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 2023

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 2023 (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 2023, the Group recorded a revenue of RMB49.1 million, compared to the revenue of RMB50.9 million for the six months ended 30 June 2022 (the "**Comparative Period**"). The Group generated a gross profit of RMB20.3 million (for the Comparative Period: RMB25.2 million) from the oil exploration business, as well as the oil storage business.

Loss attributable to the equity holders of the Company was RMB444.8 million for the Period, while loss attributable to the equity holders of the Company was RMB381.0 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 RMB222.9 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 loss of the Group of RMB189.8 million for the Comparative Period.

In addition, the imputed interest expense for interest-free loan for the Period amounted to RMB30.1 million (for the Comparative Period: RMB10.4 million), and the interest expenses were approximately RMB108.1 million (for the Comparative Period: RMB102.4 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 2023, 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, 2022 and first half of 2023 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 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 2023.

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 2022 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 2023
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 2023

As at 30 June 2023, the Relevant Guarantees provided by the Company to the Disposal Group in the process of being discharged or released amounted to RMB5,924.1 million, inclusive of principals and interests (31 December 2022: RMB5,827.9 million). In consideration of such financial guarantees, the Group recognized financial guarantee contracts of RMB4,954.3 million (31 December 2022: RMB4,873.0 million) which will be released upon the releasing or discharging of these Relevant Guarantees.

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

Debt Restructuring

Together with the Disposal, the Group has also conducted 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.

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 31 December 2024. 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 2023. 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 2023.

(b) Extension of maturity date of promissory notes

As at 30 June 2023, the Company had outstanding promissory notes of RMB2.5 billion (31 December 2022: RMB2.4 billion).

The Company has been in continuous discussions and negotiations with the promissory noteholders with the objective of obtaining their agreements to extend the overdue liabilities during the 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 2023, the maturity date of promissory notes with aggregated principal amount of RMB1,284.9 million were successfully extended to December 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 with these noteholders regarding the extension of the maturity dates of the promissory notes with aggregated principle amount of RMB1,200.3 million. These negotiations were not finalized as at 30 June 2023 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 a maturity date of 31 December 2024. Up to 30 June 2023, the Company had utilised approximately USD130.0 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. The ongoing Russian-Ukraine conflict has introduced geopolitical tensions that bear the potential to disrupt energy supplies and trade routes. The pronounced inflationary pressures and consequent hiking of the Federal Reserve's interest rate hold the capability to impact borrowing costs on a global scale. It is precisely those factors that have contributed to an environment of uncertainty and disruption within the global economic environment. It is expected that expenditures in the Energy Business would only start to be resumed by the Group by 2025, the earliest. The management of the Group is taking a prudent approach to manage the capital expenditure of the Energy Business and will continue to monitor the development of the oil market in making any capital expenditure decisions.

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

Energy Exploration and Production

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

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

On the exploration front, the Group has drilled a total of 81 wells across the five oilfields zones, including 76 in exploration, 4 currently being construction-in-progress and 1 being abandoned. The Group has also held a number of appraisal wells for exploration and development. As at 30 June 2023, 76 wells were at production (31 December 2022: 73 wells).

For the Period, the Kyrgyzstan Project recorded sales of 65,933 barrels (bbl) (for the Comparative Period: 57,996 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB19.9 million for the Period with a decrease by approximately 15.3% from RMB23.5 million for the Comparative Period.

The decline of revenue in the Period was primarily driven by the decrease in international oil prices. In the second half of 2022 and first half of 2023, international crude oil prices exhibited an overall persistent downward trend. The unexpected bankruptcy of Silicon Valley Bank in the United States and the sharp decline in Credit Suisse's stock price in Europe highlighted sudden risks within the European and American banking sectors. This significantly impacted economic confidence and the prospects for demand, leading to a substantial drop in international oil prices. The management of the Group is foreseeing that the oil exploration performance will continue to be restrained by a sluggish and volatile global economy, it is reasonably expected that the oil price is unlikely to recover substantially in the near future.

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 RMB29.2 million, with a steady increased by approximately 21% from RMB24.1 million for the Comparative Period.

FINANCIAL REVIEW

Revenue and Gross Profit

For the Period, the Group recorded a revenue and gross profit of RMB49.1 million and RMB20.3 million respectively (for the Comparative Period: RMB50.9 million and RMB25.2 million respectively). The decrease in revenue was primarily attributable to: (1) a slight decline of energy exploration revenue by approximately 15% to RMB19.9 million in the first half of 2023 as compared to that of RMB23.5 million for the Comparative Period due to the falling price of crude oil; (2) storage revenue showed a steady increase compared to the Comparative Period, it generated revenue of RMB29.2 million and gross profit of RMB11.7 million; (3) pausing trading business led to a decrease of RMB3.3 million in revenue.

Cost of Sales

For the Period, the Group's cost of sales increased by approximately 12% to RMB28.7 million (for the Comparative Period: RMB25.7 million). The main components of the cost of sales for the Group are depreciation and labour cost. For the Period, the Group recorded a production of 65,933 barrels (bbl), with an increase by approximately 13.7% from 57,996 bbl for the Comparative Period. As units-of-production method is used for the depreciation of oil properties, the depreciation cost increased in proportion to the production accordingly.

Other Gains/(Losses) — Net

For the Period, other net gain amounted to RMB3.1 million (for the Comparative Period: net loss RMB3.2 million). The movement was mainly due to the increment of net foreign currency exchange gain associated with working capital for the Period.

Finance Costs — Net

For the Period, the net finance cost increased by approximately 21.6% to RMB364.3 million (for the Comparative Period: RMB299.5 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 RMB396.8 million (for the Comparative Period: RMB355.8 million), of which total comprehensive loss attributable to equity holders of the Company was RMB394.0 million (for the Comparative Period: RMB362.8 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 RMB222.9 million during the six months ended 30 June 2023, which was mainly due to the appreciation of borrowings denominated in USD and Hong Kong dollars. This is compared with a foreign exchange loss of the Group of RMB189.8 million for the six months ended 30 June 2022.

Liquidity and Going Concern

During the Period, the Group recorded a loss of RMB441.6 million and had a net operating cash outflow of approximately RMB3.7 million. As at 30 June 2023, the Group had a total deficit of RMB8,907.1 million and the current liabilities exceeded its current assets by RMB7,824.5 million. As at 30 June 2023, the Group's total current borrowings amounting to RMB1,598.6 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 RMB70.2 million from RMB1,534.3 million as at 31 December 2022 to RMB1,604.5 million as at 30 June 2023, and the Group's long-term borrowings increased by RMB145.6 million from RMB2,295.5 million as at 31 December 2022 to RMB2,441.1 million as at 30 June 2023.

As at 30 June 2023, our total borrowings were RMB4,045.5 million (as at 31 December 2022: RMB3,829.8 million), of which RMB120.1 million (approximately 3.0%) was denominated in RMB (as at 31 December 2022: RMB116.0 million (approximately 3.0%)) and the remaining RMB3,925.4 million (approximately 97.0%) was denominated in other currencies such as USD and HKD (as at 31 December 2022: RMB3,713.8 million (approximately 97.0%)).

Foreign Exchange Risks

The Group incurred net foreign exchange loss of approximately RMB222.9 million (for the Comparative Period: RMB189.8 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 81.8% as at 31 December 2022 to approximately 83.2% as at 30 June 2023. Affected by the total borrowings of RMB4,405.5 million as at 30 June 2023 (as at 31 December 2022: RMB3,829.8 million), the total deficit was RMB8,907.1 million as at 30 June 2023 (as at 31 December 2022: RMB8,510.3 million).

Contingent Liabilities

As at 30 June 2023, the Group had contingent liabilities of RMB969.8 million (as at 31 December 2022: RMB955.0 million), which was resulted from certain Relevant Guarantees provided by the Company to Disposal Group that did not meet the recognition criteria for financial guarantee contracts.

Credit Assessment and Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged deposits, as well as credit exposures to outstanding trade, bills and other receivables. As at 30 June 2023, the Group had cash and cash equivalents of RMB5.4 million (as at 31 December 2022: RMB14.6 million), of which RMB2.6 million (approximately 48.7%) was denominated in RMB and the remaining RMB2.8 million (approximately 51.3%) was denominated in USD, HKD and other currencies. The Group does not use any financial instruments for hedging purposes.

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

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

Human Resources

As at 30 June 2023, the Group had 144 employees (as at 31 December 2022: 149 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 second half of 2023, the global economic environment remains complex and volatile. Prolonged and deepening strategic competition between China and the United States, coupled with uncertainties surrounding the Russia-Ukraine conflict, have created a tug-of-war effect on the prospects of overall economic recovery.

Addressing the shifting external economic environment, the Group will continue to focus on the following key strategies to keep steady development: (i) Increasing oil extraction efficiency to lower production costs to the decline in global crude oil prices, (ii) maintaining sustainable oil storage business and actively seeking new synergistic business opportunities. Simultaneously, the Group will continue engaging a series of active discussions with lenders on debt restructuring to release Financial Guarantees fully. Upon the improvement of liability structure, the management of the Group believes that it will have a healthy financial position and sustainable cash flow for operation and development.

Nantong Zhuosheng has effectively realized its acquisition objectives and has positioned the second-largest business within the Group. The Group will adhere to its operation strategy of stable development, aiming to secure long-term and stable lease contracts through the provision of high-quality services and competitive pricing. This approach is designed to ensure a consistent stream of income and funding for the Group.

Simultaneously, the Group is actively seeking opportunities to deepen collaboration with long-term, high-quality oil storage clients. This strategic approach aims to diversify the scope of business operations and enhance the Group's sources of profitability.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

During the Period, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules.

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 2023 (six months ended 30 June 2022: Nil).

Publication of Interim Report

The 2023 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. NIU Jianmin (Chairman), Mr. HONG Liang and Ms. ZHU Wen Hua; and the independent non-executive directors of the Company are Mr. WANG Jin Lian, Ms. ZHOU Zhan and Mr. LAM Cheung Mau.

On Behalf of the Board
China Huarong Energy Company Limited
NIU Jianmin
Chairman

Hong Kong, 30 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**372,301**	368,060
Right-of-use assets	*6*	**203,958**	207,205
Intangible assets	*7*	**791,787**	753,669
Goodwill	*7*	**33,347**	33,347
Prepayments		**13,723**	13,380
		1,415,116	1,375,661
Current assets			
Inventories		**3,773**	4,981
Trade receivables	*8*	**13,627**	5,405
Other receivables, prepayments and deposits		**25,377**	20,932
Cash and cash equivalents		**5,378**	14,583
		48,155	45,901
Total assets		**1,463,271**	1,421,562
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**2,021,534**	2,021,534
Convertible preference shares		**3,100,000**	3,100,000
Share premium		**8,374,605**	8,374,605
Other reserves		**179,568**	128,767
Accumulated losses		**(22,765,754)**	(22,320,918)
		(9,090,047)	(8,696,012)
Non-controlling interests		**182,954**	185,701
Total deficit		**(8,907,093)**	(8,510,311)

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**2,441,050**	2,295,485
Deferred tax liabilities		**56,705**	57,807
		2,497,755	2,353,292
Current liabilities			
Trade and other payables	*9*	**1,313,867**	1,171,323
Borrowings	*10*	**1,604,491**	1,534,292
Financial guarantee contracts	*12*	**4,954,251**	4,872,966
		7,872,609	7,578,581
Total liabilities		**10,370,364**	9,931,873
Total deficit and liabilities		**1,463,271**	1,421,562

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited for the six months ended 30 June	
	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*4*	**49,055**	50,918
Cost of sales	*11*	**(28,730)**	(25,697)
Gross profit		**20,325**	25,221
Other income		**33**	64
Selling and marketing expenses	*11*	**(1,652)**	(721)
General and administrative expenses	*11*	**(16,673)**	(13,826)
Other gains/(losses) — net		**3,138**	(3,154)
Operating profit		**5,171**	7,584
Finance income	*13*	**–**	–
Finance costs	*13*	**(364,253)**	(299,467)
Finance costs — net		**(364,253)**	(299,467)
Change in provision for financial guarantee contracts	*12*	**(81,285)**	(81,285)
Loss before income tax		**(440,367)**	(373,168)
Income tax expense	*14*	**(1,213)**	(977)
Loss for the Period		**(441,580)**	(374,145)
(Loss)/Income attributable to:			
Equity holders of the Company		**(444,836)**	(380,968)
Non-controlling interests		**3,256**	6,823
		(441,580)	(374,145)

	Note	Unaudited for the six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
Other comprehensive income for the Period:			
Items that may be reclassified to profit or loss			
— Exchange difference on translation of foreign operations		**44,798**	18,336
Other comprehensive income for the Period, net of tax		**44,798**	18,336
Total comprehensive loss for the Period		**(396,782)**	(355,809)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(394,035)**	(362,843)
Non-controlling interests		**(2,747)**	7,034
		(396,782)	(355,809)

	Note	Unaudited for the six months ended 30 June	
		2023	2022
Loss per share for attributable to the equity holders of the Company during the Period (expressed in RMB per share)			
Basic	*15*	**(0.04)**	(0.03)
Diluted	*15*	**(0.04)**	(0.03)

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 30 August 2023.

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 2023 (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 2022, which was prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

Application of amendments to IFRS Standards

During the six months ended 30 June 2023, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's unaudited condensed interim consolidated financial statements:

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

The Group has not applied any new amendments to IFRS that are not yet effective for the current accounting period.

The application of the amendments to IFRSs during the six months ended 30 June 2023 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 RMB441,580,000 (2022: RMB374,145,000) and had an operating cash outflow of RMB3,735,000 (2022: inflow RMB18,190,000) during the period ended 30 June 2023. As at 30 June 2023, the Group had a deficit of RMB8,907,093,000 (31 December 2022: RMB8,510,311,000) and the Group's current liabilities exceeded its current assets by RMB7,824,454,000 (31 December 2022: RMB7,532,680,000). The Group maintained cash and cash equivalents of RMB5,378,000 as at 30 June 2023 (31 December 2022: RMB14,583,000).

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 were certain conditions precedent pursuant to the Transaction, which included, but not limited to, the successful issuance of certain convertible preference shares ("**CPS**") to certain bank creditors of the subsidiaries of the Disposal Group, and the release or discharge of the relevant guarantees provided by the Company in respect of the debts of the 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 2023, Relevant Guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB4,954,251,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 30 June 2023.

As at 30 June 2023, borrowings of the Group amounted to RMB4,045,541,000, out of which RMB1,598,642,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 30 June 2023 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB816,119,000. These borrowings are further explained below:

(i) The Group had promissory notes with an aggregate principal amount of RMB2,485,170,000 outstanding as at 30 June 2023, out of which approximately RMB267,946,000, RMB12,029,000 and RMB920,280,000 (totalling RMB1,200,255,000) had been overdue since 2020, 2021 and 2022. The outstanding promissory notes amounting to RMB8,618,000 became immediately repayable pursuant to the cross-default terms under relevant loan agreements;

(ii) The Group had other borrowings with an aggregate principal amount of RMB1,210,568,000 outstanding as at 30 June 2023, out of which approximately RMB48,584,000 had been overdue since 2020; and

(iii) The Group had secured borrowings of RMB349,803,000, which was overdue in accordance with the repayment date of the agreement as at 30 June 2023.

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

In view of such circumstances, the directors of the Company have, during the 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 2023, guarantees of RMB2,210,636,000 had been discharged while RMB4,954,251,000 are expected to be released in year 2023, and RMB969,834,000 that did not meet the recognition criteria for financial guarantee contracts are disclosed as contingent liabilities.

ii) The Group has also been actively negotiating with the relevant financial institution and lenders regarding the borrowings of RMB1,997,029,000 to take the following actions:

    a) As at 30 June 2023, the outstanding promissory notes amounting to RMB1,598,642,000 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 2023, the Group had other borrowings of RMB48,584,000 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 2023, the Group had secured borrowings of RMB349,803,000 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 2023, the Group has drawn down USD120,006,000 (equivalent to approximately RMB870,197,000) in total from the loan facility, provided by entity controlled by Mr. Zhang Zhi Rong, who agreed to provide a loan facility up to USD250,000,000 (equivalent to approximately RMB1,812,825,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment. As at 30 June 2023, the carrying amount is RMB802,093,000 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 realise an increase of oil output through further development and expansion of this segment, thereby generating steady operating cash flows.

As at 30 June 2023, the Group has drawn down RMB5,849,000 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 2023.

v) The Group has further expanded its business presence within the oil sector through the acquisition of Nantong Zhuosheng Petrochemical Co., Ltd. ("**Nantong Zhuosheng**") in January 2021. Nantong Zhuosheng possesses the facility, capacity and expertise in the provision of oil storage services. The management expects that this acquisition 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 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the 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, multiple uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group' s ability to generate adequate financing and operating cash flows through the successful fulfillment of the following plans:

i) obtaining the agreement from the banks and lenders to release or discharge fully 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 full release of the Relevant Guarantees;

iii) negotiating with all existing promissory note holders of outstanding principals of RMB2,485,170,000, 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 RMB48,584,000 that was overdue as at 30 June 2023;

v) negotiating with the relevant financial institution for the renewal or extension for repayments for the secured borrowings of RMB349,803,000 that was overdue as at 30 June 2023;

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 2023 and 2022 was as follows:

	For the six months ended 30 June					
	Oil Storage and trading		Energy exploration and production		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
— Revenue from sales of crude oil	**–**	–	**19,903**	23,536	**19,903**	23,536
— Revenue from trading	**–**	3,283	**–**	–	**–**	3,283
— Revenue from oil storage	**29,152**	24,099	**–**	–	**29,152**	24,099
Segment revenue	**29,152**	27,382	**19,903**	23,536	**49,055**	50,918
Segment results	**11,702**	12,983	**8,623**	12,238	**20,325**	25,221
Selling and marketing expenses	**(1,652)**	(721)	**–**	–	**(1,652)**	(721)
General and administrative expenses	**(7,856)**	(4,676)	**(8,200)**	(6,437)	**(16,673)**	(13,826)
Other income	–	–	–	–	**33**	64
Other gains/(losses) — net	–	–	–	–	**3,138**	(3,154)
Finance costs — net	–	–	–	–	**(364,253)**	(299,467)
Change in provision for financial guarantee contracts	–	–	–	–	**(81,285)**	(81,285)
Loss before income tax					**(440,367)**	(373,168)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Kyrgyzstan	**19,903**	23,536
China	**29,152**	27,382
	49,055	50,918

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 three individual customers (for the six months ended 30 June 2022: 1 individual customer) contributed more than 10% revenue of the Group's, for the six months ended 30 June 2023. The revenue of these customers during the Period are RMB6.8 million, RMB6.7 million and RMB6.1 million (for the six months ended 30 June 2022: RMB11.7 million) respectively.

(c) Non-current assets

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Kyrgyzstan	**276,416**	267,468
Hong Kong	**75**	72
China	**313,491**	321,105
	589,982	588,645

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 2022								
Cost or valuation	35,165	60,135	569,913	52,776	1,790	1,367	1,712	722,858
Accumulated depreciation and impairment losses	–	(10,623)	(327,828)	(13,353)	(480)	(1,110)	(1,404)	(354,798)
Net book amount	35,165	49,512	242,085	39,423	1,310	257	308	368,060
Opening net book amount	35,165	49,512	242,085	39,423	1,310	257	308	368,060
Additions	711	343	–	–	25	9	–	1,088
Disposals	–	–	–	–	–	–	–	–
Transfer	(6,156)	6,156	–	–	–	–	–	–
Depreciation *(Note 11)*	–	(1,407)	(4,823)	(3,492)	(578)	(45)	(48)	(10,393)
Exchange differences	1,308	–	12,233	–	2	3	–	13,546
Closing net book amount	31,028	54,604	249,495	35,931	759	224	260	372,301
At 30 June 2023								
Cost or valuation	31,028	66,634	582,342	52,776	1,815	1,376	1,712	737,683
Accumulated depreciation and impairment losses	–	(12,030)	(332,847)	(16,845)	(1,056)	(1,152)	(1,452)	(365,382)
Net book amount	31,028	54,604	249,495	35,931	759	224	260	372,301

6. RIGHT-OF-USE ASSETS

	Leasehold Land *RMB'000*	Shoreline Rights *RMB'000*	Total *RMB'000*
At 31 December 2022			
Cost or valuation	115,818	103,500	219,318
Accumulated depreciation	(6,412)	(5,701)	(12,113)
Net book amount	109,406	97,799	207,205
For the six months ended 30 June 2023			
Opening net book amount	109,406	97,799	207,205
Depreciation *(Note 11)*	(1,811)	(1,436)	(3,247)
Closing net book amount	107,595	96,363	203,958
At 30 June 2023			
Cost or valuation	115,818	103,500	219,318
Accumulated depreciation	(8,223)	(7,137)	(15,360)
Net book amount	107,595	96,363	203,958

7. INTANGIBLE ASSETS AND GOODWILL

	Co-operation rights* RMB'000	Software RMB'000	Goodwill RMB'000	Total RMB'000
At 31 December 2022				
Cost	1,683,266	1,180	33,347	1,717,793
Accumulated amortisation and impairment losses	(930,258)	(519)	–	(930,777)
Net book amount	753,008	661	33,347	787,016
For the six months ended 30 June 2023				
Opening net book amount	753,008	661	33,347	787,016
Additions	–	112	–	112
Amortisation *(Note 11)*	(550)	(66)	–	(616)
Exchange differences	38,622	–	–	38,622
Closing net book amount	791,080	707	33,347	825,134
At 30 June 2023				
Cost	1,769,683	1,292	33,347	1,804,322
Accumulated amortisation and impairment losses	(978,603)	(585)	–	(979,188)
Net book amount	791,080	707	33,347	825,134

* 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 RMB550,000 has been charged to the profit or loss during the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB520,000) based on the units-of-production method.

8. TRADE RECEIVABLES

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Trade receivables	**15,983**	7,761
Less: loss allowance	**(2,356)**	(2,356)
Total	**13,627**	5,405

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

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
0–30 days	**512**	2,443
31–60 days	**6,036**	174
61–90 days	**2,926**	–
Over 90 days	**4,153**	2,788
Total	**13,627**	5,405

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 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Trade payables	**274,550**	265,185
Other payables		
— Third parties	**80,631**	77,427
— Related parties	**40,518**	43,681
Contract liabilities	**3,818**	3,818
Receipt in advances	**26,462**	26,184
Accrued expenses		
— Payroll and welfare	**25,378**	27,919
— Interests	**816,119**	675,560
— Custodian fee	**26,521**	26,521
— Other tax-related payables	**12,715**	12,729
— Others	**7,155**	12,299
Total trade and other payables	**1,313,867**	1,171,323

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

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
0–30 days	**1,455**	1,037
31–60 days	**2,774**	240
61–90 days	**2,729**	502
Over 90 days	**267,592**	263,406
	274,550	265,185

10. BORROWINGS

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Non-current		
Other borrowings	**1,156,135**	1,067,756
Promissory notes	**1,284,915**	1,227,729
	2,441,050	2,295,485
Current		
Borrowings from a financial institution	**349,803**	332,722
Promissory notes	**1,200,255**	1,145,515
Other borrowings	**54,433**	56,055
	1,604,491	1,534,292
	4,045,541	3,829,777

Borrowings amounted to RMB2,714,920,000 as at 30 June 2023 (31 December 2022: RMB2,589,973,000) 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 2023, borrowings of the Group amounted to RMB4,045,541,000 (31 December 2022: RMB3,829,777,000), out of which RMB1,598,642,000 (31 December 2022: RMB1,524,448,000) were overdue, while borrowings of the Group amounting to RMB8,618,000 (31 December 2022: RMB8,618,000) contained cross-default terms as at 30 June 2023 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB816,119,000 (31 December 2022: RMB675,560,000). 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	
	2023	2022
	RMB'000	*RMB'000*
Amortisation of intangible assets *(Note 7)*	**616**	540
Bank charges (including refund guarantee charges)	**15**	11
Depreciation of property, plant and equipment and right-of-use assets *(Note 5 and 6)*	**13,640**	13,170
Employee benefit expenses	**11,955**	8,882
Legal and consultancy fees	**3,851**	2,564
Other expenses	**10,464**	10,283
Cost directly associated with inventory	**6,514**	4,794
Total cost of sales, selling and marketing expenses, general and administrative expenses	**47,055**	40,244

12. FINANCIAL GUARANTEE CONTRACTS

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
Financial guarantee contracts	**4,954,251**	4,872,966

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 2023, the Relevant Guarantees provided by the Company to the Disposal Group that were still in the process of being discharged or released amounted to RMB5,924.1 million (31 December 2022: RMB5,827.9 million), inclusive of principals and interests. Out of this total amount, these Relevant Guarantees that met the recognition criteria of financial guarantee under IFRS 9 "Financial Instrument" was RMB4,954,251,000 (31 December 2022: RMB4,872,966,000). 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 RMB4,954,251,000 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 (for the six months ended 30 June 2022: RMB81,285,000) 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	
	2023	2022
	RMB'000	*RMB'000*
Finance costs:		
Interest expenses		
— Borrowings	**108,074**	102,422
Imputed interest expense for interest-free loans	**30,130**	10,382
Net foreign exchange losses on financing activities	**226,049**	186,663
	364,253	299,467
Net finance costs	**364,253**	299,467

14. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax charge		
— Outside Hong Kong	**2,316**	2,708
Deferred tax credit	**(1,103)**	(1,731)
Income tax expense	**1,213**	977

No Hong Kong profits tax has been provided for six months ended 30 June 2023 and 2022 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 loss per share

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

	For the six months ended 30 June	
	2023	2022
	RMB	*RMB*
Loss per share	**(0.04)**	(0.03)

(b) Dilutive loss per share

Diluted loss per share for the six months ended 30 June 2023 and 2022 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	
	2023	2022
	RMB'000	*RMB'000*
Basic and diluted loss per share		
Loss attributable to equity holders of the Company	**(444,836)**	(380,968)
	(444,836)	(380,968)

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

	For the six months ended 30 June	
	2023	2022
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 2023 (for the six months ended 30 June 2022: Nil).