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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2015 (the "**Period**") with comparative figures.

MANAGEMENT DISCUSSION & ANALYSIS

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

BUSINESS REVIEW

For the Period, the Group recorded a revenue of RMB738.5 million, which was primarily attributable to the revenue from sales of vessels, compared to a negative revenue of RMB3,802.4 million for the year ended 31 December 2014 (the "**Comparative Period**"). Loss attributable to the equity holders of the Company was RMB6,542.9 million, while loss attributable to the equity holders of the Company was RMB7,754.9 million for the Comparative Period.

Shipbuilding and Offshore Engineering

Our shipbuilding segment recorded revenue of RMB709.1 million for the Period. For the Period, we delivered 4 vessels with a total volume of 1,031,000 DWT. It included 1 very large ore carrier, 2 Suezmax crude oil tankers and 1 very large crude oil carrier. As at 31 December 2015, our total orders on hand consisted of 31 vessels, representing a total volume of approximately 3,172,700 DWT with a total contract value of approximately USD1,325.3 million. They included 18 Panamax bulk carriers, 1 Panamax crude oil tanker, 10 Suezmax crude oil tankers and 2 7,000-TEU containerships.

Faced with the slowdown of production of the shipbuilding business, the Company utilised its existing production facilities and human resources to develop diversified business, seeking opportunities in the construction of steel bridge structure and steel building structures, block commission processing, facilities leasing and other non-core businesses.

For the Period, there was no revenue contribution from the offshore engineering segment.

Energy Exploration and Production

In September 2014, we completed the acquisition of 60% interests in the project (the "**Kyrgyzstan Project**") involving four oilfields located in the Fergana Valley of the Republic of Kyrgyzstan. Under the agreements entered into with the national oil company of Kyrgyzstan, КыргызжерНефтегаз ("Kyrgyzjer Neftegaz Limited Liability Company"), a subsidiary which is 60% owned by the Company, was granted rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfields zones. For the Period, we have made satisfactory progress in the Kyrgyzstan Project and have entered into the production stage. For the Period, the Kyrgyzstan Project recorded 110,528 barrels (bbl) of light crude oil. Revenue from the energy exploration and production segment was RMB28.7 million for the Period (for the Comparative Period: nil).

Marine Engine Building and Engineering Machinery

For the Period, there was no revenue from external customers of our marine engine building segment (for the Comparative Period: RMB65.1 million). Intersegment sales revenue was RMB0.9 million for the Period. As at 31 December 2015, our marine engine building segment had orders on hand for a total of 26 engines with a total capacity of 546,174 horsepower.

For the Period, revenue from the engineering machinery segment was RMB0.7 million, a decrease of 97.1% from RMB23.9 million for the Comparative Period, primarily due to the slowdown of China's economic growth and the tightening control of infrastructure investments.

FINANCIAL REVIEW

Revenue

For the Period, we recorded a revenue of RMB738.5 million as compared to a negative revenue of RMB3,802.4 million for the Comparative Period. It was primarily attributable to the revenue from sales of vessels. Revenue from sales of vessels was RMB402.9 million (for the Comparative Period: nil). Revenue from shipbuilding and other contracts was RMB306.9 million as compared to RMB728.4 million for the Comparative Period, representing a year-on-year decrease of approximately 57.9%. Revenue from sales of crude oil was RMB28.7 million (for the Comparative Period: nil). There was no revenue reversed from the cancellation of the shipbuilding contracts for the Period (for the Comparative Period: RMB4,530.7 million).

Cost of Sales

For the Period, cost of sales increased by approximately 610.7% to RMB2,215.2 million (for the Comparative Period: RMB311.7 million), which was primarily attributable to the cost of vessels sold and cost of shipbuilding and other contracts. There was no cost of sales reversed from the cancellation of the shipbuilding contracts for the Period (for the Comparative Period: RMB1,703.2 million).

Selling and Marketing Expenses

For the Period, selling and marketing expenses decreased by approximately 54.8% to RMB7.6 million (for the Comparative Period: RMB16.8 million), which was primarily in alignment with the Group's strategic transformation by reducing selling and marketing expenses of the shipbuilding segment and attributable to the implementation of cost control measures.

General and Administrative Expenses

For the Period, general and administrative expenses increased by approximately 16.9% to RMB1,304.9 million (for the Comparative Period: RMB1,115.8 million). This was mainly attributable to the increase in provision for litigation.

Provision for Impairments and Delayed Penalties

For the Period, provision for impairments and delayed penalties decreased by 16.2% to RMB2,298.0 million (for the Comparative Period: RMB2,742.1 million). It was mainly due to the provision for impairment of trade receivables of RMB859.1 million, provision for impairment of other receivables and prepayments of RMB491.4 million, provision for impairment of amounts due from customers for contract works of RMB816.1 million, provision for impairment of property, plant and equipment of RMB119.5 million, and the provision for delayed penalties of RMB11.9 million respectively. The provision for impairment of trade receivables for the Period was mainly due to the increase in risk of default in payment by our customers under the current market downturn.

Other Gains – Net

For the Period, other gains – net decreased by approximately 94.1% to RMB106.8 million (for the Comparative Period: gains of RMB1,811.6 million), primarily due to less fair value gain of RMB59.5 million on embedded derivatives in convertible bonds recorded for the Period (for the Comparative Period: gains of RMB1,883.5 million).

Finance Costs – Net

Finance income for the Period, which mainly came from imputed interest income on non-current interest-free loans, increased by approximately 29.7% to RMB17.9 million (for the Comparative Period: RMB13.8 million). Finance costs for the Period increased by approximately 6.4% to RMB2,177.1 million (for the Comparative Period: RMB2,045.4 million). The increase was due to amortisation of convertible bonds and reduction in interest capitalization as a result of reduced production activities.

Gross Loss

During the Period, we recorded a gross loss of RMB1,476.7 million (for the Comparative Period: RMB4,114.0 million). As a result of depressed market conditions and the lower prices of newbuildings, the profitability of conventional shipbuilding business has diminished. In addition, in order to align with the strategic transformation of the Group, a gross loss was incurred as a result of a reduction of our production activities while having to maintain a considerable fixed production cost.

Total Comprehensive Loss for the Period

During the Period, we recorded total comprehensive loss of RMB7,053.4 million (for the Comparative Period: RMB8,091.2 million), of which loss attributable to equity holders of the Company was RMB6,448.3 million (for the Comparative Period: RMB7,756.8 million). Loss attributable to the equity holders of the Company is the result of gross loss, and the considerable fixed administrative expenses.

Liquidity and Going Concern

During the Period, the Group incurred a loss of approximately RMB7,148.1 million and had a net operating cash outflow of approximately RMB152.2 million. As at 31 December 2015, the Group had a total deficit of RMB5,703.0 million and the Group's current liabilities exceeded its current assets by approximately RMB27,763.8 million. Our cash and cash equivalents were RMB69.2 million as at 31 December 2015 (as at 31 December 2014: RMB143.1 million) of which RMB58.9 million (85.1 %) was denominated in RMB and the remaining RMB10.3 million (14.9 %) was denominated in other currencies such as US dollars ("**USD**") and HK dollars ("**HKD**"). As at the same date, the Group's total borrowings and financial lease liabilities amounted to RMB22,680.0 million, of which RMB17,366.7 million were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also included the convertible bonds issued by the Company with outstanding principal totaling HKD3,050.0 million (equivalent to approximately RMB2,555.2 million) as at 31 December 2015 which were immediately redeemable after reaching the one-year non-redemption period.

However, a series of plans and measures to mitigate liquidity pressure have been taken to improve the financial positions of the Group. On 19 November 2015, the Company entered into conditional letters of intent in relation to, among other things, the settlement of borrowings of the institutional creditors owed by the Group with each of more than 10 major institutional creditors, respectively, to express their support towards the proposal for subscription of shares of the Company for the satisfaction of debt owed by the Company and the Company's shipbuilding segment subsidiaries (the "**Disposal of Liabilities**"). As disclosed in the announcement of the Company dated 7 March 2016 and the circular of the Company dated 9 March 2016 (the "**Circular**"), the Company has also proposed to effect the Disposal of Liabilities by (1) entering into certain bank creditor subscription agreements with certain bank creditors or their designated entities pursuant to which these bank creditors or their designated entities shall conditionally agree to subscribe for, procure their respective nominee(s) to subscribe for, up to 14,108,000,000 ordinary shares in the share capital of the Company of HK$0.50 each (the "**Consolidated Share(s)**") at HK$1.20 per Consolidated Share, to satisfy the relevant borrowings in an aggregate amount of up to RMB14,108.0 million due from the Group to these bank creditors; and (2) entering into certain supplier creditor subscription agreements with certain supplier creditors or their designated entities pursuant to which these supplier creditors or their designated entities shall conditionally agree to subscribe for, or procure their respective nominee(s) to subscribe for, up to 3,000,000,000 Consolidated Shares at HK$1.20 per Consolidated Share to satisfy the relevant payables in an aggregate amount of up to RMB3,000.0 million due from the Group to these supplier creditors. The Group obtained the shareholders' approval in relation to, among other things, the Disposal of Liabilities on 24 March 2016 and the directors of the Company expect that the Disposal of Liabilities will be completed in year 2016. The Disposal of Liabilities and the subscriptions will enable the Group to ease its debt burden immediately, enhance the flexibility of fund utilisation, improve the operation of shipbuilding business and mitigate the adverse effect of the high gearing of the Group on its expansion in the energy service industry while providing the creditors of the Group with an alternative to settlement of the relevant debts. Upon completion of the Disposal of Liabilities and the subscriptions, the gearing and the net deficit position of the Group are expected to improve significantly. Please refer to the Circular for details of the Disposal of Liabilities.

Up to the date of approval of consolidated financial statements, none of the lenders or holders of convertible bonds of the Company has demanded immediate repayment of loans or indebtedness by the Group. Details regarding uncertainties on the going concerns of the Group are set out in the section headed "Going Concern Basis" in Note 2.1(a) to the consolidated financial statements.

Borrowings and Finance Lease Liabilities

Our short-term borrowings and finance lease liabilities increased by RMB1,461.1 million from RMB20,773.7 million as at 31 December 2014 to RMB22,234.8 million as at 31 December 2015. Our long-term borrowings and finance lease liabilities decreased by RMB1,396.0 million from RMB1,841.2 million as at 31 December 2014 to RMB445.2 million as at 31 December 2015.

As at 31 December 2015, our total borrowings and finance lease liabilities were RMB22,680.0 million (as at 31 December 2014: RMB22,614.9 million), of which RMB19,734.1 million (87.0%) was denominated in RMB and the remaining RMB2,945.9 million (13.0%) was denominated in other currencies such as USD and HKD. Certain borrowings were secured by our land use rights, buildings, construction contracts, pledged deposits, guarantee from certain related parties and guarantee from a subsidiary of the Group.

The Company intends to enter into certain bank creditor subscription agreements with certain bank creditors or their designated entities pursuant to which these bank creditors or their designated entities shall conditionally agree to subscribe for, procure their respective nominee(s) to subscribe for, up to 14,108,000,000 Consolidated Shares at HK$1.20 per Consolidated Share, to satisfy the relevant borrowings in an aggregate amount of up to RMB14,108.0 million due from the Group to these bank creditors. Details of which are set out in the Circular.

Inventories

Our inventories decreased by RMB1,382.8 million to RMB1,010.1 million as at 31 December 2015 (as at 31 December 2014: RMB2,392.9 million). The inventory turnover days decreased from 355 days as at 31 December 2014 to 280 days as at 31 December 2015.

Amounts Due from Customers for Contract Works

The amounts due from customers for contract works decreased by RMB993.3 million to RMB172.1 million as at 31 December 2015 (as at 31 December 2014: RMB1,165.4 million). The decrease in amounts due from customers for contract works was the result of the reduction in production scale.

Foreign Exchange Risks

Our shipbuilding business recorded revenue from contract prices mainly denominated in USD while about 30% of the production costs were denominated in USD. The cash flow of unmatched currencies is subject to foreign exchange risks. Management continuously assesses the foreign exchange risks, with an aim to minimize the impact of foreign exchange fluctuations on our business operations. The Group incurred net foreign exchange gain of RMB51.7 million due to the depreciation of RMB against USD during the Period, which resulted in exchange gain on certain USD-denominated assets, such as accounts receivable of the Group.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB10.2 million (for the Comparative Period: RMB68.9 million), which was mainly used as expenses of facilities.

Gearing Ratio

Our gearing ratio (measured by total borrowings and finance lease liabilities divided by the sum of total borrowings and finance lease liabilities and total (deficit)/equity) increased from 98.6% as at 31 December 2014 to 133.6% as at 31 December 2015. Affected by the accumulated losses of RMB20,341.7 million as at 31 December 2015, the total deficit was RMB5,703.0 million as at 31 December 2015 (total equity as at 31 December 2014: RMB313.7 million).

Contingent Liabilities

As at 31 December 2015, we had contingent liabilities of RMB79.5 million (as at 31 December 2014: RMB2,419.1 million), which resulted refund from guarantees issued to and financial guarantees provided to our customers.

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 and amounts due from customers for contract works. As at 31 December 2015, all of the Group's cash and bank balances, short-term and long-term bank deposits and pledged deposits were placed with reputable banks which management believes are of high creditworthiness and without significant credit risk.

The Group carries out customer credit checks prior to entering into shipbuilding contracts and requests for progress payments from customers in accordance with the milestones of the shipbuilding contracts. Further, certain customers have issued irrevocable letters of guarantee from banks and related companies to provide guarantee on the collectability of the receivables from these customers. For customers of engineering machinery, we gave credit lines after evaluating the customer's credit profiles, financial conditions, past experiences and other factors.

As at 31 December 2015, trade receivables of RMB3,398.2 million (as at 31 December 2014: RMB2,486.2 million) and RMB383.5 million (as at 31 December 2014: RMB322.1 million) related to certain customers of the shipbuilding segment and the engineering machinery segment were impaired and provided for respectively, as a result of the management's assessment on the recoverability of the balances.

Human Resources

As at 31 December 2015, we had approximately 2,028 employees (as at 31 December 2014: approximately 3,100 employees). The decrease in the number of employees was mainly in relation to the market downturn and the downsizing of the shipbuilding business of the Group.

SUBSEQUENT EVENTS

At the extraordinary general meeting of the Company held on 24 March 2016 (the "**EGM**"), ordinary resolutions were passed to conditionally approve, (i) the consolidation of every five issued and unissued shares of the Company of HK$0.10 each (the "**Share(s)**") in the then share capital of the Company into one Consolidated Share (the "**Share Consolidation**"); and (ii) the increase in the authorised share capital of the Company from HK$3,800,000,000 divided into 7,600,000,000 Consolidated Shares to HK$30,000,000,000 divided into 60,000,000,000 Consolidated Shares by the creation of an additional 52,400,000,000 unissued Consolidated Shares (the "**Increase in Authorised Share Capital**").

The Share Consolidation and the Increase in Authorised Share Capital have become effective from 29 March 2016. With effect from the same date, the board lot size for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been changed from 500 Shares to 2,000 Consolidated Shares (the "**Change in Board Lot Size**").

At the EGM, (i) a specific mandate was conditionally granted to the directors of the Company to allot and issue up to an aggregate of not more than 14,108,000,000 new Consolidated Shares at HK$1.20 per Consolidated Shares to certain bank creditors or their designated entities, for the settlement of the relevant borrowings in an aggregate amount of up to RMB14,108.0 million due from the Group to these bank creditors (the "**Disposal of Borrowings**"); and (ii) a specific mandate was conditionally granted to the directors of the Company to allot and issue up to an aggregate of not more than 3,000,000,000 new Consolidated Shares at HK$1.20 per Consolidated Shares to certain supplier creditors or their designated entities, for the settlement of relevant payables in an aggregate amount of up to RMB3,000.0 million due from the Group to these supplier creditors (the "**Disposal of Payables**", together with the Disposal of Borrowings was referred to as the Disposal of Liabilities in the sub-section headed "Liquidity and Going Concern" above).

Details of the Share Consolidation, the Increase in Authorised Share Capital, the Change in Board Lot Size and the Disposal of Liabilities are set out in the announcement of the Company dated 7 March 2016 and the Circular.

MARKET ANALYSIS AND PROSPECTS

Due to the profound impact of the slowdown in global economic growth and overcapacity in the shipping industry, shipbuilders were still confronted with numerous challenges in production and operations in 2015. At the same time, oil-producing countries have not reduced production as expected, leading to the most severe oversupply since the beginning of this century. The oil exploration and production industry has been encountering a volatile market condition signaled by the pressured international benchmark pricing of crude oil and the declining tanker freight rates.

Looking forward to 2016, the global energy market is expected to remain volatile. The shipping market is unlikely to be recovered from overcapacity in the near future. It is expected that China's shipbuilding industry will accelerate its transformation and will generally enter into an industrial structure adjustment stage. However, with continuing strategy of "One Belt and One Road" and "Made in China 2025", the high-end manufacturing sector receives ongoing policy supports as a national strategic emerging industry. The transformation and upgrading strategy of the Group is embracing a new round of policy opportunities.

APEX Reservoir Service, Inc., an independent competent evaluator (the "**Independent Evaluator**"), has issued a petroleum reserve report (the "**Reserve Report**") for the three oilfield zones (namely Maili-Su IV, Eastern Izbaskent and Izbaskent) (the "**Evaluated Zones**") in the Kyrgyzstan Project with a base date of evaluation of 31 May 2015. The proved (1P) recoverable reserves of the Evaluated Zones in the Kyrgyzstan Project were approximately 24.39 million tons, whereas the proved plus probable (2P) recoverable reserves were approximately 50.54 million tons. The post-tax net present value of the petroleum reserves of the Evaluated Zones (calculated with an annual discount rate of 10%) shared by КыргызжерНефтегаз ("Kyrgyzjer Neftegaz Limited Liability Company") was approximately USD1.925 billion. The Reserve Report supports the view of the Group that the Evaluated Zones have favourable development potential and value.

We will strive against challenges ahead and will keep our hard work to transforming and upgrading our Group into a comprehensive energy service heavy industry enterprise. At the same time, the Company will proactively facilitate the settlement of borrowings or liabilities with bank creditors and supplier creditors. We will further negotiate with the creditors in order to ease the debt burden of the Company, improve the operation of shipbuilding business and mitigate the adverse effect of the high gearing of the Group on its expansion in the energy service industry.

CORPORATE GOVERNANCE

During the year ended 31 December 2015, the Company had complied with the applicable code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviations as described below:

Code provision A.1.3 of the Code stipulates that at least notice of 14 days should be given of a regular board meeting to give all directors an opportunity to attend, and for all other board meetings, reasonable notice should be given. During the year ended 31 December 2015, less than 14 days' notice was given for eight Board meetings (other than regular meetings) to suit the tight and busy schedules of the participants.

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of the directors of the Company, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2015.

AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2015 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2015.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2015:

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in Note 2.1(a) to the consolidated financial statements, the Group incurred a net loss of approximately RMB7,148,114,000 and had a net operating cash outflow of approximately RMB152,202,000 during the year ended 31 December 2015. As at the same date, the Group had a deficit of RMB5,702,972,000 and the Group's current liabilities exceeded its current assets by RMB27,763,838,000. Its current borrowings and finance lease liabilities amounted to RMB22,234,793,000 while its cash and cash equivalents amounted to RMB69,227,000 only. In addition, loan principals and interests of RMB1,338,035,000 were overdue, and based on the financial position of the Group as at 31 December 2015, the Group was not in compliance with certain restrictive financial covenants of a current borrowing amounted to RMB649,360,000. These caused the relevant bank loans to become immediately repayable in accordance with the respective loan agreements. In addition, as a result of the above-mentioned overdue of principal and interest repayments and non-compliance with the loan covenants, current borrowings totaling RMB17,890,512,000 as at 31 December 2015 became immediately repayable pursuant to the cross-default terms under the relevant loan or convertible bond agreements, and certain non-current borrowings have been classified as current liabilities. These conditions, together with others described in Note 2.1(a) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to refinance its operations and to restructure its debts which are set out in Note 2.1(a) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) whether the Group can timely complete the proposed disposal of liabilities (the "**Disposal of Liabilities**") as described in Note 2.1(a) for the subscription of the Company's shares to satisfy certain of the debts due by the Group to certain banks and supplier creditors, which requires executing the shares subscription agreements and finalising and agreeing the detailed terms and conditions with the banks and supplier creditors, and obtaining the necessary and relevant regulatory approvals; (ii) whether the Group can dispose of its core assets and liabilities of the shipbuilding, offshore engineering and marine engine building businesses (the "**Potential Transaction**"), which requires executing a definitive agreement with the potential buyer and obtaining the necessary approvals from the regulatory authorities and shareholders; (iii) whether the Group can successfully implement a business plan for the businesses to be excluded from the potential disposal as described in (ii) above; (iv) whether the Group is able to convince the banks and lenders not to demand for repayment of the outstanding loans before completion of the Disposal of Liabilities and subsequent to the Disposal of Liabilities for the remaining outstanding loans, to secure available financing from banks and lenders through successful negotiations for extension or renewal, including those with overdue principal and interests, and obtaining from the banks and lenders waivers from complying with certain restrictive financial covenants and due payments of loan principal and interests pursuant to the cross-default terms for certain borrowings; (v) whether the Group is able to convince the convertible bondholders not to early redeem and not to demand repayment of the outstanding convertible bonds and promissory note in year 2016; (vi) whether the Group is able to implement its operation plan to generate cashflows from its operations; and (vii) whether the Group can secure additional sources of financing, including those to finance its energy exploration and production business.

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 the consolidated financial statements.

Impairment of land use rights, property, plant and equipment, intangible assets and the Company's investments in subsidiaries and amounts due from subsidiaries

As at 31 December 2015, the carrying amount of the Group's land use rights, property, plant and equipment and intangible assets amounted to RMB3,827,234,000, RMB16,996,889,000 and RMB1,583,048,000, respectively. As described in Note 2.1(a) to the consolidated financial statements, the Group is still in discussion with a potential buyer and plans to dispose of its core assets and liabilities of the shipbuilding, offshore engineering and marine engine building businesses in the PRC. In addition, after the completion of the proposed Disposal of Liabilities as mentioned above, the directors of the Company believe that the Group's liquidity and financial position will be significantly improved and the Group can obtain new sources of financing for its energy exploration and production business.

In determining the recoverable amounts of the non-current assets including land use rights and property, plant and equipment under the shipbuilding, offshore engineering and marine engine building segments amounted to RMB20,070,637,000, the directors of the Company consider that these assets will be included in the Potential Transaction as described in Note 2.1(a), and therefore has taken into account the estimated consideration of the Potential Transaction when assessing whether any impairment charge is necessary. In determining the recoverable amounts of the non-current assets including property, plant and equipment and intangible assets under the energy exploration and production segment amounted to RMB2,151,031,000, the directors of the Company used value-in-use calculations, taking into consideration the proven oil reserve and new sources of financing for oil exploration after the completion of the proposed Disposal of Liabilities.

As the estimated consideration of the Potential Transaction exceeded the carrying value of the non-current assets of the shipbuilding, offshore engineering and marine engine building segments, and that the value-in-use amounts for the energy exploration and production segment exceeded the carrying values of the corresponding non-current assets, the directors of the Company are of the opinion that there was no impairment of these non-current assets amounted to RMB22,221,668,000 as at 31 December 2015.

However, with respect to the non-current assets of the shipbuilding, offshore engineering and marine engine building segments, completion of the Potential Transaction is subject to, amongst others, the execution of a definitive transaction agreement, the final terms and conditions of which are still under further negotiations and agreement by both parties, and the necessary approvals by the regulatory authorities and shareholders. With respect to the non-current assets of the energy exploration and production segment, the recoverable amounts are estimated on the assumption that the Group will obtain new sources of financing for oil exploration in the future. We were unable to obtain sufficient appropriate audit evidence we consider necessary to assess the recoverable amounts of these non-current assets. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of these land use rights of RMB3,641,731,000, property, plant and equipment of RMB16,996,889,000 and intangible assets of RMB1,583,048,000, totaling RMB22,221,668,000, and whether any impairment charge should be made. Any impairment provision for these non-current assets found to be necessary would affect the Group's net assets as at 31 December 2015, the Group's net loss for the year then ended and the related note disclosures to the consolidated financial statements. In addition, as these assets were held by various material subsidiaries, any impairment provision for these assets found to be necessary would also affect the carrying amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as well as the Company's accumulated losses, which amounted to RMB1,514,444,000, RMB12,272,769,000 and RMB941,409,000, respectively, as at 31 December 2015 and the related disclosures in the consolidated financial statements.

Disclaimer of Opinion

Because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 year ended 31 December 2015.

PUBLIC FLOAT

As far as the Company is aware, as at the date of this announcement, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

FINAL DIVIDEND

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company (the "**2016 AGM**") will be held on 3 June 2016 and the notice will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 31 May 2016 to Friday, 3 June 2016, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2016 AGM. In order to be eligible to attend and vote at the 2016 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 30 May 2016.

ANNUAL REPORT

The 2015 Annual Report containing the applicable information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Group in due course. Printed copies will be despatched to shareholders in due course.

GRATITUDE

I, on behalf of the Board, would like to take this opportunity to express its sincere gratitude to all our staff for their dedication and cooperation and to all our shareholders for their patience and support.

BOARD OF DIRECTORS

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

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

Hong Kong, 30 March 2016

CHINA HUARONG ENERGY COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2015** *RMB'000*	2014 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**3,827,234**	3,955,560
Property, plant and equipment	*10*	**16,996,889**	17,192,897
Intangible assets	*11*	**1,583,048**	1,493,345
Long-term deposits		**60,000**	136,000
Prepayments for non-current assets		**13,626**	63,979
Available-for-sale financial asset		**39,676**	36,374
		22,520,473	22,878,155
Current assets			
Inventories		**1,010,147**	2,392,920
Amounts due from customers for contract works		**172,062**	1,165,371
Trade and bills receivables	*12*	**163,462**	1,036,356
Other receivables, prepayments and deposits		**644,124**	2,270,533
Pledged deposits		**72,573**	119,820
Cash and cash equivalents		**69,227**	143,101
		2,131,595	7,128,101
Total assets		**24,652,068**	30,006,256
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**905,191**	797,296
Share premium		**10,430,533**	9,512,510
Other reserves		**3,628,129**	3,522,724
Accumulated losses		**(20,341,666)**	(13,798,797)
		(5,377,813)	33,733
Non-controlling interests		**(325,159)**	279,963
Total (deficit)/equity		**(5,702,972)**	313,696

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**150,328**	1,436,656
Finance lease liabilities – non-current		**294,852**	404,548
Advance from a related party		**14,427**	–
		459,607	1,841,204
Current liabilities			
Trade and other payables	*13*	**7,001,501**	6,125,115
Advances from related parties		**340,234**	381,629
Borrowings		**21,892,265**	20,488,142
Derivative financial instruments		**292,691**	532,805
Provision for warranty		**26,214**	38,112
Finance lease liabilities – current		**342,528**	285,553
		29,895,433	27,851,356
Total liabilities		**30,355,040**	29,692,560
Total (deficit)/equity and liabilities		**24,652,068**	30,006,256

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue			
– Revenue from sales of vessels	3	**402,867**	–
– Revenue from shipbuilding and other contracts	3	**306,943**	728,372
– Revenue from sales of crude oil	3	**28,655**	–
– Revenue related to the cancellation of the construction contracts	3	**–**	(4,530,737)
		738,465	(3,802,365)
Cost of sales			
– Cost of vessels sold	4	**(1,108,642)**	–
– Cost of shipbuilding and other sales	4	**(1,088,112)**	(2,014,828)
– Cost of crude oil sold	4	**(18,407)**	–
– Cost of sales related to the cancellation of the construction contracts	4	**–**	1,703,170
		(2,215,161)	(311,658)
Gross loss		**(1,476,696)**	(4,114,023)
Selling and marketing expenses	4	**(7,554)**	(16,773)
General and administrative expenses	4	**(1,304,880)**	(1,115,843)
Research and development expenses	4	**(38,308)**	(63,081)
Provisions for impairments and delayed penalties	4	**(2,298,006)**	(2,742,109)
Other income	5	**29,735**	182,504
Other gains – net	6	**106,837**	1,811,647
Operating loss		**(4,988,872)**	(6,057,678)
Finance income		**17,900**	13,840
Finance costs		**(2,177,142)**	(2,045,390)
Finance costs – net		**(2,159,242)**	(2,031,550)
Loss before income tax		**(7,148,114)**	(8,089,228)
Income tax expense	7	**–**	–
Loss for the year		**(7,148,114)**	(8,089,228)
Loss attributable to:			
Equity holders of the Company		**(6,542,869)**	(7,754,928)
Non-controlling interests		**(605,245)**	(334,300)
		(7,148,114)	(8,089,228)

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Other comprehensive income/(loss) for the year:			
Items that may be reclassified to profit or loss			
– Fair value gain/(loss) on an available-for-sale financial asset		**3,302**	(1,947)
– Exchange difference on translation of foreign operations		**91,365**	–
Other comprehensive income/(loss) for the year, net of tax		**94,667**	(1,947)
Total comprehensive loss for the year		**(7,053,447)**	(8,091,175)
Attributable to:			
Equity holders of the Company		**(6,448,325)**	(7,756,819)
Non-controlling interests		**(605,122)**	(334,356)
		(7,053,447)	(8,091,175)
Loss per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	*8*	**(3.17)**	(5.06)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Going concern basis

During the year ended 31 December 2015, the operation of the Group's shipbuilding business had been minimal, except for the continuous effort in collecting outstanding receivables and realising existing inventories through sale. The development of the Energy Exploration and Production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration, even though the operation itself was able to maintain a break even position. Although management has already implemented measures to significantly reduce costs, the Group was still experiencing high level of finance costs for its existing borrowings, which would need to be accrued for even though they have not been paid. As a result, the Group had incurred a net loss of approximately RMB7,148,114,000 and had a net operating cash outflow of approximately RMB152,202,000 for the year ended 31 December 2015.

As at 31 December 2015, the Group had a total deficit of RMB5,702,972,000 and the Group's current liabilities exceeded its current assets by RMB27,763,838,000. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB22,234,793,000, out of which RMB17,366,674,000 current bank borrowings were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also included convertible bonds with outstanding principals totaling HKD3,050,000,000 (equivalent to approximately RMB2,555,229,000) as at 31 December 2015, which were immediately redeemable by the bondholders after reaching the one-year non-redemption period, while the Group only maintained cash and cash equivalents of RMB69,227,000 only.

Although the Group has been actively re-negotiating the terms and conditions of its existing borrowings with the respective banks and has successfully deferred part of the principal and interests, certain loan principal repayments and interest payments totaling RMB1,338,035,000 were still overdue as at 31 December 2015. The non-payment of loan principal and interests in accordance with the scheduled repayment dates caused the relevant bank loans to become immediately repayable pursuant to the respective loan agreements. In this connection, certain non-current borrowings totaling RMB188,817,000 have been classified as current liabilities. Subsequent to 31 December 2015, additional loan principal and interest payments totaling RMB273,448,000 were not renewed or repaid upon the scheduled repayment dates and thus became overdue. Moreover, based on the financial position of the Group as at 31 December 2015, the Group was not in compliance with certain restrictive financial covenants of a current bank borrowing amounted to RMB649,360,000 as at 31 December 2015. The Group has obtained a wavier for compliance with such financial covenants subsequent to 31 December 2015. In addition, bank loans of RMB19,129,975,000 and convertible bonds with principal amount of HKD3,050,000,000 (equivalent to approximately RMB2,555,229,000), totaling RMB21,685,204,000 contain cross default terms in their respective financing agreements. As a result of the above-mentioned overdue of principal and interest repayments and non-compliance with loan covenants, current borrowings totaling RMB17,890,512,000 as at 31 December 2015 became immediately repayable pursuant to the cross-default terms under the relevant loans and convertible bond agreements; and in this connection, certain non-current borrowings totaling RMB2,956,594,000 have been classified as current liabilities. As at the date of the approval of these consolidated financial statements, the Group has not obtained waivers to comply with these cross-default terms from the relevant banks and bondholders; nor have these banks and bondholders taken any action against the Group to demand immediate repayment.

The Group had six outstanding convertible bonds with principal amounts totaling HKD3,050,000,000 (equivalent to approximately RMB2,555,229,000) as at 31 December 2015 (2014: HKD4,304,000,000 (equivalent to approximately RMB3,395,296,000)). During the year, convertible bonds of HKD1,254,000,000 (equivalent to RMB1,050,576,000) were converted into equity. According to the bond agreements, the bondholders have early redemption options to request the Company to redeem the outstanding convertible bonds when the respective convertible bonds reached the one-year non-redemption period. As at 31 December 2015, all the Group's outstanding convertible bonds already reached their one-year non-redemption period and became immediately repayable should the bondholders request for early redemption (in addition to their rights to request for early repayment because of the triggering of the cross-default terms described in the preceding paragraph). Furthermore, one of the convertible bonds with an outstanding principal of HKD610,000,000 (equivalent to RMB511,046,000) matured in February 2016, which was settled by a promissory note due in May 2016 issued by the Group (see (iii) below). The remaining outstanding convertible bonds will mature over the period from July to December 2016, if the relevant bondholders do not request for early repayments.

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

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

i) In order to accelerate and facilitate the progress of the Group's restructuring plan and to enhance the liquidity and financial position of the Group, the Group plans to reduce its borrowings by issuing shares of the Company to satisfy certain of the Group's outstanding debts.

On 19 November 2015, the Company entered into conditional letters of intent in relation to the disposal of liabilities and other related matters with each of more than 10 major institutional creditors, pursuant to which the Company and the institutional creditors agreed that the entire or partial amount of borrowings of the institutional creditors owed by the Company and the Company's shipbuilding segment subsidiaries will be settled through issuance of shares of the Company to the relevant institutional creditors or its designated related companies (the "Disposal of Liabilities").

On 7 March 2016, the Company proposed to effect the Disposal of Liabilities by (1) entering into bank creditor subscription agreements with certain bank creditors or their designated entities pursuant to which these bank creditors or their designated entities will agree to subscribe for up to 14,108,000,000 shares of the Company at HKD1.20 per subscription share, to satisfy the relevant borrowings in an aggregate amount up to RMB14,108,000,000 due by the Group to these bank creditors; and (2) entering into supplier creditors subscription agreements with certain suppliers creditors pursuant to which these supplier creditors or their designated entities will agree to subscribe for up to 3,000,000,000 shares of the Company at HKD1.20 per subscription share in order to settle the payables in an aggregate amount up to RMB3,000,000,000 due by the Group to these supplier creditors.

As at the date of announcement of the proposal for the Disposal of Liabilities, 12 out of 22 bank creditors had entered into non-binding letters of intent with the Company to express their support towards the proposal for subscription of shares of the Company for the satisfaction of debt, covering approximately RMB12,598,000,000 or 89.3% of the maximum subscription amount of RMB14,108,000,000. The maximum subscription amount for supplier creditors of RMB3,000,000,000 is associated with more than 1,000 supplier creditors, and approximately RMB323,200,000 were attributable to supplier creditors which have entered into non-binding letters of intent with the Company to express their support towards the proposal for subscription of shares of the Company for the satisfaction of debt.

At the same time, the Company also proposed to implement a share consolidation on the basis that every five issued and unissued shares with a par value of HKD0.10 each of the Company will be consolidated into one consolidated share with a par value of HKD0.50 each.

The completion of the Disposal of Liabilities is conditional upon i) the approval from the Company's shareholders to grant to the directors the specific mandate to allot and issue the subscription shares, with the corresponding approval of the share consolidation and the increase in authorised share capital; ii) the execution of the relevant subscription agreements with the bank and supplier creditors after obtaining the shareholders' approval; and iii) the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the subscription shares under the relevant subscription agreements.

The Group had obtained the shareholders' approval for the proposal of the Disposal of Liabilities and share consolidation as well as the increase in authorised share capital on 24 March 2016. With the said shareholders' approval obtained, the directors of the Company are working with the bank and supplier creditors to execute and complete the proposal for the Disposal of Liabilities, which are subject to finalisation and agreement of the detailed terms and conditions on the subscription arrangements as well as obtaining the necessary and relevant regulatory approvals. The directors of the Company expect that the Disposal of Liabilities will be completed in year 2016. For the bank loans which will remain outstanding subsequent to the Disposal of Liabilities, the Group will continue to negotiate with the respective banks to further extend or renew those loans as and when they fall due (see Note (iv) to (vi) below);

ii) Subsequent to the Disposal of Liabilities, the Group expects to dispose of its core assets and liabilities of the Shipbuilding, Offshore Engineering and Marine Engine Building segments to a potential buyer (the "Potential Transaction"). The Group is still in active discussion with a potential buyer in this regard;

iii) During the year ended 31 December 2015, the Company has successfully reduced the amount of outstanding convertible bonds when convertible bonds with a total principal amount of HKD1,254,000,000 (equivalent to approximately RMB1,050,576,000) were converted into 1,367,762,940 shares of the Company. As at 31 December 2015, convertible bonds with the aggregate principal amount of HKD3,050,000,000 (equivalent to approximately RMB2,555,229,000) remained outstanding. In addition, one of the convertible bonds with an outstanding principal of HKD610,000,000 (equivalent to RMB511,046,000) matured in February 2016. On 29 March 2016, the Company issued a promissory note to this convertible bondholder, pursuant to which the Company promised to repay a sum of HKD610,000,000 (equivalent to RMB511,046,000), together with interest accrued thereon, to the bondholder on or before 31 May 2016. The remaining outstanding convertible bonds will mature over the period from July to December 2016, if the relevant bondholders do not request for early repayments. The Company is in discussion with the respective bondholders and has requested them not to redeem the bonds in year 2016 and will continue to negotiate with the bondholder for further arrangement so as to enable the Company to meet its financial obligations of the outstanding promissory note when it falls due on 31 May 2016;

iv) Pursuant to the Jiangsu Rongsheng Heavy Industries Co., Ltd. Debt Optimisation Framework Agreement (《江蘇熔盛重工有限公司債務優化銀團框架協議》) (the "Jiangsu Framework Agreement") entered into with a group of banks in the Jiangsu Province of the People's Republic of China ("PRC"), the Group has continuously been able to extend the repayment of and renewal terms of the existing bank loans that had original maturity in 2015 to new maturity dates ranging from January 2016 to January 2017. During the year ended 31 December 2015, pursuant to this framework agreement, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB13,201,971,000 (inclusive of principal amount of RMB12,604,651,000 and interest amount of RMB597,320,000), which will be due after December 2015. As at 31 December 2015, the Group's total outstanding current and non-current borrowings with respect to the Jiangsu Framework Agreement amounted to RMB12,513,566,000 and RMB294,852,000, respectively, of which RMB7,974,000 have been overdue since December 2015, and of which RMB12,612,626,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities, and will further negotiate with these banks, after the completion of the Disposal of Liabilities, for renewal and extension of the remaining outstanding bank loans which are not settled as and when they fall due during the year 2016. Subsequent to 31 December 2015, loans of RMB677,713,000 were successfully extended and will be repayable in year 2017;

v) Pursuant to the Debt Optimisation Framework Agreement for China Rongsheng's Entities in Hefei (《中國熔盛系合肥企業債務優化銀團框架協議》) (the "Hefei Framework Agreement") entered into with a group of banks in Hefei, Anhui Province of the PRC, the Group continued to be able to extend the repayment and renewal terms of the existing bank loans that had original maturity in 2015 to new maturity dates ranging from April 2016 to June 2016. During year ended 31 December 2015, the Group successfully renewed and extended loans amounted to RMB744,420,000, which would be after March 2016. As at 31 December 2015, the Group's total outstanding current borrowings with respect to this Hefei Framework Agreement amounted to RMB3,778,103,000, of which RMB218,287,000 have been overdue since 2014 and RMB496,000,000 have been overdue since April 2015, and, of which RMB3,347,112,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities; and will further negotiate with these banks, after the completion of Disposal of Liabilities, for renewal and extension of the remaining outstanding bank loans which are not settled as and when they fall due during the year 2016;

vi) The Group has also been actively negotiating with the lenders regarding the current and non-current borrowings (other than convertible bonds) of RMB4,220,417,000 and RMB150,327,000 respectively not covered in the above Jiangsu Framework Agreement and Hefei Framework Agreement (together with "Framework Agreements") to extend the repayment and renewal terms of these existing current loans that had original maturity in 2015 to new maturity dates ranging from January 2016 to June 2016. During the year, the Group has successfully extended the repayment dates of and renewed certain loans amounted to RMB3,754,299,000 (inclusive of principal amount of RMB3,605,608,000 and interest amount of RMB148,691,000), so that these loans are now repayable after December 2015. Out of the amounts renewed during the year, an amount of RMB118,311,000 represented a bank loan that was overdue since 2014. As at 31 December 2015, total current loans from these lenders amounted to RMB4,220,417,000, of which RMB467,340,000 have been overdue, and of which RMB3,605,608,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these lenders not to demand for repayment of the outstanding loans before the completion of the Disposal of Liabilities; and will further negotiate with these lenders, after the completion of Disposal of Liabilities, for renewal and extension of the remaining outstanding loans which are not settled as and when they fall due during the year 2016;

vii) During the year ended 31 December 2015, the Group obtained security-free and interest-free loans from a non-controlling interest shareholder of a subsidiary amounted to RMB46,306,000, which will be repayable ranging from July 2016 to August 2018. These loans have been used for the development of Energy Exploration and Production segment;

viii) In relation to those bank loans that have been overdue (including those mentioned in (iv) to (vi) above) because the Group failed to repay on or before the scheduled repayment dates or those bank loans that became immediately repayable because of the cross-default terms, the Group is in the process of negotiating with the relevant banks to extend the repayment and renewal of the loans; and to obtain waivers from the lenders for the due payment pursuant to the relevant cross-default terms;

ix) The Group has actively diversified its operation through continuous development of the Energy Exploration and Production segment. During the year ended 31 December 2015, the energy and exploration assets acquired in the Republic of Kyrgyzstan ("Kyrgyzstan") were found with proven commercial oil reserve, and a number of wells were developed and entered into production stage. Management expects to realise an increase of oil output through further development and expansion of this segment and thereby generate steady operating cash flows; and

x) The Group continues to implement measures to improve the operating cash flows, including (1) re-sale of certain completed shipbuilding orders to new customers should the original customers do not accept delivery; (2) utilising the capacity of the production plants in manufacturing of steel structures for infrastructure projects; and (3) taking active measures to expedite collections of outstanding receivables, control administrative costs and contain capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 31 December 2015. 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 31 December 2015. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

i) timely executing the subscription agreements with the banks and supplier creditors for the subscription of the Company's shares for the satisfaction of debts due by the Group to these banks and supplier creditors. The successful completion of the Disposal of Liabilities would include the finalisation and agreement of the detailed terms and conditions with the banks and supplier creditors on the subscription arrangement as well as obtaining the necessary and relevant regulatory approvals, including among other things, the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the subscription shares under the relevant subscription agreements;

ii) convincing the banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities; and further negotiating with these banks after the completion of the Disposal of Liabilities for renewal and extension of the remaining outstanding bank loans as and when they fall due in year 2016;

iii) segregating the assets and liabilities to be excluded from the Potential Transaction from the ones included, and successfully implementing a business plan for the Engineering Machinery and Energy Exploration and Production segments;

iv) timely executing a formal transaction agreement with the potential buyer and completing the Potential Transaction for selling the core assets and liabilities of the Shipbuilding, Offshore Engineering and Marine Engine Building segments of the Group in the PRC. This would include entering into a definitive agreement for agreeing the details and completion conditions of the Potential Transaction, including the scope, the assets and liabilities to be included and the consideration of the transaction, obtaining the necessary approvals from the regulatory authorities and shareholders in order to complete the Potential Transaction, and raising the additional funding required, if any, for the completion of the Potential Transaction and for the settlement of any borrowings or liabilities not included in the Potential Transaction;

v) convincing the convertible bondholders not to exercise their redemption options to request the Company to redeem the outstanding convertible bonds in year 2016, and negotiating with the bondholder of the outstanding promissory note of HKD610,000,000 (equivalent to RMB511,046,000), together with accrued interests thereon for further arrangement so as to enable the Company to meet its financial obligations when it falls due in year 2016;

vi) negotiating with the relevant banks for the renewal or extension for repayments beyond the year ending 31 December 2016 for those loans that (i) are scheduled for repayment (either based on the original agreement or the existing arrangements) in next twelve-month period; (ii) were overdue at 31 December 2015 because the Group failed to repay on or before the scheduled repayment dates; and (iii) became or might become overdue in next twelve-month period;

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

viii) obtaining additional sources of financing other than those above-mentioned, including those to finance the Group's new Energy Exploration and Production segment and to generate adequate cash flows.

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

(b) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except as modified by the accounting policies stated below.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(c) New and amended standards adopted by the Group:

During the year ended 31 December 2015, the Group has adopted the following new standards, amendments and interpretations to standards which are mandatory for accounting periods beginning on 1 January 2015:

International Accounting Standard ("IAS") 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The adoption of these amendments to existing standards does not have significant impact to the Group's results of operation and financial position.

(d) ***New Hong Kong Companies Ordinance***

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(e) ***New standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2015 and have not been early adopted by the Group:***

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Disclosure Initiative	1 January 2016
IAS 7 (Amendment)	Disclosure Initiative	1 January 2017
IAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
IAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
IFRSs 9	Financial Instruments	1 January 2018
IFRSs 10 and IAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	To be determined
IFRSs 10, IFRSs 12 and IAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRSs 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRSs 14	Regulatory Deferral Accounts	1 January 2016
IFRSs 15	Revenue from Contracts with Customers	1 January 2018
IFRSs 16	Leases	1 January 2019
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3 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 consolidated financial statements.

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business from both a geographic and product perspective. The Shipbuilding segment derives its revenue primarily from the construction of vessels, and the Offshore Engineering segment derives its revenue from the construction of vessels for marine projects. The Engineering Machinery segment derives its revenue from manufacturing of excavators and crawler cranes while the Marine Engine Building segment derives its revenue from building marine engines. The Energy Exploration and Production segment derives its revenue from sales of crude oil since this segment has commenced commercial production during the year ended 31 December 2015. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. Segment results are calculated by offsetting segment revenue from external customers with segment cost of sales. The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2015 is as follows:

	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Energy Exploration and Production		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from sales of vessels	**402,867**	–	**–**	–	**–**	–	**–**	–	**–**	–	**402,867**	–
Revenue from shipbuilding and other contracts	**306,223**	639,293	**–**	–	**720**	27,646	**855**	187,543	**–**	–	**307,798**	854,482
Revenue from sales of crude oil	**–**	–	**–**	–	**–**	–	**–**	–	**28,655**	–	**28,655**	–
Reversal related to the cancellation of the construction contracts	**–**	(4,530,737)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(4,530,737)
Segment revenue	**709,090**	(3,891,444)	**–**	–	**720**	27,646	**855**	187,543	**28,655**	–	**739,320**	(3,676,255)
Inter-segment revenue	**–**	–	**–**	–	**–**	(3,701)	**(855)**	(122,409)	**–**	–	**(855)**	(126,110)
Revenue from external customers	**709,090**	(3,891,444)	**–**	–	**720**	23,945	**–**	65,134	**28,655**	–	**738,465**	(3,802,365)
Segment results	**(1,191,297)**	(3,888,607)	**–**	–	**(68,426)**	(42,738)	**(227,221)**	(182,678)	**10,248**	–	**(1,476,696)**	(4,114,023)
Selling and marketing expenses											**(7,554)**	(16,773)
General and administrative expenses											**(1,304,880)**	(1,115,843)
Research and development expenses											**(38,308)**	(63,081)
Provisions for impairments and delayed penalties											**(2,298,006)**	(2,742,109)
Other income											**29,735**	182,504
Other gains – net											**106,837**	1,811,647
Finance costs – net											**(2,159,242)**	(2,031,550)
Loss before income tax											**(7,148,114)**	(8,089,228)
Segment assets	**1,378,167**	2,181,991	**1,065,835**	1,102,238	**231,460**	510,808	**2,956,372**	3,343,221	**2,172,362**	1,688,041	**7,804,196**	8,826,299
Unallocated											**16,847,872**	21,179,957
Total assets											**24,652,068**	30,006,256
Segment liabilities	**–**	–	**185,754**	193,664	**296,608**	279,309	**4,597,938**	4,414,409	**627,521**	105,022	**5,707,821**	4,992,404
Unallocated											**24,647,219**	24,700,156
Total liabilities											**30,355,040**	29,692,560
Other segment disclosures:												
Depreciation	**387,496**	361,640	**11,498**	5,448	**58,738**	60,221	**5,695**	2,021	**12,448**	21	**475,875**	429,351
Amortisation	**–**	–	**–**	–	**–**	–	**–**	–	**1,652**	–	**1,652**	–
Additions to non-current assets	**–**	75,906	**633**	3,172	**15,047**	17,914	**–**	–	**1,907,009**	120,367	**1,922,689**	217,359

The unallocated items mainly included prepayments and deposits and cash and cash equivalents. Unallocated assets also included inventories and property, plant and equipment jointly used by the Shipbuilding and Offshore Engineering segments.

Unallocated liabilities mainly included trade and other payables and borrowings, which are jointly shared by the Shipbuilding and Offshore Engineering segments.

During the year, no shipbuilding contracts of the Group were cancelled (2014: 29 vessels).

During the year ended 31 December 2015, revenue from the top customer of the Shipbuilding segment, amounted to RMB325,516,000 (2014: RMB327,370,000), representing 44.1% (2014: 44.9%) of the total revenue, excluding cancellation of construction contracts.

No customers of the Engineering Machinery and the Marine Engine Building segments individually accounted for 10% or more of the Group's consolidated revenue for the year ended 31 December 2015 (2014: nil).

There are 3 individual customers contributed more than 10% revenue of the Group's revenue, excluding cancellation of construction contracts, for the year ended 2015 (2014: 3). The revenue of these customers during the year are RMB325,516,000, RMB99,691,000 and RMB84,130,000 (2014: RMB327,370,000, RMB166,868,000 and 79,168,000).

Geographically, management considers the operations of Shipbuilding, Offshore Engineering, Engineering Machinery and the Marine Engine Building segments are all located in the PRC while Energy Exploration and Production segment is located in Kyrgyzstan, with revenue derived from different geographical locations, which is determined by the country in which the customer is located.

The Group's revenue, excluding cancellation of construction contracts by countries from shipbuilding and other contracts is analysed as follows:

	2015	2014
	RMB'000	*RMB'000*
China	**334,317**	199,569
Norway	**325,516**	–
Greece	**44,560**	414,441
Kyrgyzstan	**28,655**	–
Brazil	**5,076**	166,182
India	**341**	25,902
Israel	**–**	48,824
Germany *(Note a)*	**–**	(127,529)
Others	**–**	983
	738,465	728,372

Note:

(a) The reduction in revenue from certain customers during the year was mainly due to the change in contract price and accounting estimates.

4 EXPENSES BY NATURE

	2015	2014
	RMB'000	*RMB'000*
Amortisation of intangible assets	**1,652**	–
Amortisation of land use rights	**81,295**	81,660
Advertising, promotion and marketing expenses	**1,684**	5,611
Auditors' remuneration		
– audit services	**6,000**	10,000
– non-audit services	**300**	1,019
Bank charges (include refund guarantee charges)	**32,874**	31,032
Provision/(reversal of provision) for warranty		
– charge for the year	**11,731**	1,010
– reversal upon expiring of the warranty period	**(18,383)**	(58,104)
Commission expense	**3,311**	29,792
Consultancy and professional fees	**53,670**	49,094
Cost of sales reversed from the cancellation of the construction contracts	**–**	(3,650,440)
Compensation to ship owners for cancellation of contracts	**–**	231,928
Cost of vessels and inventories	**577,137**	–
Depreciation of property, plant and equipment	**475,875**	429,351
Employee benefits expenses	**264,347**	492,256
Raw materials and consumable used	**300,712**	999,353
Impairment provisions of		
– trade receivables, net	**859,077**	335,811
– other receivables and prepayments	**1,337,973**	99,920
– amounts due from customers for contract works	**816,067**	2,333,541
– property, plant and equipment	**119,468**	–
Inspection fees	**623**	16,822
Insurance premiums	**4,424**	12,392
Miscellaneous expenses	**218,817**	208,000
Operating lease payments	**32,843**	29,864
Outsourcing and processing costs	**113,224**	215,119
Provision/(reversal of provision) for delayed penalties	**11,941**	(27,163)
Provision for inventories	**6,260**	2,016,421
Provision and compensation for litigations	**549,768**	242,619
Royalty expenses	**–**	14,543
Storage and handling charges	**934**	29,538
Trade receivables written off	**285**	68,475
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses	**5,863,909**	4,249,464

5 OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Government grants *(Note a)*	**3,287**	12,371
Installment confiscated due to cancellation of ship building contracts	**–**	124,656
Others	**26,448**	45,477
	29,735	182,504

Note:

(a) Government grants represented cash received from Jiangsu and Anhui Government authorities during the years ended 31 December 2015 and 2014.

6 OTHER GAINS – NET

	2015	2014
	RMB'000	*RMB'000*
Fair value change on derivative instruments – embedded derivative in convertible bonds	**59,522**	1,883,476
Loss on sale of scrapped parts	**–**	(179,445)
Net foreign exchange gains	**51,703**	107,616
Loss on disposal of land use rights	**(2,326)**	–
Loss on disposal of property, plant and equipment	**(2,062)**	–
Total	**106,837**	1,811,647

7 INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the years ended 31 December 2015 and 2014 as the Group had no assessable profit in Hong Kong. All PRC subsidiaries are subject to EIT rate of 25%. For the year ended 31 December 2015 and 2014, the Group had no assessable profit in the PRC.

8 LOSS PER SHARE

Basic

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

	2015	2014 (Adjusted)
Loss attributable to equity holders of the Company *(RMB'000)*	**6,542,869**	7,756,819
Weighted average number of ordinary shares in issue	**2,062,701,637**	1,531,982,362
Basic loss per share *(RMB per share)*	**3.17**	5.06

(a) The share consolidation pursuant to the shareholders, resolutions dated 24 March 2016 are adjusted in the weighted average number of ordinary shares in issue as if the subdivision had occurred at 1 January 2014, the beginning of the earliest period reported.

(b) Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year (2014: same).

9 DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year 2015 (2014: nil).

10 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Oil properties *RMB'000*	Buildings *RMB'000*	Plant and machinery *RMB'000*	Computer equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Year ended 31 December 2014								
Opening net book amount	6,424,703	–	8,650,520	2,340,051	8,831	25,024	22,303	17,471,432
Acquisition of subsidiaries	25,924	–	–	–	–	20	205	26,149
Additions	188,231	–	2,068	25,870	63	947	180	217,359
Disposals	(4,863)	–	(80,874)	(5,412)	(229)	(533)	(73)	(91,984)
Transfer	(1,956,961)	–	1,926,161	30,800	–	–	–	–
Depreciation	–	–	(196,497)	(215,161)	(5,147)	(8,098)	(4,448)	(429,351)
Exchange difference	(705)	–	–	–	–	(1)	(2)	(708)
Closing net book amount	4,676,329	–	10,301,378	2,176,148	3,518	17,359	18,165	17,192,897
At 31 December 2014								
Cost or valuation	4,676,329	–	10,301,378	3,588,706	48,447	62,072	47,068	18,724,000
Accumulated depreciation and impairment loss	–	–	–	(1,412,558)	(44,929)	(44,713)	(28,903)	(1,531,103)
Net book amount	4,676,329	–	10,301,378	2,176,148	3,518	17,359	18,165	17,192,897

	Construction in progress *RMB'000*	**Oil properties** *RMB'000*	**Buildings** *RMB'000*	**Plant and machinery** *RMB'000*	**Computer equipment** *RMB'000*	**Office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2015								
Opening net book amount	**4,676,329**	**–**	**10,301,378**	**2,176,148**	**3,518**	**17,359**	**18,165**	**17,192,897**
Additions	**416,927**	**–**	**–**	**480**	**51**	**463**	**270**	**418,191**
Disposals	**(33,234)**	**–**	**(15,538)**	**(650)**	**(712)**	**(167)**	**(692)**	**(50,993)**
Transfer	**(284,487)**	**230,535**	**970**	**52,982**	**–**	**–**	**–**	**–**
Depreciation	**–**	**(12,256)**	**(228,542)**	**(217,717)**	**(1,833)**	**(10,823)**	**(4,704)**	**(475,875)**
Exchange difference	**19,089**	**12,988**	**–**	**–**	**5**	**31**	**24**	**32,137**
Impairment loss	**(52,817)**	**–**	**(28,445)**	**(38,035)**	**(113)**	**(58)**	**–**	**(119,468)**
Closing net book amount	**4,741,807**	**231,267**	**10,029,823**	**1,973,208**	**916**	**6,805**	**13,063**	**16,996,889**
At 31 December 2015								
Cost or valuation	**4,741,807**	**243,523**	**10,029,823**	**3,516,096**	**45,439**	**59,100**	**37,408**	**18,673,196**
Accumulated depreciation and impairment loss	**–**	**(12,256)**	**–**	**(1,542,888)**	**(44,523)**	**(52,295)**	**(24,345)**	**(1,676,307)**
Net book amount	**4,741,807**	**231,267**	**10,029,823**	**1,973,208**	**916**	**6,805**	**13,063**	**16,996,889**

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

For the year ended 31 December 2015, the operation of the Group has been minimal owing to the shortage of funds to and the lack of availability of banking facilities required for accepting new orders. The Group is still in discussion with a potential purchaser to sell the related core assets and liabilities of the onshore shipbuilding offshore engineering and marine engine building businesses in the PRC.

Management has therefore performed an impairment assessment of the Group's land use rights and property, plant and equipment at the CGU level. The CGUs are Shipbuilding and Offshore Engineering, Engineering Machinery, Marine Engine Building and Energy Exploration and Production segments of the Group.

The Group's land use rights and property, plant and equipment are analysed as follows:

	Shipbuilding and Offshore Engineering Segment	**Engineering Machinery Segment**	**Marine Engine Building Segment**	**Energy Exploration and Production Segment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights	3,518,512	185,503	123,219	–	3,827,234
Property, plant and equipment	13,765,656	–	2,663,250	567,983	16,996,889
Total	17,284,168	185,503	2,786,469	567,983	20,824,123

In determining the recoverable amount of the non-current assets, including land use rights and property, plant and equipment under Shipbuilding, Offshore Engineering and Marine Engine Building segments amounting to RMB20,070,637,000 as at 31 December 2015, which was based on the fair value less costs to sell of these assets, the directors made reference to the estimated consideration of these assets under the Potential Transaction. The estimated consideration of these assets under the Potential Transaction is dependent on the scope of assets and liabilities to be included in the Potential Transaction, and the directors expect that consideration would be no less than the aggregate carrying amount of the net assets to be disposed of under the Potential Transaction. Therefore, the directors are of the view that the estimated consideration to be allocated to each individual asset would exceed the carrying value of such asset and hence, no impairment charge with respect to the non-current assets of Shipbuilding, Offshore Engineering and Marine Engine Building segments is considered necessary.

In determining the recoverable amounts of property, plant and equipment under the Engineering Machinery segment amounting to RMB119,468,000 as at 31 December 2015, the directors have evaluated the recoverable amounts of non-current assets based on value-in-use calculations, which are calculated using pre-tax discounted cash flow projections based on the financial budgets approved by the Board covering a five-year period (including the revenue growth and costs estimates during the five-year projection period, which reflect the directors' expectation on the future development of the respective segments). Since the property, plant and equipment of Engineering Machinery segment consisted of certain construction in progress of a plant, a building and other plant and machinery, whereby management has been unable to implement a viable business plan to utilise such amounts, a full provision of RMB119,468,000 has been made during the year.

In determining the recoverable amount of the land use rights under Engineering Machinery segment amounting to RMB185,503,000 as at 31 December 2015, which was based on the fair value less costs to sell, the directors made reference to the current market price of the land use rights in Hefei, Anhui Province. Since the fair value of the land use rights exceeds the carrying value of the land use rights and hence, no impairment charge is considered necessary.

11 INTANGIBLE ASSETS

	As at 31 December											
	2015						2014					
	Goodwill	**Co-operation rights**	**Patents**	**Computer software**	**Development costs**	**Total**	Goodwill	Co-operation rights	Patents	Computer software	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January costs	**55,139**	**1,493,345**	**21,644**	**77,517**	**514,191**	**2,161,836**	55,139	–	21,644	77,517	514,191	668,491
Accumulated impairment	**(55,139)**	**-**	**(3,535)**	**(35,122)**	**(409,780)**	**(503,576)**	(55,139)	–	(3,535)	(35,122)	(409,780)	(503,576)
Accumulated amortisation	**-**	**-**	**(18,109)**	**(42,395)**	**(104,411)**	**(164,915)**	–	–	(18,109)	(42,395)	(104,411)	(164,915)
Net book amount	**-**	**1,493,345**	**-**	**-**	**-**	**1,493,345**	–	–	–	–	–	–
Movement during the year												
Additions	**-**	**-**	**-**	**-**	**-**	**-**	–	1,504,498	–	–	–	1,504,498
Amortisation charge	**-**	**(1,652)**	**-**	**-**	**-**	**(1,652)**	–	–	–	–	–	–
Exchange difference	**-**	**91,355**	**-**	**-**	**-**	**91,355**	–	(11,153)	–	–	–	(11,153)
	-	**89,703**	**-**	**-**	**-**	**89,703**	**-**	1,493,345	–	–	–	1,493,345
At 31 December costs	**55,139**	**1,584,768**	**21,644**	**77,517**	**514,191**	**2,253,259**	55,139	1,493,345	21,644	77,517	514,191	2,161,836
Accumulated impairment	**(55,139)**	**-**	**(3,535)**	**(35,122)**	**(409,780)**	**(503,576)**	(55,139)	–	(3,535)	(35,122)	(409,780)	(503,576)
Accumulated amortisation	**-**	**(1,720)**	**(18,109)**	**(42,395)**	**(104,411)**	**(166,635)**	–	–	(18,109)	(42,395)	(104,411)	(164,915)
Closing net book amount	**-**	**1,583,048**	**-**	**-**	**-**	**1,583,048**	–	1,493,345	–	–	–	1,493,345

The intangible assets represent rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oil fields zones ("Co-operation Rights"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. During the year ended 31 December 2015, certain wells have entered into production stage. As a result, amortisation of RMB1,652,000 has been charged to the profit or loss during year (2014: Nil) based on the unit-of-production method.

During the year ended 31 December 2015, the development of the Energy Exploration and Production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration; even though the operation itself was able to maintain a break even position. In addition, the market oil price has been decreased drastically which has an adverse effect on the results of the Energy Exploration and Production segment.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under Energy Exploration and Production segment amounting to RMB1,583,048,000 and RMB567,983,000, respectively, the directors have evaluated the recoverable amounts based on value-in-use calculations using pre-tax cash flow projections. Key assumptions are crude oil price of USD40-60 per barrel (2014: USD50-60 per barrel) and a discount rate of 18% (2014: 18%).

As a result of the above assessment, the recoverable amounts of the intangible assets and property, plant and equipment under Energy Exploration and Production segment as estimated by the directors exceeded the carrying amounts of these assets and therefore, the directors are of the opinion that no impairment charge is considered necessary as at 31 December 2015.

12 TRADE AND BILLS RECEIVABLES

	31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**3,945,240**	3,844,053
Less: Provision for doubtful receivables	**(3,781,778)**	(2,808,297)
Bills receivables	**–**	600
	163,462	1,036,356

Ageing analysis of trade and bills receivables by due date is as follows:

	31 December	
	2015	2014
	RMB'000	*RMB'000*
Undue	**1,036**	4,657
Past due 1-180 days	**23,166**	27,050
Past due 181- 360 days	**18,662**	12,332
Over 361 days	**120,598**	992,317
	163,462	1,036,356

Movements on the provision for doubtful receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**2,808,297**	2,465,706
Provision for the year	**960,145**	347,326
Reversal during the year	**(101,068)**	(11,515)
Exchange difference	**114,404**	6,780
At 31 December	**3,781,778**	2,808,297

The creation and release of provision for doubtful receivables have been included within provisions of impairments and delayed penalties in the consolidated statement of comprehensive income.

As at 31 December 2015, trade receivables of RMB3,398,249,000 (2014: RMB2,486,179,000) and RMB383,529,000 (2014: RMB322,118,000) related to certain customers of the Shipbuilding segment and the Engineering Machinery segment were impaired and provided for respectively. Trade receivables impaired and provided for were past due over 361 days.

As at 31 December 2015, trade receivables of RMB162,426,000 (2014: RMB1,031,699,000) were past due but not impaired. The ageing analysis of these trade receivables by due date is listed above. During the year ended 31 December 2015, trade receivables of RMB285,000 (2014: RMB68,475,000) were written off directly.

The carrying amounts of trade and bills receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of RMB163,462,000 (2014: RMB1,036,356,000).

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

13 TRADE AND OTHER PAYABLES

	31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**2,234,242**	1,920,660
Other payables for purchase of property, plant and equipment		
– Third parties	**439,313**	472,736
– Related parties	**520,433**	608,870
Other payables		
– Third parties	**1,017,063**	1,313,849
– Related parties	**36,038**	21,234
Receipt in advance	**87,210**	108,227
Accrued expenses		
– Payroll and welfare	**128,393**	95,134
– Design fees	**5,990**	47,421
– Utilities	**1,127**	8,733
– Outsourcing and processing fee	**26,817**	173,756
– Interest	**1,575,764**	667,406
– Exploration costs	**23,328**	31,515
– Others	**78,538**	170,587
Provision for litigation cases	**771,911**	317,917
Provision for delayed penalties	**9,571**	111,274
VAT payable	**4,003**	2,952
Other tax-related payables	**41,760**	52,844
Current trade and other payables	**7,001,501**	6,125,115

Ageing analysis of trade and bills payables is as follows:

	31 December	
	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**108,378**	144,382
31 – 60 days	**133,918**	39,259
61 – 90 days	**132,783**	5,013
Over 90 days	**1,859,163**	1,732,006
	2,234,242	1,920,660

14. SUBSEQUENT EVENTS

(i) Proposed to effect the Disposal of Liabilities

On 7 March 2016, the Company proposed to effect the Disposal of Liabilities by (1) entering into bank creditor subscription agreements with certain bank creditors or their designated entities pursuant to which these bank creditors or their designated entities will agree to subscribe for up to 14,108,000,000 shares of the Company at HKD1.20 per subscription share, to satisfy the relevant borrowings in an aggregate amount up to RMB14,108,000,000 due from the Group to these bank creditors; and (2) entering into supplier creditor subscription agreements with certain supplier creditors pursuant to which these supplier creditors or their designated entities will agree to subscribe for up to 3,000,000,000 shares of the Company at HKD1.20 per subscription share in order to settle the payables in an aggregate amount up to creditors RMB3,000,000,000 due from the Group to these supplier creditors.

The completion of the Disposal of Liabilities is conditional upon i) the approval from the Company's shareholders to grant to the directors the specific mandate to allot and issue the subscription shares, with the corresponding approval of the share consolidation and the increase in authorised share capital; ii) the execution of the relevant subscription agreements with bank and supplier creditors subsequent to the shareholders' approval; and iii) the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the subscription shares under the relevant subscription agreements. The Disposal of Liabilities was approved by the Company's shareholders at the Extraordinary General Meeting held on 24 March 2016.

(ii) Proposed share consolidation

On 7 March 2016, the Company proposed to implement a share consolidation on the basis that every five issued and unissued shares of HKD0.10 each of the Company will be consolidated into one consolidated share of HK$0.50 each. The proposed share consolidation was approved by the Company's shareholders at the Extraordinary General Meeting held on 24 March 2016.