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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 2024

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 2024 (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 2024, the Group recorded a revenue of RMB40.8 million, compared to the revenue of RMB49.1 million for the six months ended 30 June 2023 (the “**Comparative Period**”). The Group generated a gross profit of RMB16.3 million (for the Comparative Period: RMB20.3 million) from the oil exploration business and the oil storage business.

Loss attributable to the equity holders of the Company was RMB345.2 million for the Period, while loss attributable to the equity holders of the Company was RMB444.8 million for the Comparative Period. The decrease of loss attributable to equity holders of the Company was mainly driven by the relatively modest fluctuations in the exchange rate of the USD and Hong Kong Dollar. The Group recorded a net foreign exchange loss of RMB118.0 million during the Period, which was mainly caused by the appreciation of borrowings denominated in USD and Hong Kong dollar. This is compared with a foreign exchange loss of the Group of RMB222.9 million for the Comparative Period.

Disposal and Relevant Guarantees

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

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 2024, 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 three 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 the period from 2020 to 30 June 2024 because of (1) the ongoing distraction and suspension of business caused by the novel coronavirus pneumonia (the “COVID-19”) throughout 2020, 2021 and 2022; (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 time-consuming and procedurally and administratively complicated, particularly given that each bank or lender would have its own internal review procedures as well as approval hierarchy. 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 2024.

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 2023 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 2024
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. The relevant financial leasing company has finalized the preparatory measures for discharging.	By the end of 2024

As at 30 June 2024, the Relevant Guarantees provided by the Company to the Disposal Group in the process of being discharged or released amounted to RMB6,118.5 million, inclusive of principals and interests (31 December 2023: RMB6,021.8 million). In consideration of such financial guarantees, the Group recognized financial guarantee contracts of RMB5,118.6 million (31 December 2023: RMB5,036.9 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 2025. 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 2024. 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 2024.

(b) *Extension of maturity date of promissory notes*

As at 30 June 2024, the Company had outstanding promissory notes of RMB2.5 billion (31 December 2023: 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 2024, the maturity date of promissory notes with aggregated principal amount of RMB1,171.7 million were successfully extended to December 2025.

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 RMB1,335.4 million. These negotiations were not finalized as at 30 June 2024 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 2025. Up to 30 June 2024, the Company had utilised approximately USD120.4 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. In the first half of 2024, global geopolitical conflicts have frequently occurred. The escalation of the Red Sea situation has led to a significant number of ships rerouting, Ukrainian drone attacks have caused a short-term decline in Russian refinery output, and Israeli attacks on the Iranian embassy in Syria have significantly increased concerns about the spillover of geopolitical risks. These factors have driven international oil prices to exhibit a trend of wide fluctuations, with higher peaks followed by lower troughs. 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, 2 currently being construction-in-progress and 3 being abandoned. The Group has also held a number of appraisal wells for exploration and development. As at 30 June 2024, 76 wells were at production (31 December 2023: 76 wells).

For the Period, the Kyrgyzstan Project recorded sales of 49,114 barrels (bbl) (for the Comparative Period: 65,933 bbl) of light crude oil. Revenue from the Energy Business was approximately RMB19.1 million for the Period with a decrease by approximately 4.3% from RMB19.9 million for the Comparative Period.

The decrease in sales revenue during this period is primarily due to a reduction in sales volume. In the first half of 2024, Kyrgyzstan experienced extreme cold weather from January to February, strong winds in March, and heavy rainfall in certain regions at the end of June. These various extreme weather conditions resulted in a decrease in oilfield production by approximately 25.5% for the Comparative Period. Meanwhile, in the first half of 2024, oil prices were affected by geopolitical factors, showing a trend of wide fluctuations with higher levels initially followed by lower levels. 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 well drilling 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 RMB21.7 million, with a decrease by approximately 25.5% from RMB29.2 million for the Comparative Period.

FINANCIAL REVIEW

Revenue and Gross Profit

For the Period, the Group recorded a revenue and gross profit of RMB40.8 million and RMB16.3 million respectively (for the Comparative Period: RMB49.1 million and RMB20.3 million respectively). The decrease in revenue was primarily attributable to: (1) a slight decline of energy exploration revenue by approximately 4.3% to RMB19.1 million in the first half of 2024 as compared to that of RMB19.9 million for the Comparative Period due to a reduction in sales volume; (2) due to the overall slowdown in China's economic growth, the oil storage revenue decreased to RMB21.7 million by approximately 25.5%.

Cost of Sales

For the Period, the Group's cost of sales decreased by approximately 14.9% to RMB24.4 million (for the Comparative Period: RMB28.7 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 49,114 barrels (bbl), with a decrease by approximately 25.5% from 65,933 bbl for the Comparative Period. As units-of-production method is used for the depreciation of oil properties, the depreciation cost decreased in proportion to the production accordingly.

Finance Costs — Net

For the Period, the net finance cost decreased by approximately 28.2% to RMB261.4 million (for the Comparative Period: RMB364.3 million). The decrease was mainly attributable to the relatively modest fluctuations in the exchange rate of the USD and Hong Kong Dollar.

Total Comprehensive Loss for the Period

During the Period, the Group recorded total comprehensive loss of RMB315.8 million (for the Comparative Period: RMB396.8 million), of which total comprehensive loss attributable to equity holders of the Company was RMB328.7 million (for the Comparative Period: RMB394.0 million). The decline of total comprehensive loss for the Period was mainly driven by the decrease in foreign exchange loss. The Group recorded a net foreign exchange loss of RMB118.0 million during the six months ended 30 June 2024, 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 RMB222.9 million for the six months ended 30 June 2023.

Liquidity and Going Concern

During the Period, the Group recorded a loss of RMB345.1 million and had a net operating cash outflow of approximately RMB1.1 million. As at 30 June 2024, the Group had a total deficit of RMB9,336.4 million and the current liabilities exceeded its current assets by RMB8,345.9 million. As at 30 June 2024, the Group's total current borrowings amounting to RMB1,740.6 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 RMB41.7 million from RMB1,698.9 million as at 31 December 2023 to RMB1,740.6 million as at 30 June 2024, and the Group's long-term borrowings increased by RMB90.3 million from RMB2,235.8 million as at 31 December 2023 to RMB2,326.1 million as at 30 June 2024.

As at 30 June 2024, our total borrowings were RMB4,066.7 million (as at 31 December 2023: RMB3,934.7 million), of which RMB128.2 million (approximately 3.2%) was denominated in RMB (as at 31 December 2023: RMB124.1 million (approximately 3.2%)) and the remaining RMB3,938.5 million (approximately 96.8%) was denominated in other currencies such as USD and HKD (as at 31 December 2023: RMB3,810.6 million (approximately 96.8%)).

Foreign Exchange Risks

The Group incurred net foreign exchange loss of approximately RMB118.0 million (for the Comparative Period: RMB222.9 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) decreased from approximately 77.4% as at 31 December 2023 to approximately 77.2% as at 30 June 2024. Affected by the total borrowings of RMB4,066.7 million as at 30 June 2024 (as at 31 December 2023: RMB3,934.7 million), the total deficit was RMB9,336.4 million as at 30 June 2024 (as at 31 December 2023: RMB9,020.7 million).

Contingent Liabilities

As at 30 June 2024, the Group had contingent liabilities of RMB999.9 million (as at 31 December 2023: RMB985.0 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 2024, the Group had cash and cash equivalents of RMB3.6 million (as at 31 December 2023: RMB2.1 million), of which RMB3.1 million (approximately 85.2%) was denominated in RMB and the remaining RMB0.5 million (approximately 14.8%) 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 2024, the Group had 155 employees (as at 31 December 2023: 143 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 2024, the global economic and political environment remains complex and volatile. Geopolitical risks and conflicts in Ukraine and the Middle East continue, and following elections in the UK and France, the United States has entered its election season, introducing further uncertainty into the global financial markets. Despite these challenges, the Group has managed to stabilize its revenue amidst the current complex global political and economic environment.

Looking ahead, demand for oil remains on a growth trajectory in emerging economies and developing regions. The rapid increase in demand for fossil fuels in Central Asian developing countries, coupled with expectations of stable oil and gas prices, suggests a promising outlook for oil field development in Kyrgyzstan.

At the same time, with the anticipated implementation of favorable monetary and real estate policies in China in 2024, the Chinese economy is expected to recover and improve. The Group is prepared to navigate current market fluctuations, seize emerging opportunities, and drive sustainable growth by offering high-quality services and competitive pricing to secure long-term and stable leasing contracts for the oil storage segment. We are committed to creating value for our stakeholders.

To mitigate potential risks arising from business concentration and regional economic conditions, our Group has been actively exploring and expanding into other business types, aiming to seek more stable and diversified revenue sources.

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 Part 2 of Appendix C1 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 C3 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 2024 (six months ended 30 June 2023: Nil).

Publication of Interim Report

The 2024 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, 29 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	<i>Note</i>	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	351,093	354,009
Right-of-use assets	6	197,924	200,941
Intangible assets	7	792,104	774,290
Goodwill	7	33,347	33,347
Prepayments		15,588	17,083
		<u>1,390,056</u>	<u>1,379,670</u>
Current assets			
Inventories		3,171	2,975
Trade receivables	8	10,500	7,608
Other receivables, prepayments and deposits		13,988	12,734
Cash and cash equivalents		3,627	2,143
		<u>31,286</u>	<u>25,460</u>
Total assets		<u><u>1,421,342</u></u>	<u><u>1,405,130</u></u>
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		152,161	135,583
Accumulated losses		(23,192,588)	(22,847,345)
		<u>(9,544,288)</u>	<u>(9,215,623)</u>
Non-controlling interests		<u>207,847</u>	<u>194,948</u>
Total deficit		<u><u>(9,336,441)</u></u>	<u><u>(9,020,675)</u></u>

	<i>Note</i>	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	<i>10</i>	2,326,130	2,235,814
Deferred tax liabilities		54,499	55,602
		-----	-----
		2,380,629	2,291,416
		-----	-----
Current liabilities			
Trade and other payables	<i>9</i>	1,517,984	1,398,604
Borrowings	<i>10</i>	1,740,553	1,698,902
Financial guarantee contracts	<i>12</i>	5,118,617	5,036,883
		-----	-----
		8,377,154	8,134,389
		-----	-----
Total liabilities		10,757,783	10,425,805
		-----	-----
Total deficit and liabilities		1,421,342	1,405,130
		=====	=====

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Unaudited for the six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	40,777	49,055
Cost of sales	11	(24,435)	(28,730)
Gross profit		16,342	20,325
Other income		—	33
Selling and marketing expenses	11	(1,422)	(1,652)
General and administrative expenses	11	(16,413)	(16,673)
Other (losses)/gains — net		(180)	3,138
Operating (loss)/profit		(1,673)	5,171
Net finance costs	13	(261,392)	(364,253)
Change in provision for financial guarantee contracts	12	(81,734)	(81,285)
Loss before income tax		(344,799)	(440,367)
Income tax expense	14	(320)	(1,213)
Loss for the Period		<u>(345,119)</u>	<u>(441,580)</u>
(Loss)/Income attributable to:			
Equity holders of the Company		(345,243)	(444,836)
Non-controlling interests		124	3,256
		<u>(345,119)</u>	<u>(441,580)</u>

		Unaudited for the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
	<i>Note</i>		
Other comprehensive income for the Period:			
Items that may be reclassified to profit or loss			
— Exchange difference on translation of foreign operations		<u>29,353</u>	<u>44,798</u>
Other comprehensive income for the Period, net of tax		<u>29,353</u>	<u>44,798</u>
Total comprehensive loss for the Period		(315,766)	(396,782)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(328,665)	(394,035)
Non-controlling interests		<u>12,899</u>	<u>(2,747)</u>
		<u>(315,766)</u>	<u>(396,782)</u>

		Unaudited for the six months ended 30 June	
		2024	2023
	<i>Note</i>		
Loss per share for attributable to the equity holders of the Company during the Period (expressed in RMB per share)			
Basic	<i>15</i>	<u>(0.03)</u>	<u>(0.04)</u>
Diluted	<i>15</i>	<u>(0.03)</u>	<u>(0.04)</u>

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 2024.

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 2024 (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 2023, which was prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

Application of amendments to IFRSs

During the six months ended 30 June 2024, 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 2024 for the preparation of the Group’s unaudited condensed interim consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The application of the amendments to IFRSs during the six months ended 30 June 2024 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.

New and amendments to IFRS in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that are not yet effective for the current accounting period.

Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Annual Improvements to IFRS Accounting Standards 2024	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Group anticipate that the application of all the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.1 Basis of preparation

The Group recorded a net loss of RMB345,119,000 (2023: RMB441,580,000) and had an operating cash outflow of RMB1,132,000 (2023: outflow RMB3,735,000) during the period ended 30 June 2024. As at 30 June 2024, the Group had a deficit of RMB9,336,441,000 (31 December 2023: RMB9,020,675,000) and the Group's current liabilities exceeded its current assets by RMB8,345,868,000 (31 December 2023: RMB8,108,929,000). The Group maintained cash and cash equivalents of RMB3,627,000 as at 30 June 2024 (31 December 2023: RMB2,143,000).

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 2024, Relevant Guarantees provided by the Company to the banks and lenders of the Disposal Group, inclusive of principals and interest, amounted to RMB5,118,617,000. The Group has considered and recognised the corresponding impact of such financial guarantee contracts as at 30 June 2024.

As at 30 June 2024, borrowings of the Group amounted to RMB4,066,683,000, out of which RMB1,606,520,000 were overdue, while borrowings of the Group amounting to RMB8,618,000 contained cross-default terms as at 30 June 2024 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB1,037,737,000. These borrowings are further explained below:

- (i) The Group had promissory notes with an aggregate principal amount of RMB2,507,091,000 outstanding as at 30 June 2024, out of which approximately RMB269,510,000, RMB12,099,000 and RMB925,651,000 (totalling RMB1,207,260,000) 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 RMB1,209,022,000 outstanding as at 30 June 2024, out of which approximately RMB48,690,000 had been overdue since 2020; and
- (iii) The Group had secured borrowings of RMB350,570,000, which was overdue in accordance with the repayment date of the agreement as at 30 June 2024.

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 2024, guarantees of RMB2,210,636,000 had been discharged while RMB5,118,617,000 are expected to be released in year 2024, and RMB999,912,000 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 RMB1,734,691,000 to take the following actions:
 - a) As at 30 June 2024, the outstanding promissory notes amounting to RMB1,335,431,000 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 2024, the Group had other borrowings of RMB48,690,000 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 2024, the Group had secured borrowings of RMB350,570,000 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 2024, the Group has drawn down USD120,387,000 (equivalent to approximately RMB874,879,000) 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 RMB1,816,800,000) to the Group for the funding of the oilfield operations of the energy exploration and production segment. As at 30 June 2024, the carrying amount is RMB804,331,000 and it is payable by 31 December 2025.

- 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 2024, the Group has drawn down RMB5,862,000 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 2024.

- 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 2024. 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 RMB2,507,091,000, 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 RMB48,690,000 that was overdue as at 30 June 2024;
- v) negotiating with the relevant financial institution for the renewal or extension for repayments for the secured borrowings of RMB350,570,000 that was overdue as at 30 June 2024;
- 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: this segment derive its revenue from renting its capacity in the provision of oil storage services 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 2024 and 2023 was as follows:

	Oil Storage		For the six months ended 30 June Energy exploration and production		Total	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
— Revenue from sales of crude oil	—	—	19,054	19,903	19,054	19,903
— Revenue from oil storage	21,723	29,152	—	—	21,723	29,152
Segment revenue	21,723	29,152	19,054	19,903	40,777	49,055
Segment results	7,396	11,702	8,946	8,623	16,342	20,325
Selling and marketing expenses	(1,422)	(1,652)	—	—	(1,422)	(1,652)
General and administrative expenses	(7,867)	(7,856)	(6,961)	(8,200)	(16,413)	(16,673)
Other income	—	—	—	—	—	33
Other (losses)/gains — net	—	—	—	—	(180)	3,138
Net finance costs	—	—	—	—	(261,392)	(364,253)
Change in provision for financial guarantee contracts	—	—	—	—	(81,734)	(81,285)
Loss before income tax					<u>(344,799)</u>	<u>(440,367)</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Kyrgyzstan	19,054	19,903
China	21,723	29,152
	<u>40,777</u>	<u>49,055</u>

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 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 are two individual customers (for the six months ended 30 June 2023: three individual customers) contributed more than 10% revenue of the Group's, for the six months ended 30 June 2024. The revenue of these customers during the Period are RMB10.7 million and RMB6.3 million (for the six months ended 30 June 2023: RMB6.8 million, RMB6.7 million and RMB6.1 million) respectively.

(c) *Non-current assets*

	30 June 2024 RMB'000	31 December 2023 RMB'000
Kyrgyzstan	267,184	267,888
Hong Kong	76	75
China	297,345	304,070
	<u>564,605</u>	<u>572,033</u>

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 2023								
Cost or valuation	30,585	60,638	576,954	52,955	8,400	1,373	1,892	732,797
Accumulated depreciation and impairment losses	—	(16,162)	(337,534)	(20,348)	(1,880)	(1,171)	(1,693)	(378,788)
Net book amount	<u>30,585</u>	<u>44,476</u>	<u>239,420</u>	<u>32,607</u>	<u>6,520</u>	<u>202</u>	<u>199</u>	<u>354,009</u>
Opening net book amount	30,585	44,476	239,420	32,607	6,520	202	199	354,009
Additions	563	117	—	182	18	—	108	988
Disposals	—	(25)	—	—	—	—	—	(25)
Transfer	(15)	—	—	—	15	—	—	—
Depreciation (Note 11)	—	(1,425)	(4,301)	(3,566)	(810)	(11)	(65)	(10,178)
Exchange differences	611	—	5,686	—	—	1	1	6,299
Closing net book amount	<u>31,744</u>	<u>43,143</u>	<u>240,805</u>	<u>29,223</u>	<u>5,743</u>	<u>192</u>	<u>243</u>	<u>351,093</u>
At 30 June 2024								
Cost or valuation	31,744	60,730	582,668	53,137	8,433	1,373	2,000	740,085
Accumulated depreciation and impairment losses	—	(17,587)	(341,863)	(23,914)	(2,690)	(1,181)	(1,757)	(388,992)
Net book amount	<u>31,744</u>	<u>43,143</u>	<u>240,805</u>	<u>29,223</u>	<u>5,743</u>	<u>192</u>	<u>243</u>	<u>351,093</u>

6. RIGHT-OF-USE ASSETS

	Leasehold Land <i>RMB'000</i>	Shoreline Rights <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2023			
Cost or valuation	115,818	103,500	219,318
Accumulated depreciation	<u>(9,803)</u>	<u>(8,574)</u>	<u>(18,377)</u>
Net book amount	<u><u>106,015</u></u>	<u><u>94,926</u></u>	<u><u>200,941</u></u>
For the six months ended 30 June 2024			
Opening net book amount	106,015	94,926	200,941
Depreciation (<i>Note 11</i>)	<u>(1,581)</u>	<u>(1,436)</u>	<u>(3,017)</u>
Closing net book amount	<u><u>104,434</u></u>	<u><u>93,490</u></u>	<u><u>197,924</u></u>
At 30 June 2024			
Cost or valuation	115,818	103,500	219,318
Accumulated depreciation	<u>(11,384)</u>	<u>(10,010)</u>	<u>(21,394)</u>
Net book amount	<u><u>104,434</u></u>	<u><u>93,490</u></u>	<u><u>197,924</u></u>

7. INTANGIBLE ASSETS AND GOODWILL

	Co- operation rights* <i>RMB'000</i>	Software <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2023				
Cost	1,732,222	1,180	33,347	1,766,749
Accumulated amortisation and impairment losses	<u>(958,435)</u>	<u>(677)</u>	<u>—</u>	<u>(959,112)</u>
Net book amount	<u>773,787</u>	<u>503</u>	<u>33,347</u>	<u>807,637</u>
For the six months ended 30 June 2024				
Opening net book amount	773,787	503	33,347	807,637
Additions	—	74	—	74
Amortisation (<i>Note 11</i>)	(512)	(212)	—	(724)
Exchange differences	<u>18,464</u>	<u>—</u>	<u>—</u>	<u>18,464</u>
Closing net book amount	<u>791,739</u>	<u>365</u>	<u>33,347</u>	<u>825,451</u>
At 30 June 2024				
Cost	1,773,564	1,254	33,347	1,808,165
Accumulated amortisation and impairment losses	<u>(981,825)</u>	<u>(889)</u>	<u>—</u>	<u>(982,714)</u>
Net book amount	<u>791,739</u>	<u>365</u>	<u>33,347</u>	<u>825,451</u>

* 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 RMB512,000 has been charged to the profit or loss during the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB550,000) based on the units-of-production method.

8. TRADE RECEIVABLES

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Trade receivables	15,966	13,074
Less: loss allowance	(5,466)	(5,466)
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Total	<u>10,500</u>	<u>7,608</u>

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

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
0–30 days	3,102	2,357
31–60 days	1,819	1,444
61–90 days	1,338	786
Over 90 days	4,241	3,021
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Total	<u>10,500</u>	<u>7,608</u>

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 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Trade payables	249,095	257,581
Other payables		
— Third parties	50,688	47,668
— Related parties	70,684	77,936
Receipt in advances	26,230	26,489
Accrued expenses		
— Payroll and welfare	26,989	25,434
— Interests	1,037,737	907,037
— Custodian fee	26,521	26,521
— Other tax-related payables	17,649	17,248
— Others	12,391	12,690
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Total trade and other payables	<u>1,517,984</u>	<u>1,398,604</u>

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

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
0–30 days	1,168	2,165
31–60 days	15	433
61–90 days	422	244
Over 90 days	247,490	254,739
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	<u>249,095</u>	<u>257,581</u>

10. BORROWINGS

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Non-current		
Other borrowings	1,154,470	1,091,472
Promissory notes	1,171,660	1,144,342
	<u>2,326,130</u>	<u>2,235,814</u>
Current		
Borrowings from a financial institution	350,570	342,399
Promissory notes	1,335,431	1,303,223
Other borrowings	54,552	53,280
	<u>1,740,553</u>	<u>1,698,902</u>
	<u>4,066,683</u>	<u>3,934,716</u>

Borrowings amounted to RMB2,352,340,000 as at 30 June 2024 (31 December 2023: RMB2,297,495,000) 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 2024, borrowings of the Group amounted to RMB4,066,683,000 (31 December 2023: RMB3,934,716,000), out of which RMB1,606,520,000 (31 December 2023: RMB1,569,065,000) were overdue, while borrowings of the Group amounting to RMB8,618,000 (31 December 2023: RMB8,618,000) contained cross-default terms as at 30 June 2024 and became immediately repayable. Total overdue interest payables of the Group amounted to RMB1,037,737,000 (31 December 2023: RMB907,037,000). 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	
	2024 RMB'000	2023 RMB'000
Amortisation of intangible assets (Note 7)	724	616
Bank charges (including refund guarantee charges)	5	15
Depreciation of property, plant and equipment and right-of-use assets (Note 5 and 6)	13,195	13,640
Employee benefit expenses	13,479	11,955
Legal and consultancy fees	2,155	3,851
Other expenses	10,576	10,464
Cost directly associated with inventory	2,136	6,514
	<u>42,270</u>	<u>47,055</u>
Total cost of sales, selling and marketing expenses, general and administrative expenses	<u>42,270</u>	<u>47,055</u>

12. FINANCIAL GUARANTEE CONTRACTS

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Financial guarantee contracts	<u>5,118,617</u>	<u>5,036,883</u>

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 2024, the Relevant Guarantees provided by the Company to the Disposal Group that were still in the process of being discharged or released amounted to RMB6,118.5 million (31 December 2023: RMB6,021.8 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 RMB5,118,617,000 (31 December 2023: RMB5,036,883,000). Despite the risk of such guarantee to be exercised by the financial institution considered to be low, the Group has recognised financial guarantee contracts of RMB5,118,617,000 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 RMB81,734,000 (for the six months ended 30 June 2023: 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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses		
— Borrowings	112,235	108,074
Imputed interest expense for interest-free loans	31,367	30,130
Net foreign exchange losses on financing activities	117,790	226,049
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Net finance costs	261,392	364,253
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14. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax charge		
— Outside Hong Kong	1,423	2,316
Deferred tax credit	(1,103)	(1,103)
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Income tax expense	320	1,213
	<hr/> <hr/>	<hr/> <hr/>

No Hong Kong profits tax has been provided for six months ended 30 June 2024 and 2023 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	
	2024	2023
	RMB	RMB
Loss per share	<u>(0.03)</u>	<u>(0.04)</u>

(b) Dilutive loss per share

Diluted loss per share for the six months ended 30 June 2024 and 2023 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	
	2024	2023
	RMB'000	RMB'000
Basic and diluted loss per share		
Loss attributable to equity holders of the Company	<u>(345,243)</u>	<u>(444,836)</u>
	<u>(345,243)</u>	<u>(444,836)</u>

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

	For the six months ended 30 June	
	2024	2023
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	<u>7,006,000,000</u>	<u>7,006,000,000</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	<u>11,776,491,507</u>	<u>11,776,491,507</u>

16. DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).