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 2016

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 2016 (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 negative revenue of RMB4,118.8 million, which was primarily attributable to the decrease in revenue from sales of vessels and the reversal of revenue from cancellation of shipbuilding contracts compared to the revenue of RMB738.5 million for the year ended 31 December 2015 (the "**Comparative Period**"). Loss attributable to the equity holders of the Company for the Period was RMB3,564.8 million, while loss attributable to the equity holders of the Company for the Comparative Period was RMB6,542.9 million.

Shipbuilding and Offshore Engineering

For the Period, the shipbuilding segment of the Company recorded a negative revenue of RMB4,152.3 million. For the Period, we sold 4 vessels with a revenue of approximately RMB140.8 million. As at 31 December 2016, our total orders on hand consisted of 6 vessels, representing a total volume of approximately 455,000 DWT with a total contract value of approximately USD204.5 million. They included 5 Panamax bulk carriers and 1 Panamax crude oil tanker.

Faced with the slowdown of production of the shipbuilding business, the Company utilised its existing production facilities and human resources to develop diversified business, including seeking opportunities in the construction of hulls, 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. For the Period, the Kyrgyzstan Project recorded 188,161 barrels (bbl) of light crude oil. Revenue from the energy exploration and production segment was RMB31.6 million for the Period, an increase of 10.1% from RMB28.7 million for the Comparative Period.

Marine Engine Building and Engineering Machinery

For the Period, suffered from the continuously sluggish shipbuilding market and marine engine market, the Company utilised its production facilities, equipment, human resources and techniques to diversify its business. Intersegment sales revenue was RMB0.7 million for the Period (for the Comparative Period: RMB0.9 million). Because of the cancellation of shipbuilding contracts, as at 31 December 2016, our orders on hand for marine engine building segment decreased to 6 engines (for the Comparative Period: 26 orders on hand).

For the Period, revenue from the engineering machinery segment was RMB1.9 million (for the Comparative Period: RMB0.7 million). Revenue mainly came from sales of in-stock excavators, idle assets and stagnant inventory.

FINANCIAL REVIEW

Revenue

For the Period, we recorded a negative revenue of RMB4,118.8 million as compared to the revenue of RMB738.5 million for the Comparative Period. It was primarily attributable to the reversal of revenue from cancellation of shipbuilding contracts. For the Period, revenue from sales of vessels was RMB140.8 million (for the Comparative Period: RMB402.9 million). Revenue from shipbuilding and other contracts was RMB135.8 million as compared to RMB306.9 million for the Comparative Period, representing a year-on-year decrease of approximately 55.8%. Revenue from sales of crude oil was RMB31.6 million (for the Comparative Period: RMB28.7 million). During the Period, revenue reversed from the cancellation of the shipbuilding contracts was RMB4,427.0 million (for the Comparative Period: nil).

Cost of Sales

For the Period, cost of sales decreased by approximately 78.9% to RMB467.9 million (for the Comparative Period: RMB2,215.2 million), which was primarily attributable to reversal of cost of goods sold from cancellation of shipbuilding contracts. Cost of sales reversed from the cancellation of the shipbuilding contracts for the Period was RMB3,669.4 million (for the Comparative Period: nil).

Selling and Marketing Expenses

For the Period, selling and marketing expenses decreased by approximately 27.6% to RMB5.5 million (for the Comparative Period: RMB7.6 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 decreased by approximately 42.7% to RMB748.3 million (for the Comparative Period: RMB1,304.9 million). This was mainly attributable to the implement of cost control measures by the Group, including significant cutback of workforce.

Reversal of / (Provision for) Impairments and Delayed Penalties

For the Period, reversal of impairments and delayed penalties was RMB175.3 million (for the Comparative Period: provision for impairments and delayed penalties of RMB2,298.0 million). It was mainly due to the reversal of impairment of trade receivables of RMB152.1 million, reversal of impairment of other receivables and prepayments of RMB48.0 million, offset with the provision for impairment of amounts due from customers for contract works of RMB6.7 million and provision for delayed penalties of RMB18.1 million. The reversal of impairment of trade receivables for the Period was mainly due to the settlement of trade receivables during the Period.

Reversal of impairments related to the cancellation of the construction contracts

For the Period, reversal of impairments related to the cancellation of the construction contracts was RMB3,886.1 million (for the Comparative Period: Nil). It was mainly due to the cancellation of certain construction contracts during the Period.

Other Gains – Net

For the Period, other gains – net increased by approximately 15.6% to RMB123.5 million (for the Comparative Period: gains of RMB106.8 million), primarily due to the fair value change on embedded derivatives of convertible bonds of RMB305.2 million (for the Comparative Period: RMB59.5 million).

Finance Costs – Net

Finance income for the Period, which mainly came from imputed interest income on interest-free loans, decreased by approximately 26.8% to RMB13.1 million (for the Comparative Period: RMB17.9 million). Finance costs for the Period increased by approximately 15.7% to RMB2,518.2 million (for the Comparative Period: RMB2,177.1 million). The increase was due to the increase in interest for the Company's convertible bonds for the Period.

Gross Loss

During the Period, we recorded a gross loss of RMB4,586.6 million (for the Comparative Period: RMB1,476.7 million). As a result of depressed market conditions and the lower prices of newbuildings, the profitability of conventional shipbuilding business has diminished. We cancelled some shipbuilding contracts in response to the market downturn and to mitigate risk. 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 RMB3,567.5 million (for the Comparative Period: RMB7,053.4 million), of which loss attributable to equity holders of the Company was RMB3,454.8 million (for the Comparative Period: RMB6,448.3 million). Loss attributable to the equity holders of the Company is the result of gross loss, the considerable finance costs and relatively fixed administrative expenses.

Liquidity and Going Concern

During the Period, the Group incurred a net loss of approximately RMB3,677.9 million. As at 31 December 2016, the Group had a total deficit of RMB9,263.8 million and the Group's current liabilities exceeded its current assets by RMB31,293.9 million. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB23,897.9 million, out of which RMB21,904.6 million 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. The Group's current borrowings also included a convertible bond with outstanding principal totaling Hong Kong Dollar ("**HKD**")103.5 million (equivalent to approximately RMB92.6 million) as at 31 December 2016, which was immediately redeemable by the bondholder according to the terms and conditions of the convertible bond.

However, a series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial positions of the Group. 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. The Company has proposed to effect the disposal of liabilities by (1) entering into bank creditor subscription agreements with certain bank creditors or their designated entities to subscribe for up to 14,108,000,000 shares of the Company (the "**Shares**") at HKD1.20 per subscription share, to satisfy the relevant borrowings in an aggregate amount up to RMB14,108.0 million due by the Group to these bank creditors; and (2) entering into supplier creditor subscription agreements with certain supplier creditors to subscribe for up to 3,000,000,000 Shares at HKD1.20 per subscription share in order to settle the payables in an aggregate amount up to RMB3,000.0 million due by the Group to these supplier creditors. The disposal of liabilities and the subscriptions will enable the Group to ease its debt burden immediately and to enhance the flexibility of fund utilization.

Details regarding uncertainties on the going concerns of the Group and the respective plans and measures 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 RMB1,663.1 million from RMB22,234.8 million as at 31 December 2015 to RMB23,897.9 million as at 31 December 2016. Our long-term borrowings and finance lease liabilities decreased by RMB415.2 million from RMB445.2 million as at 31 December 2015 to RMB30.0 million as at 31 December 2016.

As at 31 December 2016, our total borrowings and finance lease liabilities were RMB23,927.9 million (as at 31 December 2015: RMB22,680.0 million), of which RMB19,645.5 million (82.2%) was denominated in RMB and the remaining RMB4,282.4 million (17.8%) 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 to subscribe for, up to 14,108,000,000 Shares at HKD1.20 per subscription 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 of the Company dated 9 March 2016 (the "**Circular**").

Inventories

Our inventories decreased by RMB366.6 million to RMB643.5 million as at 31 December 2016 (as at 31 December 2015: RMB1,010.1 million). The decrease in inventories was the result of the Group actively releasing the asset through sales.

Amounts Due from Customers for Contract Works

The amounts due from customers for contract works decreased to nil as at 31 December 2016 (as at 31 December 2015: RMB172.1 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. In addition, the Group also had significant borrowings denominated in foreign currency. 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 loss of RMB388.4 million due to the depreciation of RMB against USD during the Period, which resulted in exchange loss on certain USD-denominated liabilities, such as accounts payable and borrowings of the Group.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB42.7 million (for the Comparative Period: RMB10.2 million), which was mainly used as expenses of facilities in the Energy Exploration and Production segment.

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) increased from 133.6% as at 31 December 2015 to 163.2% as at 31 December 2016. Affected by the accumulated losses of RMB23,906.4 million as at 31 December 2016, the total deficit was RMB9,263.8 million as at 31 December 2016 (total deficit as at 31 December 2015: RMB5,703.0 million).

Contingent Liabilities

As at 31 December 2016, we had contingent liabilities of RMB130.4 million (as at 31 December 2015: RMB79.5 million), which resulted from refund guarantees issued to, litigation 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 2016, 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 2016, trade receivables of RMB2,578.1 million (as at 31 December 2015: RMB3,398.2 million) and RMB374.8 million (as at 31 December 2015: RMB383.5 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 2016, we had approximately 785 employees (as at 31 December 2015: approximately 2,028 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

On 16 January 2017, the Company as issuer, Mr. Zhang Zhi Rong, a substantial shareholder of the Company, as guarantor and Action Phoenix Limited as subscriber entered into two subscription agreements, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, or procure its nominee(s) to subscribe for, the 7% convertible bonds due 2019 in an aggregate principal amount of up to HKD751,000,000 due 2019 (the "**2019 Convertible Bonds**"). The 2019 Convertible Bonds will be issued in exchange for the existing indebtedness of the Company (owing to the bondholder of the 7% convertible bonds due 2016 issued by the Company on 7 August 2013), subject to and in accordance with the terms and conditions of the respective subscription agreements.

The initial conversion price of the 2019 Convertible Bonds is HKD0.50 per conversion share. Assuming full conversion of the 2019 Convertible Bonds at the initial conversion price of HKD0.50 per conversion share, the 2019 Convertible Bonds will be convertible into up to 1,502,000,000 Shares.

The 2019 Convertible Bonds and the new Shares to be issued upon conversion of the 2019 Convertible Bonds shall be allotted and issued by the Company pursuant to the specific mandate sought to be granted to the Directors by the shareholders of the Company at an extraordinary general meeting of the Company. The subscription of the 2019 Convertible Bonds and the issue of the Conversion Shares by the Company are subject to the approval of the shareholders of the Company.

Pursuant to the terms and conditions of the 2018 Convertible Bonds issued by the Company on 30 October 2016, the conversion price of the 2018 Convertible Bonds is expected to be adjusted to HKD0.50 per Share upon completion of the subscription agreements of the 2019 Convertible Bonds. Based on the new conversion price of HKD0.50 per Share, the maximum number of Shares to be issued by the Company upon full conversion of the 2018 Convertible Bonds shall be 207,000,000 Shares.

MARKET ANALYSIS AND PROSPECTS

The overcapacity situation of the shipping market did not experience a fundamental change in 2016. Fettered by various factors, including the lower prices of newbuildings, the significant increase in cost of raw materials, the frequent order amendment practice of ship owners and high finance costs, shipbuilders in China were generally faced with the excess capacity and significant decrease in profitability and still confronted with numerous challenges in production and operations. Meanwhile, as the international benchmark pricing of crude oil has been under pressure since 2014, the oil exploration and production companies had to timely adjust their production plan in response to the volatile industry condition.

To confront the prevailing sluggish shipbuilding market and the production slowdown in the shipbuilding business, we, on the one hand, had deployed our existing production facilities and human resources to broaden our source of revenue by developing diversified business and resale of vessels under construction; on the other hand, we managed to reduce daily operating costs, mitigate production pressure, and maintain stable operation of the shipbuilding manufacturing base through effective measures, such as streamlining organizational structure, optimizing personnel reallocation and strengthening cost management and control. We, being supported by the satisfactory development results in 2015, carried out oilfields development and adopted various measures to maintain production capabilities, reinforced cost control measures and rationalized on-site operation and management, in active response to the financial constraints and volatile industry conditions.

Looking forward to 2017, the sluggish pace of recovery of the global economy is unlikely to change in the near future. The supply and demand for global oil market may gradually reach a balance, but still subject to much uncertainty. Besides, the “Made in China 2025” initiative and “Action Plans of Strengthening Structural Adjustment and Accelerating Transformation and Upgrade of Shipbuilding Industry (2016-2020)” have both been attached great importance and support to the development of the shipbuilding industry in China. With the capacity cut as the core and the smart production as the principal direction, the shipbuilding industry will undergo moderate diversification and non-vessel business development in future, thereby enhancing its international competitiveness and sustainability.

The difficulties faced by the industry also bring the opportunities for the Group to restructure and upgrade. Working on the foundation of our existing shipbuilding and energy businesses, and leveraging on our strengths in corporate resources, we will continue to promote our business transformation and accelerate the upgrade of our Group into a comprehensive energy service heavy industry enterprise. At the same time, the Company will continue to facilitate the proposal of disposal of liabilities with 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 2016, 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 deviation as described below:

Code provision A.2.1 of the Code stipulates that the roles of the chairman of the board (the "**Chairman**") and the chief executive officer should be separate and should not be performed by the same individual. 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 2016.

AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2016 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 2016.

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 2016:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group 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 section of our report. 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.

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 RMB3,677,940,000 during the year ended 31 December 2016. As at the same date, the Group had a deficit of RMB9,263,758,000 and the Group's current liabilities exceeded its current assets by RMB31,293,878,000. Its current borrowings and finance lease liabilities amounted to RMB23,897,867,000 while its cash and cash equivalents amounted to RMB107,263,000 only. In addition, loan principals and interests of RMB2,924,608,000 were overdue, and based on the financial position of the Group as at 31 December 2016, the Group was not in compliance with certain restrictive financial covenants of a current borrowing amounted to RMB693,700,000. 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 RMB18,503,372,000 as at 31 December 2016 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements or the terms and conditions of the convertible bond, 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 bank 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 buyers 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 note holders and the convertible bondholder not to early redeem and not to demand repayment of the outstanding promissory notes and convertible bond in year 2017; (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 2016, the carrying amount of the Group's land use rights, property, plant and equipment and intangible assets amounted to RMB3,745,196,000, RMB16,582,181,000 and RMB1,688,437,000, respectively. As described in Note 2.1(a) to the consolidated financial statements, the Group is still in discussion with potential buyers 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 RMB19,534,585,000, 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 RMB2,299,529,000, 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 RMB21,834,114,000 as at 31 December 2016.

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 RMB3,563,496,000, property, plant and equipment of RMB16,582,181,000 and intangible assets of RMB1,688,437,000, totaling RMB21,834,114,000 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 2016, 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, RMB13,094,433,000 and RMB1,290,069,000, respectively, as at 31 December 2016 and the related disclosures in the consolidated financial statements.

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 2016.

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 2016 (2015: Nil).

ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company (the "**2017 AGM**") will be held on 5 June 2017 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 Wednesday, 31 May 2017 to Monday, 5 June 2017, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 AGM. In order to be eligible to attend and vote at the 2017 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, 29 May 2017.

ANNUAL REPORT

The 2016 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 (www.huarongenergy.com.hk) 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. WANG Tao, Ms. ZHU Wen Hua and Mr. ZHANG Ming; 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 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	10	**3,745,196**	3,827,234
Property, plant and equipment	10	**16,582,181**	16,996,889
Intangible assets	11	**1,688,437**	1,583,048
Long-term deposits		**–**	60,000
Prepayments for non-current assets		**4,110**	13,626
Available-for-sale financial asset		**40,199**	39,676
		22,060,123	22,520,473
Current assets			
Inventories		**643,453**	1,010,147
Amounts due from customers for contract works		**–**	172,062
Trade receivables	12	**9,387**	163,462
Other receivables, prepayments and deposits		**454,360**	644,124
Pledged deposits		**37,538**	72,573
Cash and cash equivalents		**107,263**	69,227
		1,252,001	2,131,595
Total assets		**23,312,124**	24,652,068
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Share capital		**905,191**	905,191
Share premium		**10,430,533**	10,430,533
Other reserves		**3,744,776**	3,628,129
Accumulated losses		**(23,906,421)**	(20,341,666)
		(8,825,921)	(5,377,813)
Non-controlling interests		**(437,837)**	(325,159)
Total deficit		**(9,263,758)**	(5,702,972)

		As at 31 December	
	Note	**2016**	2015
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**30,003**	150,328
Finance lease liabilities – non-current		**–**	294,852
Advance from a related party		**–**	14,427
		30,003	459,607
Current liabilities			
Trade and other payables	*13*	**8,293,615**	7,001,501
Advances from related parties		**334,303**	340,234
Borrowings		**23,321,770**	21,892,265
Derivative financial instruments		**17,045**	292,691
Provision for warranty		**3,049**	26,214
Finance lease liabilities – current		**576,097**	342,528
		32,545,879	29,895,433
Total liabilities		**32,575,882**	30,355,040
Total deficit and liabilities		**23,312,124**	24,652,068

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue			
– Revenue from sales of crude oil		**31,597**	28,655
– Revenue from sales of vessels		**140,752**	402,867
– Revenue from shipbuilding and other contracts		**135,816**	306,943
– Revenue related to the cancellation of the construction contracts		**(4,426,956)**	–
	3	**(4,118,791)**	738,465
Cost of sales			
– Cost of crude oil sold		**(26,781)**	(18,407)
– Cost of vessels sold		**(552,675)**	(1,108,642)
– Cost of shipbuilding and other sales		**(320,692)**	(1,088,112)
– Cost of sales related to the cancellation of the construction contracts		**3,669,366**	–
– Provision for inventories related to the cancellation of the construction contracts		**(3,237,075)**	–
	4	**(467,857)**	(2,215,161)
Gross loss		**(4,586,648)**	(1,476,696)
Selling and marketing expenses	4	**(5,520)**	(7,554)
General and administrative expenses	4	**(748,299)**	(1,304,880)
Research and development expenses	4	**(16,224)**	(38,308)
Reversal of/(provisions for) impairments and delayed penalties	4	**175,314**	(2,298,006)
Reversal of impairments related to the cancellation of the construction contracts	4	**3,886,086**	–
Other (loss)/income	5	**(1,051)**	29,735
Other gains – net	6	**123,541**	106,837
Operating loss		**(1,172,801)**	(4,988,872)
Finance income		**13,052**	17,900
Finance costs		**(2,518,191)**	(2,177,142)
Finance costs – net		**(2,505,139)**	(2,159,242)
Loss before income tax		**(3,677,940)**	(7,148,114)
Income tax expense	7	**–**	–
Loss for the year		**(3,677,940)**	(7,148,114)
Loss attributable to:			
Equity holders of the Company		**(3,564,755)**	(6,542,869)
Non-controlling interests		**(113,185)**	(605,245)
		(3,677,940)	(7,148,114)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Other comprehensive income for the year:			
Items that may be reclassified to profit or loss			
– Fair value gain on an available-for-sale financial asset		**523**	3,302
– Exchange difference on translation of foreign operations		**109,890**	91,365
Other comprehensive income for the year, net of tax		**110,413**	94,667
Total comprehensive loss for the year		**(3,567,527)**	(7,053,447)
Attributable to:			
Equity holders of the Company		**(3,454,849)**	(6,448,325)
Non-controlling interests		**(112,678)**	(605,122)
		(3,567,527)	(7,053,447)
Loss per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	*8*	**(1.64)**	(3.17)

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 2016, the operation of the Group's shipbuilding business continued to be minimal, except for the continuous effort in collecting outstanding receivables and realising existing inventories, whether they have been fully completed or still in the progress of construction, through sale. Separately, 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. 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 RMB3,677,940,000 for the year ended 31 December 2016.

As at 31 December 2016, the Group had a total deficit of RMB9,263,758,000 and the Group's current liabilities exceeded its current assets by RMB31,293,878,000. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB23,897,867,000, out of which RMB21,904,636,000 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. The Group's current borrowings also included a convertible bond with outstanding principal of HKD103,500,000 (equivalent to approximately RMB92,582,000) as at 31 December 2016, which was immediately redeemable by the bondholder according to the terms and conditions of the convertible bond, while the Group only maintained cash and cash equivalents of RMB107,263,000.

As at 31 December 2016, loan principal repayments and interest payments totaling RMB2,924,608,000 were overdue. The non-payment of loan principals 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 RMB11,686,000 have been classified as current liabilities. Subsequent to 31 December 2016, additional loan principal and interest payments totaling RMB1,324,301,000 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 2016, the Group was not in compliance with certain restrictive financial covenants of a current bank borrowing amounted to RMB693,700,000 as at 31 December 2016. The Group is in the process of negotiating with the bank to re-financing this borrowing subsequent to 31 December 2016. In addition, bank and other borrowings of RMB22,296,916,000 and a convertible bond with principal amount of HKD103,500,000 (equivalent to approximately RMB92,582,000), totaling RMB22,389,498,000, 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 RMB18,503,372,000 as at 31 December 2016 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements or the terms and conditions of the convertible bond; and in this connection, non-current borrowings totaling RMB1,904,474,000 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 bondholder; nor have these banks and bondholder taken any action against the Group to demand immediate repayment.

The Group had certain convertible bonds with principal amounts of HKD3,050,000,000 (equivalent to approximately RMB2,728,256,000) matured in 2016, of which principal amounts of HKD2,950,000,000 (equivalent to approximately RMB2,638,805,000) were settled by promissory notes with due dates and as extended ranging from January 2017 to June 2017 issued by the Group. Subsequent to 31 December 2016, certain promissory notes amounting to HKD933,462,000 (equivalent to approximately RMB834,991,000) were not renewed nor repaid upon the scheduled repayment dates and thus became overdue. The Company is in the process of negotiating with these promissory note holders to extend the due dates of these promissory notes to June 2017. During the year, the Group had issued a new convertible bond with a principal amount of HKD103,500,000 (equivalent to approximately RMB92,582,000) maturing in October 2018 and the convertible bond serves to extend the maturity of an overdue convertible bond and interest accrued thereon. Since the bondholder has an early redemption option to require the Company to redeem the bond at any time before the maturity date, the new convertible bond is classified as current liabilities.

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 7 March 2016, the Company proposed to effect the disposal of liabilities, 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**") 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 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 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.

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 ("**Stock Exchange**") 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 share consolidation as well as increase in authorised share capital of the Company on 24 March 2016.

The Disposal of Liabilities, which are subject to the shareholder's approval, 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 2017. 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);

Up to the date of this report, the Company has not yet entered into any definitive agreement in respect of the Disposal of Liabilities with banks and other creditors (or their designated entities).

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 potential buyers (the "**Potential Transaction**"). The Group is still in discussion with potential buyers in this regard;

iii) During the year ended 31 December 2016, convertible bonds with a total principal amount of HKD3,050,000,000 (equivalent to approximately RMB2,728,256,000) matured in 2016, of which principal amounts of HKD2,950,000,000 (equivalent to approximately RMB2,638,805,000) were settled by promissory notes with due dates and as extended ranging from January 2017 to June 2017 issued by the Group. Subsequent to 31 December 2016, certain promissory notes totaling HKD933,462,000 (equivalent to approximately RMB834,991,000) became overdue. The Company is in the process of negotiating with these promissory note holders to extend the due dates of these promissory notes to June 2017. The Company will continue to negotiate with all existing promissory note holders with a total principal amount of HKD3,367,193,000 (equivalent to approximately RMB3,011,988,000) for further arrangement so as to enable the Company to meet its financial obligations of the outstanding promissory notes when they fall due. During the year, the Group had issued a new convertible bond with a principal amount of HKD103,500,000 (equivalent to approximately RMB92,582,000) which will mature in October 2018 provided that the bondholder does not exercise the early redemption option. The Company will convince the bondholder not to exercise the early redemption option.

On 16 January 2017, the Company has also proposed to issue convertible bonds with principal amounts up to HKD751,000,000 (equivalent to approximately RMB671,777,000) due in 2019 in exchange for certain existing indebtedness and the expected despatch date of the circular for shareholders' approval will be falling on or before 30 April 2017.

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 2016 to new maturity dates ranging from January to November 2017. During the year, pursuant to this framework agreement, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB12,625,801,000 (inclusive of principal amount of RMB11,350,725,000 and interest amount of RMB1,275,076,000), which will be due during the period from January 2017 to November 2017. As at 31 December 2016, the Group's total outstanding current borrowings with respect to the Jiangsu Framework Agreement amounted to RMB12,673,704,000, of which RMB975,316,000 have been overdue since 2016, and of which RMB12,468,388,000 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 2017. Subsequent to 31 December 2016, loans of RMB633,890,000 were successfully extended and will be repayable ranging from September to October 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 overdue bank loans to new maturity dates ranging from June 2017 to September 2017. During the year ended 31 December 2016, the Group successfully renewed and extended loans, totaling RMB1,079,200,000 (inclusive of principal amount of RMB500,000,000 and interest amount of RMB579,200,000), which would be due during June 2017 to September 2017. As at 31 December 2016, 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 RMB46,000,000 have been overdue since 2015, and RMB847,816,000 have been overdue during the year 2016, 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 2017;

vi) The Group has also been actively negotiating with the lenders regarding the borrowings (other than convertible bond and promissory notes) of RMB4,387,004,000 not covered in the above Jiangsu Framework Agreement and Hefei Framework Agreement (together with "**Framework Agreements**") to extend the repayment and amend the terms of these existing loans. During the year, the Group has successfully renewed and extended the repayment dates of certain loans amounted to RMB3,459,889,000 (inclusive of principal amount of RMB3,071,667,000 and interest amount of RMB388,222,000), so that these loans are now repayable after December 2016. As at 31 December 2016, total current loans from these lenders amounted to RMB4,357,001,000 of which RMB517,119,000 have been overdue, and of which RMB2,962,328,000 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 2017;

vii) During the year, the Group obtained security-free and interest-free loans from entities controlled by Mr. Zhang Zhi Rong ("**Mr. Zhang**") or a close family member of Mr. Zhang amounted to RMB36,940,000 which will be repayable ranging from May 2017 to August 2018.

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, a number of wells were developed in the Republic of Kyrgyzstan ("**Kyrgyzstan**") and management expects to realise an increase of oil output through further development and expansion of this segment 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 2016. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

i) 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 bank 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 bank 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 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 2017;

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) negotiating with all existing promissory note holders of outstanding principal of HKD3,367,193,000 (equivalent to RMB3,011,988,000), together with accrued interests thereon for further arrangement, so as to enable the Company to meet its financial obligations when they fall due in year 2017, and convincing the convertible bondholder of the outstanding principal of HKD103,500,000 (equivalent to approximately RMB92,582,000) not to exercise the early redemption option, and successful issuance of proposed convertible bonds with principal amounts up to HKD751,000,000 (equivalent to approximately RMB671,777,000) due in 2019 in exchange for certain existing indebtedness;

vi) negotiating with the relevant banks for the renewal or extension for repayments beyond the year ending 31 December 2017 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 2016 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 2016, the Group has adopted the following new standards, amendments and interpretations to standards which are mandatory for accounting periods beginning on 1 January 2016:

IAS 1 (Amendment)	Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (Amendment)	Equity Method in Separate Financial Statements
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exemption
IFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements 2014	Annual Improvements 2012-2014 Cycle

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

(d) ***New standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2016 and have not been early adopted by the Group:***

		Effective for annual periods beginning on or after
IAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 years ended 31 December 2016 and 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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 crude oil	–	–	–	–	–	–	–	–	31,597	28,655	31,597	28,655
Revenue from sales of vessels	140,752	402,867	–	–	–	–	–	–	–	–	140,752	402,867
Revenue from shipbuilding and other contracts	133,948	306,223	–	–	1,868	720	660	855	–	–	136,476	307,798
Reversal related to the cancellation of the construction contracts	(4,426,956)	–	–	–	–	–	–	–	–	–	(4,426,956)	–
Segment revenue	(4,152,256)	709,090	–	–	1,868	720	660	855	31,597	28,655	(4,118,131)	739,320
Inter-segment revenue	–	–	–	–	–	–	(660)	(855)	–	–	(660)	(855)
Revenue from external customers	(4,152,256)	709,090	–	–	1,868	720	–	–	31,597	28,655	(4,118,791)	738,465
Segment results	(4,605,597)	(1,191,297)	–	–	24,295	(68,426)	(10,162)	(227,221)	4,816	10,248	(4,586,648)	(1,476,696)
Selling and marketing expenses											(5,520)	(7,554)
General and administrative expenses											(748,299)	(1,304,880)
Research and development expenses											(16,224)	(38,308)
Reversal of/(provisions for) impairments and delayed penalties											175,314	(2,298,006)
Reversal of improvements and delayed penalties related to the cancellation of construction contracts											3,886,086	–
Other (loss)/income											(1,051)	29,735
Other gains – net											123,541	106,837
Finance costs – net											(2,505,139)	(2,159,242)
Loss before income tax											(3,677,940)	(7,148,114)
Segment assets	15,145	1,378,167	1,044,984	1,065,835	193,749	231,460	2,887,019	2,956,372	2,320,833	2,172,362	6,461,730	7,804,196
Unallocated											16,850,394	16,847,872
Total assets											23,312,124	24,652,068
Segment liabilities	–	–	193,776	185,754	434,220	296,608	4,925,071	4,597,938	734,200	627,521	6,287,267	5,707,821
Unallocated											26,288,615	24,647,219
Total liabilities											32,575,882	30,355,040
Other segment disclosures:												
Depreciation	339,404	387,496	75	5,695	429	11,498	56,098	58,738	18,828	12,448	414,834	475,875
Amortisation	–	–	–	–	–	–	–	–	2,596	1,652	2,596	1,652
Additions to non-current assets	–	–	–	–	429	633	53	15,047	53,048	1,907,009	53,530	1,922,689

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 ended 31 December 2016, revenue from the top customer of the Shipbuilding segment, excluding cancellation of construction contracts, amounted to RMB44,274,000 (2015: RMB325,516,000), representing 14.4% of the total revenue excluding revenue related to the cancellation of the construction contracts (2015: 44.1%).

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 2016 (2015: nil).

There are 4 individual customer contributed more than 10% revenue of the Group's revenue, excluding cancellation of construction contracts, for the year ended 2016 (2015:3). The revenue of these customers during the year are RMB44,274,000, RMB42,000,000, RMB32,479,000 and RMB32,401,000 (2015: RMB325,516,000, RMB99,691,000 and RMB84,130,000).

The top three customers of the Group amounted to RMB118,753,000 (2015: RMB509,337,000), representing 38.5% of the total revenue, excluding cancellation of construction contracts (2015: 69.0%).

During the year, the Group terminated 25 shipbuilding contracts (2015: nil). Accordingly, the Group reversed revenue and cost of sales of RMB4,426,956,000 and RMB3,669,366,000 respectively. In relation to such cancellations, the Group reversed impairments of trade receivables and amounts due from customers for contract work amounted to RMB3,886,086,000 and correspondingly provided for inventories amounting to RMB3,237,075,000.

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 country from shipbuilding and other contracts is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
China	**228,562**	334,317
Greece	**48,006**	44,560
Kyrgyzstan	**31,597**	28,655
Norway	**–**	325,516
Brazil	**–**	5,076
	308,165	738,124

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

4 EXPENSES BY NATURE

	2016	2015
	RMB'000	*RMB'000*
Amortisation of intangible assets *(Note 11)*	**2,596**	1,652
Amortisation of land use rights	**81,809**	81,295
Advertising, promotion and marketing expenses	**670**	1,684
Auditors' remuneration		
– audit services	**5,735**	6,000
– non-audit services	**–**	300
Bank charges (include refund guarantee charges)	**123**	32,874
Commission expense	**–**	3,311
Consultancy and professional fees	**31,188**	53,670
Cost of sales reversed from the cancellation of the construction contracts	**(3,669,366)**	–
Cost of vessels and inventories	**1,041,452**	577,137
Depreciation of property, plant and equipment	**414,834**	475,875
Employee benefits expenses	**180,425**	264,347
Raw materials and consumable used	**6,553**	300,712
(Reversal of provision for)/impairment provisions of		
– trade receivables, net *(Note 12)*	**(1,004,322)**	859,077
– other receivables and prepayments	**(10,924)**	1,337,973
– amounts due from customers for contract works	**(3,027,140)**	816,067
– property, plant and equipment	**–**	119,468
Inspection fees	**450**	623
Insurance premiums	**1,544**	4,424
Miscellaneous expenses	**29,263**	218,817
Operating lease payments	**3,073**	32,843
Outsourcing and processing costs	**34,285**	113,224
Over provision for other tax-related expenses and customs duties	**(32,693)**	–
Provision for delayed penalties	**18,054**	11,941
Provision for inventories	**3,013,439**	6,260
Provision and compensation for litigations	**78,506**	549,768
Provision/(reversal of provision) for warranty		
– charged for the year	**–**	11,731
– reversal upon expiring of the warranty period	**(23,165)**	(18,383)
Storage and handling charges	**111**	934
Trade receivables written off	**–**	285
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses and (reversal of)/provisions for impairments	**(2,823,500)**	5,863,909

5 OTHER (LOSS)/INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grants *(Note a)*	**100**	3,287
Others	**(1,151)**	26,448
	(1,051)	29,735

Note:

(a) Government grants represented cash received from Jiangsu and Anhui Government authorities during the years ended 31 December 2016 and 2015.

6 OTHER GAINS – NET

	2016	2015
	RMB'000	*RMB'000*
Fair value change on derivative instruments – embedded derivative in convertible bonds	**305,241**	59,522
Net foreign exchange (losses)/gains	**(152,672)**	51,703
Gain/(loss) on disposal of land use rights	**198**	(2,326)
Loss on disposal of property, plant and equipment	**(29,226)**	(2,062)
Total	**123,541**	106,837

7 INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the years ended 31 December 2016 and 2015 as the Group had no assessable profit in Hong Kong. All PRC subsidiaries are subject to EIT rate of 25%.

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.

	2016	2015
Loss attributable to equity holders of the Company *(RMB'000)*	**3,564,755**	6,542,869
Weighted average number of ordinary shares in issue	**2,171,592,507**	2,062,701,637
Basic loss per share *(RMB per share)*	**1.64**	3.17

(a) The shares consolidation pursuant to the shareholders resolutions dated 24 March 2016 is adjusted in the weighted average number of ordinary shares in issue as if the share consolidation had occurred at 1 January 2015, 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 (2015: same).

9 DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year 2016 (2015: 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 2016								
Opening net book amount	4,741,807	231,267	10,029,823	1,973,208	916	6,805	13,063	16,996,889
Additions	52,668	–	–	429	38	83	312	53,530
Disposals	(55,324)	–	(2,213)	(34,159)	–	(3)	(659)	(92,358)
Transfer	(103,639)	98,202	5,437	–	–	–	–	–
Depreciation *(Note 4)*	–	(18,615)	(226,849)	(161,942)	(536)	(4,549)	(2,343)	(414,834)
Exchange difference	19,702	19,190	–	–	1	31	30	38,954
Closing net book amount	4,655,214	330,044	9,806,198	1,777,536	419	2,367	10,403	16,582,181
At 31 December 2016								
Cost or valuation	4,655,214	363,326	10,058,302	3,481,937	45,492	59,291	38,207	18,701,769
Accumulated depreciation and impairment loss	–	(33,282)	(252,104)	(1,704,401)	(45,073)	(56,924)	(27,804)	(2,119,588)
Net book amount	4,655,214	330,044	9,806,198	1,777,536	419	2,367	10,403	16,582,181

	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 *(Note 4)*	–	(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 2016, 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 potential buyers 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 *RMB'000*	Engineering Machinery Segment *RMB'000*	Marine Engine Building Segment *RMB'000*	Energy Exploration and Production Segment *RMB'000*	Total *RMB'000*
Land use rights	3,443,247	181,700	120,249	–	3,745,196
Property, plant and equipment	13,390,586	–	2,580,503	611,092	16,582,181
Total	16,833,833	181,700	2,700,752	611,092	20,327,377

In determining the recoverable amounts 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 RMB19,534,585,000 as at 31 December 2016, which were 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 necessary.

In determining the recoverable amount of the land use rights under the Engineering Machinery segment amounting to RMB181,700,000 as at 31 December 2016, 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 rights exceeds the carrying value of the land use rights and hence, no impairment charge is necessary.

11 INTANGIBLE ASSETS

	As at 31 December											
	2016						2015					
	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**	**1,584,768**	**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)
Net book amount	**–**	**1,583,048**	**–**	**–**	**–**	**1,583,048**	–	1,493,345	–	–	–	1,493,345
Movement during the year												
Amortisation charge *(Note 4)*	**–**	**(2,596)**	**–**	**–**	**–**	**(2,596)**	–	(1,652)	–	–	–	(1,652)
Exchange difference	**–**	**107,985**	**–**	**–**	**–**	**107,985**	–	91,355	–	–	–	91,355
	–	**105,389**	**–**	**–**	**–**	**105,389**	–	89,703	–	–	–	89,703
At 31 December costs	**55,139**	**1,692,980**	**21,644**	**77,517**	**514,191**	**2,361,471**	55,139	1,584,768	21,644	77,517	514,191	2,253,259
Accumulated impairment	**(55,139)**	**–**	**(3,535)**	**(35,122)**	**(409,780)**	**(503,576)**	(55,139)	–	(3,535)	(35,122)	(409,780)	(503,576)
Accumulated amortisation	**–**	**(4,543)**	**(18,109)**	**(42,395)**	**(104,411)**	**(169,458)**	–	(1,720)	(18,109)	(42,395)	(104,411)	(166,635)
Closing net book amount	**–**	**1,688,437**	**–**	**–**	**–**	**1,688,437**	–	1,583,048	–	–	–	1,583,048

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. As at 31 December 2016, 35 wells were at production stage. As a result, amortisation of RMB2,596,000 has been charged to the profit or loss during year (2015: RMB1,652,000) based on the unit-of-production method.

During the year ended 31 December 2016, 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.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under Energy Exploration and Production segment amounting to RMB1,688,437,000 and RMB611,092,000, 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 (2015: USD40-60 per barrel) and a discount rate of 18% (2015: 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 2016.

12 TRADE RECEIVABLES

	31 December 2016 RMB'000	2015 RMB'000
Trade receivables	**2,962,281**	3,945,240
Less: Provision for doubtful receivables	**(2,952,894)**	(3,781,778)
	9,387	163,462

At 31 December 2016 and 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December 2016 RMB'000	2015 RMB'000
Undue	**2,061**	1,036
Past due 1-180 days	**1,044**	23,166
Past due 181-360 days	**–**	18,662
Over 361 days	**6,282**	120,598
	9,387	163,462

Movements on the provision for doubtful receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**3,781,778**	2,808,297
Provision for the year *(Note 4)*	**27,664**	960,145
Reversal during the year *(Note 4)*	**(1,031,986)**	(101,068)
Exchange difference	**175,438**	114,404
At 31 December	**2,952,894**	3,781,778

The creation and release of provision for doubtful receivables have been included within provisions of impairments and delayed penalties in the profit or loss.

As at 31 December 2016, trade receivables of RMB2,578,126,000 (2015: RMB3,398,249,000) and RMB374,768,000 (2015: RMB383,529,000) 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 2016, trade receivables of RMB7,326,000 (2015: RMB162,426,000) 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 2016, no trade receivables were written off directly (2015: RMB285,000).

The carrying amounts of trade receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of RMB9,387,000 (2015: RMB163,462,000).

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	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**1,632,352**	2,234,242
Other payables for purchase of property, plant and equipment		
– Third parties	**429,266**	439,313
– Related parties	**477,761**	520,433
Other payables		
– Third parties	**1,856,269**	1,017,063
– Related parties	**39,239**	36,038
Receipt in advance	**72,829**	87,210
Accrued expenses		
– Payroll and welfare	**122,556**	128,393
– Interest	**2,647,269**	1,575,764
– Exploration costs	**30,836**	23,328
– Others	**129,969**	112,472
Provision for litigation cases	**821,978**	771,911
Provision for delayed penalties	**27,624**	9,571
VAT payable	**109**	4,003
Other tax-related payables	**5,558**	41,760
Total trade and other payables	**8,293,615**	7,001,501

At 31 December 2016 and 2015, the ageing analysis of the trade payables based on invoice date were as follows:

	31 December	
	2016	2015
	RMB'000	*RMB'000*
0-30 days	**44,570**	108,378
31-60 days	**13,190**	133,918
61-90 days	**15,463**	132,783
Over 90 days	**1,559,129**	1,859,163
	1,632,352	2,234,242

14 SUBSEQUENT EVENTS

Proposed issuance of up to HK$751,000,000 convertible bonds

On 16 January 2017, the Company as issuer, Mr. Zhang as guarantor and Action Phoenix Limited as subscriber, entered into two subscription agreements, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, the convertible bonds in an aggregate principal amount of up to HK$751,000,000. The convertible bonds have an initial conversion price of HK$0.50 per share (subject to adjustment) and bear interest of 7.0% per annum on the principal amount of the convertible bonds outstanding. Mr. Zhang has agreed to guarantee the payment obligations of the Company under the convertible bonds. The convertible bonds will be issued in exchange for the existing indebtedness of the Company.

The issuance of the convertible bonds is subject to the approval of the shareholders of the Company.