RMB22,031.9 million as at 30 June 2022 (as at 31 December 2021: RMB21,650.9 million), the total deficit was RMB8,248.9 million as at 30 June 2022 (as at 31 December 2021: RMB7,893.1 million).

Contingent Liabilities

As at 30 June 2022, the Group had contingent liabilities of RMB939.8 million (as at 31 December 2021: RMB925.0 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 2022, the Group had cash and cash equivalents of RMB18.7 million (as at 31 December 2021: RMB23.9 million), of which RMB3.6 million (approximately 19.2%) was denominated in RMB and the remaining RMB15.1 million (approximately 80.8%) 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 2022, the Group had 153 employees (as at 31 December 2021: 158 employees). 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.

PROSPECTS

In the first half of 2022, the Group continued to focus on the following key strategies to keep the benign development trend: (i) grasp market opportunities and expand steadily the energy exploration business; and (ii) retain sustainable and consistent the oil storage and trading business. Meanwhile, the Group conducted a series of active discussions with lenders on debt restructuring and extend a considerable number of debts. Upon the improvement of liability structure, the management of the Group believes that it will have a healthy financial position and sustainable cashflow for operation and development.

As the uncertainties due to the Russia-Ukraine conflict and a severely strained Sino-US relationship, as well as the global supply chain disruptions caused by the outbreak of COVID-19 pandemic, the Group is of the view that the operation of the oil exploration sector is facing a more volatile and challenging market environment. To address these challenges, the Group will constantly implement company-wide cost-saving measures and the conservative operational management approach to provide sufficient liquidity for the sector. In long term, the Group remains positive about the business mode, and the Group is committed to the development of the new oil well exploration method to achieve better production efficiency in the oil well-drilling operation.

The trading sector was operating under the dual pressure of the outbreak of COVID-19 pandemic and tighter governmental supervision of VAT invoices. In the first half of 2022, the COVID-19 pandemic circulated in the major cities of Mainland China, especially in Shanghai which is the principal place of trading business of the Group. To contain the pace of infection and protect public health, the government introduced intermittent lockdowns and control measures in major cities which experienced week-long lockdowns consequently. During the lockdown period, business activities were broadly curtailed, hence trading business of the Group was terminated temporally and the progress of the discharge of the Relevant Guarantee was delayed. The management of the Group is actively shifting business ideas, with the objective of seeking a new business model through the synergies brought in by Nantong Zhuosheng and improving the Group profit margin.

As a result of the successful acquisition, the Nantong Zhuosheng has operated smoothly and brought in significant positive impact instantly in such a complex and changeful. With the growing middle class, as well as the continuing growth of the population and potential economic growth, it is expected that the demand for oil storage remains strong in PRC and the oil storage business will continue to bring in consistent income and profit to the Group.

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 Listing Rules apart from the deviations set out below.

Code provision C.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 C.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 2022 (six months ended 30 June 2021: Nil).

Publication of Interim Report

The 2022 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 of the Company are Mr. WANG Jin Lian, Ms. ZHOU Zhan and Mr. LAM Cheung Mau.

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

Hong Kong, 29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	**As at 30 June 2022** *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**366,982**	363,294
Right-of-use assets	*6*	**210,336**	213,468
Intangible assets	*7*	**731,870**	694,588
Goodwill	*7*	**33,347**	33,347
Prepayments		**13,095**	13,143
		1,355,630	1,317,840
Current assets			
Inventories		**4,920**	4,305
Trade receivables	*8*	**4,181**	11,924
Other receivables, prepayments and deposits		**22,139**	23,757
Cash and cash equivalents		**18,677**	23,883
		49,917	63,869
Total assets		**1,405,547**	1,381,709
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		**103,574**	85,449
Accumulated losses		**(22,031,908)**	(21,650,940)
		(8,432,195)	(8,069,352)
Non-controlling interests		**183,272**	176,238
Total deficit		**(8,248,923)**	(7,893,114)

	Note	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**2,219,186**	2,162,674
Deferred tax liabilities		**58,282**	60,013
		2,277,468	2,222,687
Current liabilities			
Trade and other payables	*9*	**1,056,379**	925,672
Borrowings	*10*	**1,530,289**	1,417,415
Financial guarantee contracts	*12*	**4,790,334**	4,709,049
		7,377,002	7,052,136
Total liabilities		**9,654,470**	9,274,823
Total deficit and liabilities		**1,405,547**	1,381,709

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited for the six months ended 30 June	
	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*4*	**50,918**	135,350
Cost of sales	*11*	**(25,697)**	(112,454)
Gross profit		**25,221**	22,896
Other income		**64**	2,072
Selling and marketing expenses	*11*	**(721)**	—
General and administrative expenses	*11*	**(13,826)**	(19,026)
Other (losses)/gains — net		**(3,154)**	12,037
Operating profit		**7,584**	17,979
Finance income	*13*	**—**	64,878
Finance costs	*13*	**(299,467)**	(77,474)
Finance costs — net		**(299,467)**	(12,596)
Change in provision for financial guarantee contracts	*12*	**(81,285)**	(81,427)
Loss before income tax		**(373,168)**	(76,044)
Income tax expense	*14*	**(977)**	(4,212)
Loss for the Period		**(374,145)**	(80,256)

	Note	Unaudited for the six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
(Loss)/profit attributable to:			
Equity holders of the Company		**(380,968)**	(82,781)
Non-controlling interests		**6,823**	2,525
		(374,145)	(80,256)
Other comprehensive income/(loss) for the Period:			
Items that may be reclassified to profit or loss			
— Exchange difference on translation of foreign operations		**18,336**	(6,719)
Other comprehensive income/(loss) for the Period, net of tax		**18,336**	(6,719)
Total comprehensive loss for the Period		**(355,809)**	(86,975)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(362,843)**	(89,866)
Non-controlling interests		**7,034**	2,891
		(355,809)	(86,975)

		Unaudited for the six months ended 30 June	
	Note	**2022**	2021
Loss per share for attributable to the equity holders of the Company during the Period (expressed in RMB per share)			
Basic	*15*	**(0.03)**	(0.01)
Diluted	*15*	**(0.03)**	(0.01)

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, and oil storage.

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 2022.

This condensed consolidated interim financial information has not been audited.

2. PRINCIPAL ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2022 (the "**Period**") 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 2021, which was prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Application of amendments to IFRS Standards

During the six months ended 30 June 2022, the Group has applied the following amendments to IFRS Standards issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's unaudited condensed interim consolidated financial statements:

Annual Improvement Projects	Annual Improvements 2018–2020 Cycle
IAS 16 (Amendments)	Proceeds before Intended Use
IAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
IFRS 3 (Amendments)	Reference to the Conceptual Framework

The application of the amendments to IFRS Standards during the six months ended 30 June 2022 has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed interim consolidated financial statements.

2.1 Basis of preparation

The Group recorded a net loss of RMB374,145,000 (2021: RMB80,256,000) and had an operating cash inflow of RMB18,190,000 (2021: outflow of RMB9,243,000) during the period ended 30 June 2022. As at 30 June 2022, the Group had a deficit of RMB8,248,923,000 (31 December 2021: RMB7,893,114,000) and the Group's current liabilities exceeded its current assets by RMB7,327,085,000 (31 December 2021: RMB6,988,267,000). The Group maintained cash and cash equivalents of RMB18,677,000 as at 30 June 2022 (31 December 2021: RMB23,883,000).

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 shares in favour of the Company. On 10 March 2019, the Group transferred the sale shares of Able Diligent Limited to the Purchaser.

On 30 October 2019, a supplemental agreement was signed with the Purchaser, such that the share charge over the sale shares in favour of the Company executed by the Purchaser was replaced by a deed of indemnity provided by the Purchaser.

As at 30 June 2022, financial guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB4,790,334,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 30 June 2022.

As at 30 June 2022, borrowings of the Group amounted to RMB3,749,475,000, out of which RMB1,475,243,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 30 June 2022 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB551,668,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB2,310,304,000 outstanding as at 30 June 2022, out of which approximately RMB247,182,000, RMB11,097,000 and RMB835,013,000 had been overdue since 2020, 2021 and 30 June 2022. The remaining outstanding promissory notes amounting to RMB8,618,000 became immediately repayable pursuant to the cross-default terms under relevant loan agreements;

(ii) The Group had other borrowings with an aggregate principal amount of RMB1,116,054,000 outstanding as at 30 June 2022, out of which approximately RMB44,877,000 had been overdue since 2020; and

(iii) The Group had secured borrowings of RMB323,117,000, which was overdue in accordance with the repayment date of the agreement as at 30 June 2022.

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 condensed consolidated interim financial information, taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group, to refinance its operation and to restructure its debts:

i) The Group has been actively negotiating with the relevant banks and lenders of the Disposal Group to release or discharge the Relevant Guarantees. Since the date of Disposal till 30 June 2022, guarantees of RMB2,210,636,000 had been discharged while RMB4,790,334,000 are expected to be released in year 2022.

ii) The Group has also been actively negotiating with the relevant financial institution and lenders regarding the borrowings of RMB1,461,287,000 to take the following actions:

   a) During the six months ended 30 June 2022, the maturity date of promissory notes with aggregate principal amount of RMB1,029,113,000 were successfully extended to June 2024. As at 30 June 2022, the outstanding promissory notes amounting to RMB1,093,293,000 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 2022, the Group had other borrowings of RMB44,877,000 which was overdue. The Group is in the process of negotiating with the relevant lender for extension of repayment and renewal of such borrowings.

   c) As at 30 June 2022, the Group had secured borrowings of RMB323,117,000 which was overdue. The Group is in the process of negotiating with the relevant financial institution for extension of repayment and renewal of such borrowings.

iii) As at 30 June 2022, the Group has drawn down USD123,652,000 (equivalent to approximately RMB828,234,000) 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 RMB1,674,525,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment. As at 30 June 2022, the carrying amount is RMB734,869,000 and it is payable by 31 December 2023.

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

As at 30 June 2022, the Group has drawn down RMB9,560,000 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.

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 2022.

v) The Group has further expanded its business presence within the oil sector through the acquisition of Nantong Zhuosheng which completed in January 2021. Nantong Zhuosheng possesses the facility, capacity and expertise in the provision of oil storage services. The management expects by acquiring Nantong Zhuosheng shall reflect the Group's strategy of investing in oil-and-gas-related storage and logistic projects, which shall enable the Group to expand its energy business vertically.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 30 June 2022. 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 condensed consolidated interim financial information 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 RMB2,310,304,000, together with accrued interests thereon for further arrangement including the extension of the maturity dates;

iv) negotiating with the relevant lender for the renewal or extension for repayments for the other borrowings of RMB44,877,000 that was overdue as at 30 June 2022;

v) negotiating with the relevant financial institution for the renewal or extension for repayments for the secured borrowings of RMB323,117,000 that was overdue as at 30 June 2022;

vi) 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;

vii) implementing a business plan for its energy exploration and production segment as well as the oil storage and trading segment to generate cash inflows; and

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

Should the Group fail to achieve the 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 condensed consolidated interim financial information.

3. NEW ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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 group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

1) Energy exploration and production: this segment derive its revenue from sales of crude oil in Kyrgyzstan.

2) Oil storage and trading: this segment derive its revenue from a) renting its capacity in the provision of oil storage services; and b) trading the relevant commodities in China.

The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2022 and 2021 was as follows:

	For the six months ended 30 June					
	Oil Storage and trading		Energy exploration and production		Total	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
— Revenue from sales of crude oil	**–**	–	**23,536**	13,852	**23,536**	13,852
— Revenue from trading	**3,283**	95,251	**–**	–	**3,283**	95,251
— Revenue from oil storage	**24,099**	26,247	**–**	–	**24,099**	26,247
Segment revenue	**27,382**	121,498	**23,536**	13,852	**50,918**	135,350
Segment results	**12,983**	17,528	**12,238**	5,368	**25,221**	22,896
Selling and marketing expenses	**(721)**	–	**–**	–	**(721)**	–
General and administrative expenses	**(4,676)**	–	**(6,437)**	–	**(13,826)**	(19,026)
Other income	–	–	–	–	**64**	2,072
Other (losses)/gains — net	–	–	–	–	**(3,154)**	12,037
Finance costs — net	–	–	–	–	**(299,467)**	(12,596)
Change in provision for financial guarantee contracts	–	–	–	–	**(81,285)**	(81,427)
Loss before income tax					**(373,168)**	(76,044)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Kyrgyzstan	**23,536**	13,852
China	**27,382**	121,498
	50,918	135,350

The revenue information above is based on the locations of the customers.

Geographically, management considers the operations of the energy exploration and production segment is located in Kyrgyzstan (sale of crude oil), and the oil storage and trading segment is located in PRC, with revenue derived from different geographical locations, which is determined by the country in which the customer is located.

(b) Information about major customers

There is one individual customer (2021: 2 individual customers) contributed more than 10% revenue of the Group's, for the six months ended 30 June 2022. The revenue of this customer during the Period is RMB11.7 million (2021: RMB40.1 million and RMB25.5 million respectively).

(c) ***Non-current assets***

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Kyrgyzstan	**256,753**	249,003
Hong Kong	**70**	67
China	**333,590**	340,835
	590,413	589,905

The non-current asset information above is based on the geographical locations of the assets and excludes intangible assets and goodwill.

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.

5. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	**Machinery and equipment** *RMB'000*	**Oil properties** *RMB'000*	**Building and structure** *RMB'000*	**Computer equipment** *RMB'000*	**Office equipment** *RMB'000*	**Motor Vehicles** *RMB'000*	**Total** *RMB'000*
At 31 December 2021								
Cost or valuation	132,094	59,162	546,500	52,418	1,252	1,325	1,712	794,463
Accumulated depreciation and impairment losses	(86,802)	(2,573)	(332,957)	(6,385)	(182)	(1,060)	(1,210)	(431,169)
Net book amount	45,292	56,589	213,543	46,033	1,070	265	502	363,294
Opening net book amount	45,292	56,589	213,543	46,033	1,070	265	502	363,294
Additions	3,898	348	–	–	453	3	15	4,717
Disposals	(268)	–	–	–	–	–	(2)	(270)
Transfer	(14,937)	426	14,511	–	–	–	–	–
Depreciation *(Note 11)*	–	(1,472)	(4,556)	(3,483)	(216)	(17)	(294)	(10,038)
Exchange differences	1,079	–	8,199	–	5	2	(6)	9,279
Closing net book amount	35,064	55,891	231,697	42,550	1,312	253	215	366,982
At 30 June 2022								
Cost or valuation	120,787	59,936	561,011	52,418	1,705	1,328	1,725	798,910
Accumulated depreciation and impairment losses	(85,723)	(4,045)	(329,314)	(9,868)	(393)	(1,075)	(1,510)	(431,928)
Net book amount	35,064	55,891	231,697	42,550	1,312	253	215	366,982

6. RIGHT-OF-USE ASSETS

	Leasehold Land *RMB'000*	Shoreline Rights *RMB'000*	Total *RMB'000*
At 31 December 2021			
Cost or valuation	115,818	103,500	219,318
Accumulated depreciation	(3,105)	(2,745)	(5,850)
Net book amount	112,713	100,755	213,468
For the six months ended 30 June 2022			
Opening net book amount	112,713	100,755	213,468
Depreciation *(Note 11)*	(1,654)	(1,478)	(3,132)
Closing net book amount	111,059	99,277	210,336
At 30 June 2022			
Cost or valuation	115,818	103,500	219,318
Accumulated depreciation	(4,759)	(4,223)	(8,982)
Net book amount	111,059	99,277	210,336

7. INTANGIBLE ASSETS AND GOODWILL

	Co-operation rights* *RMB'000*	**Software** *RMB'000*	**Goodwill** *RMB'000*	**Total** *RMB'000*
At 31 December 2021				
Cost	1,550,234	425	33,347	1,584,006
Accumulated amortisation and impairment losses	(855,706)	(365)	–	(856,071)
Net book amount	694,528	60	33,347	727,935
For the six months ended 30 June 2022				
Opening net book amount	694,528	60	33,347	727,935
Additions	–	5	–	5
Amortisation *(Note 11)*	(520)	(20)	–	(540)
Exchange differences	37,817	–	–	37,817
Closing net book amount	731,825	45	33,347	765,217
At 30 June 2022				
Cost	1,634,674	430	33,347	1,668,451
Accumulated amortisation and impairment losses	(902,849)	(385)	–	(903,234)
Net book amount	731,825	45	33,347	765,217

* The intangible assets include rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfields zones ("**Co-operation Rights**"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. As a result, amortisation of RMB520,000 has been charged to the profit or loss during the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB526,000) based on the units-of-production method.

The management of the Group have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could cause the carrying amount to exceed its recoverable amount. As there were no indicators for impairment, the Group has not updated any of the other impairment calculations.

8. TRADE RECEIVABLES

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Trade receivables	**5,024**	12,774
Less: loss allowance	**(843)**	(850)
Total	**4,181**	11,924

The ageing analysis of the trade receivables, net of loss allowance, based on invoice date is as follows:

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
0–30 days	2,821	9,023
31–60 days	138	1,053
61–90 days	–	128
Over 90 days	1,222	1,720
Total	4,181	11,924

The Group does not hold any collateral as security.

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

9. TRADE AND OTHER PAYABLES

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
Trade payables	**271,544**	256,325
Other payables		
— Third parties	**85,532**	84,241
— Related parties	**41,761**	39,511
Contract liabilities	**3,818**	7,682
Receipt in advances	**25,456**	25,650
Accrued expenses		
— Payroll and welfare	**28,050**	24,827
— Interests	**551,668**	431,040
— Custodian fee	**26,521**	26,521
— Others	**8,826**	14,159
Other tax-related payables	**13,203**	15,716
Total trade and other payables	**1,056,379**	925,672

The ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2022 *RMB'000*	As at 31 December 2021 *RMB'000*
0–30 days	**771**	737
31–60 days	**217**	24
61–90 days	**257**	50
Over 90 days	**270,299**	255,514
	271,544	256,325

10. BORROWINGS

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
Non-current		
Other borrowings	**1,061,617**	1,012,809
Promissory notes	**1,157,569**	1,149,865
	2,219,186	2,162,674
Current		
Borrowings from a financial institution	**323,117**	306,426
Promissory notes	**1,152,735**	1,059,364
Other borrowings	**54,437**	51,625
	1,530,289	1,417,415
	3,749,475	3,580,089

Borrowings amounted to RMB2,504,965,000 as at 30 June 2022 (31 December 2021: RMB2,391,543,000) were secured by guarantee from a director of the Company, certain shareholders of the Company and the related parties and share capital of certain related parties.

As at 30 June 2022, borrowings of the Group amounted to RMB3,749,475,000, out of which RMB1,461,287,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 30 June 2022 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB551,668,000. As at the date of the approval of these condensed consolidated financial statement, the Group has not obtained waivers to comply with these cross-default terms from the relevant lenders.

11. EXPENSES BY NATURE

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Amortisation of intangible assets *(Note 7)*	**540**	1,857
Auditors' remuneration	**–**	672
Bank charges (including refund guarantee charges)	**11**	16
Depreciation of property, plant and equipment and right-of-use assets *(Note 5 and 6)*	**13,170**	7,434
Employee benefit expenses	**8,882**	5,356
Legal and consultancy fees	**2,564**	4,426
Other expenses	**10,283**	8,862
Cost directly associated with inventory	**4,794**	102,857
Total cost of sales, selling and marketing expenses, general and administrative expenses	**40,244**	131,480

12. FINANCIAL GUARANTEE CONTRACTS

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
Financial guarantee contracts	**4,790,334**	4,709,049

The Group has provided guarantees to certain financial institutions in the PRC in respect of borrowings owed by the Disposal Group (the "**Relevant Guarantees**"). Under these guarantee contracts, the Company is required to make payments to the financial institutions should the Disposal Group default on the borrowings and claims are made against the Group. As at 30 June 2022, the Relevant Guarantees provided by the Company to the Disposal Group that were still in the process of being discharged or released amounted to RMB5,730.1 million (31 December 2021: RMB5,938.6 million), inclusive of principals and interests. Out of this total amount, this Relevant Guarantees that met the recognition criteria of financial guarantee under IFRS 9 "Financial Instrument" was RMB4,790,334,000 (2021: RMB4,709,049,000). 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 RMB4,790,334,000 considering the maximum exposure according to the contractual obligation. Both the guarantee and provision shall be released upon the completion of the transfer and discharging of the relevant guarantees.

During the Period, the change in provision for financial guarantee contracts of RMB81,285,000 (2021: RMB81,427,000) mainly represents the accrual of interest expenses on the outstanding guaranteed borrowings since the disposal day of the Disposal Group.

13. FINANCE INCOME AND COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Finance income:		
Imputed interest income for interest-free loans	**—**	64,878
	—	64,878
Finance costs:		
Interest expenses		
— Borrowings	**(102,422)**	(92,602)
Imputed interest expense for interest-free loans	**(10,382)**	—
Net foreign exchange (losses)/gains on financing activities	**(186,663)**	15,128
	(299,467)	(77,474)
Net finance costs	**(299,467)**	(12,596)

14. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax charge		
— Outside Hong Kong	**2,708**	4,212
Deferred tax credit	**(1,731)**	—
Income tax expense	**977**	4,212

No Hong Kong profits tax has been provided for six months ended 30 June 2022 and 2021 as the Group has no assessable profits in Hong Kong. Tax outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less estimated available tax losses.

15. LOSS PER SHARE

(a) Basic

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

	For the six months ended 30 June	
	2022	2021
	RMB	*RMB*
Loss per share	**(0.03)**	(0.01)

(b) Dilutive loss per share

Diluted loss per share for the six months ended 30 June 2022 and 2021 are the same as basic loss per share as the potential dilutive ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Basic and diluted loss per share		
Loss attributable to equity holders of the Company	**(380,968)**	(82,781)
	(380,968)	(82,781)

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

	For the six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**4,770,491,507**	4,770,491,507
Adjustment for calculating diluted loss 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 loss per share	**11,776,491,507**	11,776,491,507

16. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).