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 2017

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 2017 (the "**Period**") together with comparative figures.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis 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 RMB512.4 million, which was mainly due to the reversal of revenue from cancellation of shipbuilding contracts compared to the negative revenue of RMB4,118.8 million for the year ended 31 December 2016 (the "**Comparative Period**"). Loss attributable to the equity holders of the Company was RMB1,884.8 million for the Period, while loss attributable to the equity holders of the Company was RMB3,564.8 million for the Comparative Period.

Shipbuilding and Offshore Engineering

The shipbuilding segment of the Group recorded a negative revenue of RMB579.8 million for the Period. During the Period, we resold 2 vessels under construction with a revenue of approximately RMB65.4 million. During the Period, we cancelled 6 shipbuilding contracts (for the Comparative Period: 25 shipbuilding contracts).

Faced with the production slowdown in the shipbuilding business, the Group utilised its existing production facilities and human resources to develop diversified businesses, seeking opportunities in pier leasing, facilities leasing and other non-core businesses.

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

Energy Exploration and Production

For the Period, the project involving four oilfields located in the Fergana Valley of the Republic of Kyrgyzstan (the "**Kyrgyzstan Project**") (of which 60% interests held by the Group) recorded 204,676 barrels (bbl) (for the Comparative Period: 188,161 bbl) of light crude oil. Revenue from the energy exploration and production segment was RMB45.2 million for the Period with an increase of approximately 43.0% from RMB31.6 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 Group utilised its production facilities, equipment, human resources and techniques to diversify its business.

For the Period, revenue from the engineering machinery segment was RMB22.3 million (for the Comparative Period: RMB1.9 million). Revenue for the Period was mainly derived from the sales of in-stock excavators.

FINANCIAL REVIEW

Revenue

For the Period, the Group recorded a negative revenue of RMB512.4 million (for the Comparative Period: a negative revenue of RMB4,118.8 million). It was mainly due to the reversal of revenue from cancellation of shipbuilding contracts. Revenue from sales of vessels was RMB65.4 million (for the Comparative Period: RMB140.8 million), representing a year-on-year decrease of approximately 53.6%. Revenue from shipbuilding and other contracts was RMB22.3 million (for the Comparative Period: RMB135.8 million), representing a year-on-year decrease of approximately 83.6%. Revenue from sales of crude oil was RMB45.2 million (for the Comparative Period: RMB31.6 million), representing a year-on-year increase of approximately 43.0%. During the Period, revenue reversed from the cancellation of shipbuilding contracts was RMB645.2 million (for the Comparative Period: RMB4,427.0 million), representing a year-on-year decrease of approximately 85.4%.

Cost of Sales

For the Period, the Group's cost of sales decreased by approximately 73.9% to RMB122.2 million (for the Comparative Period: RMB467.9 million), which was mainly due to the reversal of cost of sales and provision for inventories related to the cancellation of shipbuilding contracts. The reversal of cost of sales related to the cancellation of shipbuilding contracts was RMB459.3 million (for the Comparative Period: RMB3,669.4 million). Provision for inventories related to the cancellation of the construction contracts was RMB459.3 million (for the Comparative Period: RMB3,237.1 million).

Selling and Marketing Expenses

For the Period, selling and marketing expenses increased slightly by approximately 1.8% to RMB5.6 million (for the Comparative Period: RMB5.5 million), which was in line with the Group's strategic transformation by maintaining selling and marketing expenses of the energy exploration and production business.

General and Administrative Expenses

For the Period, general and administrative expenses decreased by approximately 10.2% to RMB686.8 million (for the Comparative Period: RMB764.5 million). This was mainly due to the implementation of cost control measures by the Group, including significant cutback of workforce.

Reversal of Impairments and Delayed Penalties

For the Period, reversal of impairments and delayed penalties increased by approximately 169.3% to RMB472.0 million (for the Comparative Period: RMB175.3 million), which was mainly due to the increase of reversal of provision for other receivables and prepayments in the shipbuilding segment.

Reversal of Impairments Related to the Cancellation of the Construction Contracts

For the Period, reversal of impairments related to the cancellation of the construction contacts was RMB224.9 million (for the Comparative Period: RMB3,886.1 million), which was mainly due to the cancellation of 6 shipbuilding contracts during the Period (for the Comparative Period: 25 shipbuilding contracts).

Compensation to Shipowners for Cancellation of Contracts

For the Period, compensation to shipowners for cancellation of contracts was RMB211.7 million (for the Comparative Period: nil), which was mainly due to interest compensation to shipowners in relation to the cancellation of 6 shipbuilding contracts during the Period.

Other Income/(Loss) – Net

For the Period, other income – net was RMB52.4 million (for the Comparative Period: other loss of RMB1.1 million), which was mainly due to rental income arising from leasing fixed asests.

Other (Losses)/Gains – Net

For the Period, other losses – net was RMB23.2 million (for the Comparative Period: other gains of RMB123.5 million), which was mainly due to loss on disposal of property, plant and equipment, net with fair value gain on derivative instruments and net foreign exchange gains for the Period.

Finance Costs – Net

Finance income for the Period decreased by approximately 45.8% to RMB7.1 million (for the Comparative Period: RMB13.1 million), which was mainly due to the decrease in imputed interest income on interest-free loans. Finance costs for the Period decreased by approximately 55.1% to RMB1,130.8 million (for the Comparative Period: RMB2,518.2 million), which was mainly due to the decrease in interests of convertible bonds issued as well as the net foreign exchange gains in financing activities for the Period.

Gross Loss

Gross loss for the Period decreased by approximately 86.2% to RMB634.5 million (for the Comparative Period: RMB4,586.6 million), which was mainly due to the decrease of revenue related to the cancellation of shipbuilding contracts.

Total Comprehensive Loss for the Period

During the Period, the Group recorded total comprehensive loss of RMB2,028.2 million (for the Comparative Period: RMB3,567.5 million), of which total comprehensive loss attributable to equity holders of the Company was RMB1,977.7 million (for the Comparative Period: RMB3,454.8 million). Loss attributable to the equity holders of the Company was 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 RMB1,936.2 million. As at 31 December 2017, the Group had a total deficit of RMB11,246.4 million and the Group's current liabilities exceeded its current assets by RMB32,416.8 million. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB23,322.7 million, out of which RMB19,619.2 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 convertible bonds with outstanding principal of HKD1,847.3 million (equivalent to approximately RMB1,544.2 million) as at 31 December 2017, which were immediately redeemable by the bondholders according to the terms and conditions of the convertible bonds while the Group only maintained cash and cash equivalents of RMB69.9 million.

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 actively negotiating with its creditors on the terms and conditions on the execution plan for the implementation of the disposal of liabilities, which includes but is not limited to potential adjustments to the original structure and terms and conditions of the disposal of liabilities (the "**Disposal of Liabilities**"). The Group is also in discussion with the potential buyers for the disposal of its core assets and liabilities of the shipbuilding, offshore engineering, marine engine building and engineering machinery segments (the "**Potential Transaction**"). The Disposal of Liabilities and the Potential Transaction 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 decreased by RMB575.2 million from RMB23,897.9 million as at 31 December 2016 to RMB23,322.7 million as at 31 December 2017. Our long-term borrowings increased by RMB178.4 million from RMB30.0 million as at 31 December 2016 to RMB208.4 million as at 31 December 2017.

As at 31 December 2017, our total borrowings and finance lease liabilities were RMB23,531.2 million (as at 31 December 2016: RMB23,927.9 million), of which RMB19,533.7 million (approximately 83.0%) was denominated in RMB (as at 31 December 2016: RMB19,645.4 million (approximately 82.1%)) and the remaining RMB3,997.5 million (approximately 17.0%) was denominated in other currencies such as USD and HKD (as at 31 December 2016: RMB4,282.4 million (approximately 17.9%)). 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. Approximately 57.0% of the borrowings bear interests at fixed rate (as at 31 December 2016: approximately 57.5%).

Inventories

Our inventories decreased by RMB97.5 million to RMB546.0 million as at 31 December 2017 (as at 31 December 2016: RMB643.5 million). The decrease in inventories was the result of the Group actively releasing the assets through sales and the provision made for inventories during the Period.

Significant Investments

Save as disclosed in this announcement, the Group did not have any significant investments during the Period.

Material Acquisition and Disposal of Subsidiaries

During the Period, the Group did not have any significant material acquisition or disposal of subsidiaries.

Foreign Exchange Risks

The Group incurred net foreign exchange gain of RMB285.8 million (for the Comparative Period: loss of RMB388.4 million) due to the appreciation of RMB against USD and HKD during the Period, which resulted in exchange gain on certain USD-denominated and HKD-denominated liabilities, such as trade and other payables and borrowings of the Group.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB70.0 million (for the Comparative Period: RMB42.7 million), which was mainly used 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 approximately 163.2% as at 31 December 2016 to approximately 191.5% as at 31 December 2017. Affected by the losses of RMB1,936.2 million for the year ended 31 December 2017, the total deficit was RMB11,246.4 million as at 31 December 2017 (as at 31 December 2016: RMB9,263.8 million).

Contingent Liabilities

As at 31 December 2017, we had contingent liabilities of RMB26.7 million (as at 31 December 2016: RMB130.4 million), which resulted from 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, outstanding trade, bills and other receivables and prepayments. As at 31 December 2017, the Group had cash and cash equivalents and pledged deposits of RMB90.6 million (as at 31 December 2016: RMB144.8 million), of which RMB86.2 million (approximately 95.1%) was denominated in RMB and the remaining RMB4.4 million (approximately 4.9%) was denominated in USD, HKD and other currencies. 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, the Group gave credit lines after evaluating the customer's credit profiles, financial conditions, past experiences and other factors.

As at 31 December 2017, trade receivables of RMB202.5 million (as at 31 December 2016: RMB2,578.1 million) and RMB375.4 million (as at 31 December 2016: RMB374.8 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 2017, we had approximately 602 employees (as at 31 December 2016: approximately 785 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. Total staff costs (including directors' emoluments) were approximately RMB125.8 million for the Period (for the Comparative Period: approximately RMB180.4 million). The principal elements of remuneration package of the Group include basic salary and other benefits, contribution to pension schemes, discretionary bonus and/or share options granted under an approved share option scheme. Such remuneration should reflect work complexity, time commitment, responsibility and performance with a view of attracting, motivating and retaining high performing individuals.

MARKET ANALYSIS AND PROSPECTS

The recovery of the shipbuilding market in China remains modest in 2017, and continuously restrained by the development of global economy and trade and the insignificant improvement of overcapacity problem in the shipping market. The demand of newly-built vessels in the shipbuilding market still remained at a relatively low level. Meanwhile, as the supply and demand for global crude oil market is gradually reaching a balance, the international benchmark pricing of crude oil has experienced an upward trend with volatility inside a narrow range. This upward trend of the oil price has signaled a relatively steady condition in the international crude oil market. The global oil and gas exploration and development industry conditions were slowly recovering.

To confront the shipbuilding market condition, the Group had deployed its existing production facilities and amenities and human resources to develop and diversify into various types of operating business. The Group also promoted the resale of vessels under construction to enable us to maintain the fundamental operation of our manufacturing base and broaden our source of revenue. The Group managed to reduce daily operating costs through effective measures, such as streamlining organizational structure, optimizing personnel reallocation and strengthening cost management and control. Also, with the satisfactory development results, the Group carried out oilfields development and adopted various measures to maintain production capabilities, reinforced cost control measures and optimised allocation, and to obtain additional sources of financing for the energy exploration and production segment, actively responded to the financial constraints and volatile industry conditions.

Looking forward to 2018, the shipping market is expected to remain steady and improving, together with the retirement of older vessels, overcapacity is expected to be further digested and absorbed. The demand of new-built vessels in the global shipbuilding market may increase, but would still remain at a relatively low level. The Company will continue to facilitate the progress of the strategic restructuring and to work on the foundation of our existing shipbuilding and energy businesses in order to continue to promote our business transformation by leveraging on our strengths in corporate resources. 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 development of the energy business.

The management of the Company has, from time to time, considered various means of financing and obtaining additional sources of financing for the Kyrgyzstan Project. On 29 November 2017, Crown Winner Investments Limited, which is indirectly owned by the Company as to 60%, entered into a loan agreement with the lender which is an independent third party of the Company, pursuant to which the lender agreed to provide a term loan facility of not more than USD600.0 million with a term of 7 years to the Group. The loan shall be used for the funding of the Kyrgyzstan Project and would benefit the Group by financing its energy exploration and production segment and generating additional cash flows. The management of the Company is confident that the loan would help accelerate the development of the energy business and increase the production volume, so as to broaden its source of revenue and improve the profitability and financial position of the Group. To align with the development of the Kyrgyzstan Project, the Group intends to proactively extend the overall crude oil sales network, which including, but without limitation to, the overall strategy in relation to trading, storage and logistic in the crude oil and natural gas industry, and also from time to time pay attention to and identify appropriate potential business opportunities in the crude oil and natural gas industry, in order to complement the overall development strategic transformation and upgrade towards the energy service industry.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

During the year ended 31 December 2017, the Company complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), apart from the deviations set out 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. During the year ended 31 December 2017, Mr. Chen Qiang has performed both the roles of Chairman and chief executive officer of the Company in deviation from code provision A.2.1 of the Code. The Company believes that it is more efficient and effective for the Company to develop its long term strategies and in execution of its business plans if Mr. Chen Qiang serves as both the Chairman and the chief executive officer of the Company.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less 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 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 2017.

Audit Committee

The consolidated financial statements of the Group for the year ended 31 December 2017 have been received 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 2017.

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 2017:

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 RMB1,936,179,000 during the year ended 31 December 2017. As at the same date, the Group had a deficit of RMB11,246,355,000 and the Group's current liabilities exceeded its current assets by RMB32,416,786,000. Its current borrowings and finance lease liabilities amounted to RMB23,322,747,000 while its cash and cash equivalents amounted to RMB69,858,000 only. In addition, loan principals and interests of RMB11,580,000,000 were overdue. 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, current borrowings totaling RMB10,102,284,000 as at 31 December 2017 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements or the terms and conditions of the convertible bonds, 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) through issuance of shares of the Company to satisfy certain of the debts due by the Group to its bank and supplier creditors; (ii) whether the Group can dispose of its core assets and liabilities of the shipbuilding, offshore engineering, engineering machinery 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 for 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 bondholders not to early redeem and not to demand repayment of the outstanding promissory notes and convertible bonds in year 2018; (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 2017, the Group's land use rights, property, plant and equipment and intangible assets amounted to RMB3,663,429,000, RMB16,073,235,000 and RMB1,587,572,000, 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, engineering machinery 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, engineering machinery and marine engine building segments amounting to RMB19,113,277,000, 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 amounting to RMB2,210,959,000, 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.

As the estimated consideration of the Potential Transaction exceeded the carrying value of the non-current assets of the shipbuilding, offshore engineering, engineering machinery 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 amounting to RMB21,324,236,000 as at 31 December 2017.

However, with respect to the non-current assets of the shipbuilding, offshore engineering, engineering machinery 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 based on the assumption that the Group will obtain adequate 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 RMB3,663,429,000, property, plant and equipment of RMB16,073,235,000 and intangible assets of RMB1,587,572,000, totaling RMB21,324,236,000 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 2017, 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, RMB12,241,203,000 and RMB2,200,334,000, respectively, as at 31 December 2017 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 2017.

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 Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

ANNUAL GENERAL MEETING

The 2018 annual general meeting of the Company (the "**2018 AGM**") will be held on Tuesday, 12 June 2018 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 Thursday, 7 June 2018 to Tuesday, 12 June 2018, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 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 Wednesday, 6 June 2018.

ANNUAL REPORT

The 2017 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 Company (www.huarongenergy.com.hk) in due course. Printed copies will be despatched to shareholders in due course.

GRATITUDE

We would like to take this opportunity to express our sincere gratitude to the Directors and our employees for their dedicated and concerted efforts, and to all our shareholders and creditors and relevant institutions for their ardent and continued support to the Group.

BOARD OF DIRECTORS

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

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

Hong Kong, 27 March 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Land use rights	*4*	**3,663,429**	3,745,196
Property, plant and equipment	*4*	**16,073,235**	16,582,181
Intangible assets	*5*	**1,587,572**	1,688,437
Prepayments for non-current assets		**10,298**	4,110
Available-for-sale financial asset		**44,342**	40,199
		21,378,876	22,060,123
Current assets			
Inventories		**545,999**	643,453
Amounts due from customers for contract works		**–**	–
Trade receivables	*6*	**9,846**	9,387
Other receivables, prepayments and deposits		**480,939**	454,360
Pledged deposits		**20,720**	37,538
Cash and cash equivalents		**69,858**	107,263
		1,127,362	1,252,001
Total assets		**22,506,238**	23,312,124
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Share capital		**937,772**	905,191
Share premium		**10,432,701**	10,430,533
Other reserves		**3,662,824**	3,744,776
Accumulated losses		**(25,791,247)**	(23,906,421)
		(10,757,950)	(8,825,921)
Non-controlling interests		**(488,405)**	(437,837)
Total deficit		**(11,246,355)**	(9,263,758)

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**208,445**	30,003
Current liabilities			
Trade and other payables	*7*	**9,532,441**	8,293,615
Advances from related parties		**368,959**	334,303
Borrowings		**23,298,366**	23,321,770
Derivative financial instruments		**320,001**	17,045
Provision for warranty		**–**	3,049
Finance lease liabilities – current		**24,381**	576,097
		33,544,148	32,545,879
Total liabilities		**33,752,593**	32,575,882
Total deficit and liabilities		**22,506,238**	23,312,124

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue			
– Revenue from sales of crude oil		**45,207**	31,597
– Revenue from sales of vessels		**65,384**	140,752
– Revenue from shipbuilding and other contracts		**22,258**	135,816
– Revenue related to the cancellation of the construction contracts		**(645,211)**	(4,426,956)
	3	**(512,362)**	(4,118,791)
Cost of sales			
– Cost of crude oil sold		**(34,478)**	(26,781)
– Cost of vessels sold		**(79,881)**	(552,675)
– Cost of shipbuilding and other sales		**(7,827)**	(320,692)
– Cost of sales related to the cancellation of the construction contracts		**459,308**	3,669,366
– Provision for inventories related to the cancellation of the construction contracts		**(459,308)**	(3,237,075)
	8	**(122,186)**	(467,857)
Gross loss	*3*	**(634,548)**	(4,586,648)
Selling and marketing expenses	*8*	**(5,621)**	(5,520)
General and administrative expenses	*8*	**(686,834)**	(764,523)
Reversal of impairments and delayed penalties	*8*	**472,043**	175,314
Reversal of impairments related to the cancellation of the construction contracts	*8*	**224,896**	3,886,086
Compensation to shipowners for cancellation of contracts	*8*	**(211,672)**	–
Other income/(loss) – net	*9*	**52,441**	(1,051)
Other (losses)/gains – net	*10*	**(23,200)**	123,541
Operating loss		**(812,495)**	(1,172,801)
Finance income		**7,146**	13,052
Finance costs		**(1,130,830)**	(2,518,191)
Finance costs – net		**(1,123,684)**	(2,505,139)
Loss before income tax		**(1,936,179)**	(3,677,940)
Income tax expense	*11*	**–**	–
Loss for the year		**(1,936,179)**	(3,677,940)

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Loss attributable to:			
Equity holders of the Company		**(1,884,826)**	(3,564,755)
Non-controlling interests		**(51,353)**	(113,185)
		(1,936,179)	(3,677,940)
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		**4,143**	523
– Exchange difference on translation of foreign operations		**(96,190)**	109,890
Other comprehensive income for the year, net of tax		**(92,047)**	110,413
Total comprehensive loss for the year		**(2,028,226)**	(3,567,527)
Attributable to:			
Equity holders of the Company		**(1,977,658)**	(3,454,849)
Non-controlling interests		**(50,568)**	(112,678)
		(2,028,226)	(3,567,527)
Loss per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	*12*	**(0.86)**	(1.64)

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 2017, the operation of the Group's shipbuilding business continued to be minimal. The Group has implemented a series of active measures to mitigate its liquidity pressure and improve the financial position by expediting collections of outstanding receivables and realizing existing inventories, utilising the capacity of the production plants, implementing stricter cost control to reduce staff cost, other administrative expenses and capital expenditures, and obtaining new sources of financing for the energy exploration and production segment. Although management has already implemented the above measures, 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. 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 during the year ended 31 December 2017. As a result, the Group had incurred a net loss of approximately RMB1,936,179,000 for the year ended 31 December 2017.

As at 31 December 2017, the Group had a total deficit of RMB11,246,355,000 and the Group's current liabilities exceeded its current assets by RMB32,416,786,000. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB23,322,747,000, out of which RMB19,619,204,000 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 convertible bonds with outstanding principal of HKD1,847,300,000 (equivalent to approximately RMB1,544,177,000) as at 31 December 2017, which were immediately redeemable by the bondholders according to the terms and conditions of the convertible bonds, while the Group only maintained cash and cash equivalents of RMB69,858,000.

As at 31 December 2017, loan principal repayments and interest payments totaling RMB11,580,000,000 were overdue. The non-payment of loan principals and interests in accordance with the scheduled repayment dates caused the relevant loans to become immediately repayable pursuant to the respective loan agreements. In this connection, certain non-current borrowings totaling RMB6,271,000 have been classified as current liabilities. Subsequent to 31 December 2017, additional loan principal and interest payments totaling RMB1,571,054,000 were not renewed or repaid upon the scheduled repayment dates and thus became overdue. In addition, bank and other borrowings of RMB20,740,007,000 and convertible bonds with aggregate principal amount of HKD1,847,300,000 (equivalent to approximately RMB1,544,177,000), totaling RMB22,284,184,000, contain cross default terms in their respective financing agreements. As a result of the above-mentioned overdue of principal and interest repayments, current borrowings totaling RMB10,102,284,000 as at 31 December 2017 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements or the terms and conditions of the convertible bonds; and in this connection, non-current borrowings totaling RMB2,411,346,000 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 has certain promissory notes with aggregate principal amount of HKD3,367,193,000 (equivalent to approximately RMB3,011,988,000) matured during the year ended 31 December 2017. During the year, promissory notes with aggregate principal amount of HKD825,425,000 (equivalent to approximately RMB689,981,000) were successfully extended to maturity date in March 2018. In addition, the Group issued five parcels of new convertible bonds with principal amounts totaling HKD745,060,000 (equivalent to approximately RMB622,803,000) maturing in May 2019 and aggregate principal amount of HKD1,037,240,000 (equivalent to approximately RMB867,039,000) maturing in November 2019, respectively, for settlement of certain promissory notes and interests accrued thereon. As at 31 December 2017, certain outstanding promissory notes amounting to HKD906,336,000 (equivalent to approximately RMB757,615,000) were not renewed nor repaid upon the schedule repayment dates and thus became overdue. The Company is in the process of negotiating with these promissory note holders to extend the maturity dates of these promissory notes to dates ranging from March 2018 to September 2018.

As at 31 December 2017, the Group had six outstanding convertible bonds (2016: one) with an aggregate principal amount of HKD1,847,300,000 (equivalent to approximately RMB1,544,177,000) (2016: HKD103,500,000 (equivalent to approximately RMB92,582,000)). During the year ended 31 December 2017, convertible bonds in the aggregate amount of HKD38,500,000 (equivalent to approximately RMB32,183,000) were converted into equity. Since the bondholders have early redemption options to require the Company to redeem these convertible bonds at any time before the maturity dates, these convertible bonds are 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) On 24 March 2016, shareholders gave a specific mandate to the Company 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. Although this specific mandate has been expired, the Company is actively negotiating with its creditors on the terms and conditions on the execution plan for the implementation of the Disposal of Liabilities, which includes but is not limited to potential adjustments to the original structure and terms and conditions of the Disposal of Liabilities.

   As at the date of the approval of these consolidated financial statements, 12 out of 22 bank creditors and certain supplier creditors had entered into non-binding letters of intent with the Company to express their support towards the proposal of the Disposal of Liabilities.

   In addition, the Group expects to dispose of its core assets and liabilities of the shipbuilding, offshore engineering, engineering machinery and marine engine building segments to potential buyers (the "**Potential Transaction**"). The Group is still in discussion with potential buyers in this regard.

   The Disposal of Liabilities are subject to the shareholders' approval and obtaining the necessary and relevant regulatory approvals. The Company strives to implement and complete the Disposal of Liabilities in year 2018. As of the date of the approval of these consolidated financial statements, the Company did not have any expected date of implementation or completion for the Potential Transaction.

   For the borrowings which will remain outstanding subsequent to the Disposal of Liabilities and the Potential Transaction, the Group will continue to negotiate with the respective creditors to further extend or renew those loans as and when they fall due (see Note (ii) to (iii) below);

ii) In the meantime and prior to the successful implementation of the Disposal of Liabilities and the Potential Transaction, the Group has continuously been able to extend the repayment and renewal terms of its existing bank loans pursuant to the following:

(a) 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**"), during the year, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB7,378,889,000 (inclusive of principal amount of RMB7,013,777,000 and accrued interest amount of RMB365,112,000), the maturity dates of which were extended to dates from January 2018 to September 2018. As at 31 December 2017, the Group's total outstanding current borrowings covered under the Jiangsu Framework Agreement amounted to RMB12,648,831,000, of which RMB5,600,766,000 have been overdue since 2017, and of which RMB12,431,756,000 were attributable to bank creditors that have already entered into the letters of intent to express their support towards the Disposal of Liabilities as described in (i) above.

(b) 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, during the year ended 31 December 2017, the Group successfully renewed and extended loans, totaling RMB590,503,000 (inclusive of principal amount of RMB500,000,000 and interest amount of RMB90,503,000), the maturity dates of which were extended to dates from June 2018 to September 2018. As at 31 December 2017, the Group's total outstanding current borrowings covered under this Hefei Framework Agreement amounted to RMB3,780,056,000, of which RMB174,990,000 have been overdue since 2014, and RMB30,000,000 have been overdue since 2015, and RMB429,420,000 have been overdue since 2016, and RMB234,300,000 became overdue during the year 2017, and, of which RMB3,349,066,000 were attributable to bank creditors that have already entered into the letters of intent to express their support towards 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 2018;

iii) The Group has also been actively negotiating with the lenders regarding the borrowings of RMB7,360,556,000, including the principal of convertible bonds, not covered by 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, which consisted of the following:

(a) During the year, promissory notes with aggregate principal amount of HKD3,367,193,000 (equivalent to approximately RMB3,011,988,000) matured. During the year, promissory notes with aggregate principal amount of HKD825,425,000 (equivalent to approximately RMB689,981,000) were successfully extended to maturity date in March 2018. In addition, in order to settle certain sum of these promissory notes and interest accrued thereon, the Group issued 5 parcels of new convertible bonds with an aggregate principal amount of HKD745,060,000 (equivalent to approximately RMB622,803,000) maturing in May 2019 and principal amount of an aggregate HKD1,037,240,000 (equivalent to approximately RMB867,039,000) maturing in November 2019, respectively. As at 31 December 2017, the remaining outstanding promissory notes amounting to HKD906,336,000 (equivalent to approximately RMB757,615,000) were not extended nor repaid upon the schedule repayment dates and thus became overdue. The Company is in the process of negotiating with these promissory note holders for further arrangement including extension of maturity dates so as to enable the Company to meet its financial obligations of the outstanding promissory notes when they fall due.

(b) As at 31 December 2017, the Group had six outstanding convertible bonds with an aggregate principal amount totaling HKD1,847,300,000 (equivalent to approximately RMB1,544,177,000) which will be matured ranging from October 2018 to November 2019, provided that the bondholders do not exercise the early redemption options.

Convertible bonds with total principal amounts of HKD38,500,000 (equivalent to approximately RMB32,183,000) were converted into equity during the year ended 31 December 2017. The Company will continue to convince the bondholders not to exercise the early redemption options.

(c) For the loans, during the year, the Group has successfully renewed and extended the repayment dates of certain loans amounting to RMB810,774,000 (inclusive of principal amount of RMB781,793,000 and interest amount of RMB28,981,000), so that these loans are now repayable after December 2017. As at 31 December 2017, current portion of these loans amounted to RMB4,160,338,000, of which RMB3,338,512,000 were overdue, and of which RMB2,939,502,000 were attributable to bank creditors that have already entered into the letters of intent to express their support towards the Disposal of Liabilities as described in (i) above. Subsequent to 31 December 2017, certain loans with aggregate amount of RMB48,285,000 were renewed and will be repayable in December 2018.

The Group will continue to convince promissory note holders, convertible bondholders and other 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 the 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 2018;

iv) 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 RMB51,979,000 which will be repayable ranging from January 2018 to December 2019 and includes an amount of RMB15,777,000 which will be repayable after December 2018;

v) In relation to those bank loans that have been overdue (including those mentioned in (ii) and (iii) above) because the Group failed to repay on or before the scheduled repayment dates or those bank loans that became immediately repayable because of 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 obtain waivers from the lenders for the due payment pursuant to the relevant cross-default terms;

vi) 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.

During the year, the Group entered into a loan agreement with an independent third party who agreed to provide a term loan facility up to USD600,000,000 (equivalent to approximately RMB3,920,520,000) to the Group with a term of 7 years for the funding in respect of the energy exploration and production segment. According to the loan agreement, the loan shall be secured by a share mortgage in respect of 49% of the issued share capital of a subsidiary held by the Group and shall be used for the funding of the project involving four oilfields located in the Fergana Valley of Kyrgyzstan. The Group expects to draw down the first tranche of this loan by 2018; and

vii) The Group continues to implement measures to improve the operating cash flows, including (1) realising the existing inventories through sales to new customers; (2) utilising the capacity of the production plants; and (3) taking active measures to expedite collections of outstanding receivables, reduce headcount and staff cost, 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 2017. 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 consolidated 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 plan for the implementation of the Disposal of Liabilities. The successful completion of the Disposal of Liabilities would include the finalisation and agreement of the detailed terms and conditions with the 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 2018;

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 energy exploration and production segment;

iv) timely executing a formal transaction agreement with the potential buyers and completing the Potential Transaction for selling the core assets and liabilities of the shipbuilding, offshore engineering, engineering machinery 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 HKD1,731,761,000 (equivalent to RMB1,447,596,000), together with accrued interests thereon for further arrangement including the extension of the maturity dates, so as to enable the Company to meet its financial obligations and to convince the convertible bondholders of the outstanding principal of HKD1,847,300,000 (equivalent to approximately RMB1,544,177,000) not to exercise the early redemption option;

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 2017 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 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 2017, the Group has adopted the following new standards, amendments and interpretations to standards which are mandatory for accounting periods beginning on 1 January 2017:

IAS 7 (Amendment)	Statement of Cash Flows
IAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 12 (Amendment)	Disclosure of interest in other entities
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 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 2 (Amendment)	Share-based Payment	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 (Amendment)	Clarifications to IFRS 15	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9 (Amendment)	Financial Instruments	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IAS 28 (Amendment)	Investment in Associates and Join Ventures	1 January 2018
IAS 40 (Amendment)	Transfer of Investment Property	1 January 2018
IFRS 1 (Amendment)	First Time Adoption of IFRS	1 January 2018
IFRS 4 (Amendment)	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet determined
IFRIC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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 2017 is as follows:

	Shipbuilding Year ended 31 December		Offshore Engineering Year ended 31 December		Engineering Machinery Year ended 31 December		Marine Engine Building Year ended 31 December		Energy Exploration and Production Year ended 31 December		Total Year ended 31 December	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**–**	–	**–**	–	**–**	–	**–**	–	**45,207**	31,597	**45,207**	31,597
Revenue from sales of vessels	**65,384**	140,752	**–**	–	**–**	–	**–**	–	**–**	–	**65,384**	140,752
Revenue from shipbuilding and other contracts	**–**	133,948	**–**	–	**22,258**	1,868	**–**	660	**–**	–	**22,258**	136,476
Reversal related to the cancellation of the construction contracts	**(645,211)**	(4,426,956)	**–**	–	**–**	–	**–**	–	**–**	–	**(645,211)**	(4,426,956)
Segment revenue	**(579,827)**	(4,152,256)	**–**	–	**22,258**	1,868	**–**	660	**45,207**	31,597	**(512,362)**	(4,118,131)
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	(660)	**–**	–	**–**	(660)
Revenue from external customers	**(579,827)**	(4,152,256)	**–**	–	**22,258**	1,868	**–**	–	**45,207**	31,597	**(512,362)**	(4,118,791)
Segment results	**(669,688)**	(4,605,597)	**–**	–	**16,939**	24,295	**7,472**	(10,162)	**10,729**	4,816	**(634,548)**	(4,586,648)
Selling and marketing expenses											**(5,621)**	(5,520)
General and administrative expenses											**(686,834)**	(764,523)
Reversal of impairments and delayed penalties											**472,043**	175,314
Reversal of impairments related to the cancellation of the construction contracts											**224,896**	3,886,086
Compensation to shipowners for cancellation of contracts											**(211,672)**	–
Other income/(loss) – net											**52,441**	(1,051)
Other losses/(gains) – net											**(23,200)**	123,541
Finance costs – net											**(1,123,684)**	(2,505,139)
Loss before income tax											**(1,936,179)**	(3,677,940)

	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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**5,595**	15,145	**1,036,306**	1,044,984	**217,369**	193,749	**2,689,965**	2,887,019	**2,238,051**	2,320,833	**6,187,286**	6,461,730
Unallocated											**16,318,952**	16,850,394
Total assets											**22,506,238**	23,312,124
Segment liabilities	**–**	–	**139,910**	193,776	**509,555**	434,220	**5,054,831**	4,925,071	**608,878**	734,200	**6,313,174**	6,287,267
Unallocated											**27,439,419**	26,288,615
Total liabilities											**33,752,593**	32,575,882
Other segment disclosures:												
Depreciation	**318,422**	339,404	**–**	75	**–**	429	**54,454**	56,098	**20,965**	18,828	**393,841**	414,834
Amortisation	**75,267**	75,266	**–**	–	**3,713**	3,803	**2,740**	2,740	**2,914**	2,596	**84,634**	84,405
Additions to non-current assets	**1,167**	–	**–**	–	**–**	429	**275**	53	**70,391**	53,048	**71,833**	53,530

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 2017, revenue from the top customer of the Shipbuilding segment, excluding cancellation of construction contracts, amounted to RMB50,855,000 (2016: RMB44,274,000), representing 38.3% of the total revenue excluding revenue related to the cancellation of the construction contracts (2016: 14.4%).

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 2017 (2016: 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 31 December 2017 (2016: 4 individual customers). The revenue of these customers during the year are RMB50,855,000, RMB15,032,000 and RMB14,529,000 (2016: RMB44,274,000, RMB42,000,000, RMB32,479,000 and RMB32,401,000 respectively) respectively.

The top three customers of the Group amounted to RMB80,416,000 (2016: RMB118,753,000), representing 60.5% of the total revenue, excluding cancellation of construction contracts (2016: 38.5%).

During the year, the Group terminated 6 shipbuilding contracts (2016: 25 shipbuilding contracts). Accordingly, the Group reversed revenue and cost of sales of RMB645,211,000 and RMB459,308,000 respectively. In relation to such cancellations, the Group reversed impairments of trade receivables and amounts due from customers for contract work amounted to RMB224,896,000 and correspondingly provided for inventories amounting to RMB459,308,000. According to the agreements, the Group had to refund to these customers the instalments received and to pay interest on these instalments at the interest rate in accordance with the contracts. Accordingly, RMB211,672,000 interest were accrued for these instalments as at 31 December 2017.

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:

	2017	2016
	RMB'000	*RMB'000*
China	**87,642**	228,562
Kyrgyzstan	**45,207**	31,597
Greece	**–**	48,006
	132,849	308,165

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 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 2017								
Opening net book amount	**4,655,214**	**330,044**	**9,806,198**	**1,777,536**	**419**	**2,367**	**10,403**	**16,582,181**
Additions	**70,026**	**–**	**–**	**781**	**441**	**80**	**505**	**71,833**
Disposals	**(119,724)**	**–**	**(454)**	**(29,213)**	**(55)**	**(140)**	**(359)**	**(149,945)**
Transfer	**(68,558)**	**68,558**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation *(Note 8)*	**–**	**(20,701)**	**(213,119)**	**(156,082)**	**(106)**	**(521)**	**(3,312)**	**(393,841)**
Exchange difference	**(16,302)**	**(20,642)**	**–**	**–**	**–**	**(22)**	**(27)**	**(36,993)**
Closing net book amount	**4,520,656**	**357,259**	**9,592,625**	**1,593,022**	**699**	**1,764**	**7,210**	**16,073,235**
At 31 December 2017								
Cost or valuation	**4,520,656**	**408,671**	**10,057,848**	**3,453,505**	**45,878**	**59,199**	**39,313**	**18,585,070**
Accumulated depreciation and impairment loss	**–**	**(51,412)**	**(465,223)**	**(1,860,483)**	**(45,179)**	**(57,435)**	**(32,103)**	**(2,511,835)**
Net book amount	**4,520,656**	**357,259**	**9,592,625**	**1,593,022**	**699**	**1,764**	**7,210**	**16,073,235**
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 8)*	–	(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

As at 31 December 2017, the net book amount of the Group's buildings, including buildings under construction, is the same as to the revalued amounts (2016: same).

For the year ended 31 December 2017, the operation of the Group has been minimal owing to the shortage of funds. The Group is still in discussion with potential buyers to sell the related core assets and liabilities of the onshore shipbuilding, offshore engineering, engineering machinery 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	3,367,980	177,987	117,462	–	3,663,429
Property, plant and equipment	13,037,287	–	2,412,561	623,387	16,073,235
Total	16,405,267	177,987	2,530,023	623,387	19,736,664

In determining the recoverable amounts of the non-current assets, including land use rights and property, plant and equipment under shipbuilding, offshore engineering, engineering machinery and marine engine building segments amounting to RMB19,113,277,000 as at 31 December 2017, 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, engineering machinery and marine engine building segments is necessary.

Please refer to Note 5 for the impairment assessment associated with the property, plant and equipment of the energy exploration and production segment, together with the related intangible assets of the Cooperation Rights.

5 INTANGIBLE ASSETS

	2017						2016					
	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**	**1,692,980**	**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)
Net book amount	**–**	**1,688,437**	**–**	**–**	**–**	**1,688,437**	–	1,583,048	–	–	–	1,583,048
Movement during the year												
Amortisation charge *(Note 8)*	**–**	**(2,914)**	**–**	**–**	**–**	**(2,914)**	–	(2,596)	–	–	–	(2,596)
Exchange difference	**–**	**(97,951)**	**–**	**–**	**–**	**(97,951)**	–	107,985	–	–	–	107,985
	–	**(100,865)**	**–**	**–**	**–**	**(100,865)**	–	105,389	–	–	–	105,389
At 31 December costs	**55,139**	**1,594,675**	**21,644**	**77,517**	**514,191**	**2,263,166**	55,139	1,692,980	21,644	77,517	514,191	2,361,471
Accumulated impairment	**(55,139)**	**–**	**(3,535)**	**(35,122)**	**(409,780)**	**(503,576)**	(55,139)	–	(3,535)	(35,122)	(409,780)	(503,576)
Accumulated amortisation	**–**	**(7,103)**	**(18,109)**	**(42,395)**	**(104,411)**	**(172,018)**	–	(4,543)	(18,109)	(42,395)	(104,411)	(169,458)
Closing net book amount	**–**	**1,587,572**	**–**	**–**	**–**	**1,587,572**	–	1,688,437	–	–	–	1,688,437

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 2017, 43 wells (2016: 35 wells) were at production stage. As a result, amortisation of RMB2,914,000 has been charged to the profit or loss during year (2016: RMB2,596,000) based on the unit-of-production method.

During the year ended 31 December 2017, 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.

During the year, the Group entered into a loan agreement with an independent third party who agreed to provide a term loan facility up to USD600,000,000 (equivalent to approximately RMB3,920,520,000) to the Group with a term of 7 years for the funding in respect of the energy exploration and production segment. According to the loan agreement, the loan shall be secured by a share mortgage in respect of 49% of the issued share capital of a subsidiary held by the Group and shall be used for the funding of the project involving four oilfields located in the Fergana Valley of Kyrgyzstan. The Group expects to draw down the first tranche of this loan by 2018.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under the energy exploration and production segment amounting to RMB1,587,572,000 (2016: RMB1,688,437,000) and RMB623,387,000 (2016: RMB611,093,000), respectively, the directors have evaluated the recoverable amounts based on value-in-use calculations using pre-tax cash flow projections. Key assumptions include crude oil price of USD50-72 per barrel (2016: USD40-60 per barrel), a discount rate of 18% (2016: 18%) and the belief that the Group can obtain adequate financing afterwards.

As a result of the above assessment, the recoverable amounts of the intangible assets and property, plant and equipment under the 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 2017.

6 TRADE RECEIVABLES

	31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**587,775**	2,962,281
Less: Provision for doubtful receivables	**(577,929)**	(2,952,894)
	9,846	9,387

At 31 December 2017 and 2016, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December	
	2017	2016
	RMB'000	*RMB'000*
Undue	**9,846**	2,061
Past due 1-180 days	**–**	1,044
Past due 181-360 days	**–**	–
Over 361 days	**–**	6,282
	9,846	9,387

Movements on the provision for doubtful receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**2,952,894**	3,781,778
Provision for the year *(Note 8)*	**595**	27,664
Reversal during the year *(Note 8)*	**–**	(1,031,986)
Written-off	**(2,309,394)**	–
Exchange difference	**(66,166)**	175,438
At 31 December	**577,929**	2,952,894

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 2017, trade receivables of RMB202,566,000 (2016: RMB2,578,126,000) and RMB375,363,000 (2016: RMB374,768,000) 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 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 2017, trade receivables of RMB2,309,394,000 were written off directly as a result of the management's further assessment on the recoverability of these receivables (2016: nil).

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 RMB9,846,000 (2016: RMB9,387,000).

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.

7 TRADE AND OTHER PAYABLES

	31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**1,474,940**	1,632,352
Other payables for purchase of property, plant and equipment		
– Third parties	**386,145**	429,266
– Related parties	**458,289**	477,761
Other payables		
– Third parties	**2,666,959**	1,856,269
– Related parties	**55,754**	39,239
Receipt in advance	**33,033**	72,829
Accrued expenses		
– Payroll and welfare	**100,501**	122,556
– Interest	**3,700,530**	2,647,269
– Exploration costs	**62,484**	30,836
– Others	**154,909**	129,969
Provision for litigation cases	**436,471**	821,978
Provision for delayed penalties	**–**	27,624
VAT payable	**62**	109
Other tax-related payables	**2,364**	5,558
Total trade and other payables	**9,532,441**	8,293,615

At 31 December 2017 and 2016, the ageing analysis of the trade payables based on invoice date were as follows:

	31 December	
	2017	2016
	RMB'000	*RMB'000*
0 – 30 days	**1,645**	44,570
31 – 60 days	**–**	13,190
61 – 90 days	**27**	15,463
Over 90 days	**1,473,268**	1,559,129
	1,474,940	1,632,352

8 EXPENSES BY NATURE

	2017	2016
	RMB'000	*RMB'000*
Amortisation of intangible assets *(Note 5)*	**2,914**	2,596
Amortisation of land use rights	**81,720**	81,809
Advertising, promotion and marketing expenses	**676**	670
Auditors' remuneration		
– audit services	**4,968**	5,581
– non-audit services	**846**	154
Bank charges (include refund guarantee charges)	**106**	123
Compensation to shipowners for cancellation of contracts	**211,672**	–
Consultancy and professional fees	**20,963**	31,188
Cost of sales reversed from the cancellation of the construction contracts	**(459,308)**	(3,669,366)
Cost of vessels and inventories	**316,421**	1,041,452
Depreciation of property, plant and equipment *(Note 4)*	**393,841**	414,834
Employee benefits expenses	**125,757**	180,425
Raw materials and consumable used	**29,392**	6,553
(Reversal of provision for)/impairment provisions of		
– trade receivables, net *(Note 6)*	**595**	(1,004,322)
– other receivables and prepayments	**(482,624)**	(10,924)
– amounts due from customers for contract works	**(224,896)**	(3,027,140)
Inspection fees	**235**	450
Insurance premiums	**1,711**	1,544
Miscellaneous expenses	**51,418**	29,263
Operating lease payments	**2,060**	3,073
Outsourcing and processing costs	**4,324**	34,285
Over provision for other tax-related expenses and customs duties	**–**	(32,693)
Provision for delayed penalties	**–**	18,054
Provision for inventories	**207,928**	3,013,439
Provision and compensation for litigations	**41,704**	78,506
Reversal of provision for warranty upon expiring of the warranty period	**(3,049)**	(23,165)
Storage and handling charges	**–**	111
Total cost of sales, selling and marketing expenses, general and administrative expenses, reversal of impairments and compensation to shipowners for cancellation of contracts	**329,374**	(2,823,500)

9 OTHER INCOME/(LOSS) – NET

	2017	2016
	RMB'000	*RMB'000*
Government grants *(Note a)*	**–**	100
Rental income	**32,548**	15,672
Others	**19,893**	(16,823)
	52,441	(1,051)

Note:

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

10 OTHER (LOSSES)/GAINS – NET

	2017	2016
	RMB'000	*RMB'000*
Fair value change on derivative instruments – embedded derivative in convertible bonds	**47,710**	305,241
Net foreign exchange gains/(losses)	**16,281**	(152,672)
Gain on disposal of land use rights	**–**	198
Loss on disposal of property, plant and equipment	**(87,191)**	(29,226)
	(23,200)	123,541

11 INCOME TAX

No Hong Kong profits tax has been provided for the years ended 31 December 2017 and 2016 as the Group had no assessable profit in Hong Kong. All PRC subsidiaries are subject to EIT rate of 25%.

12 LOSS PER SHARE

(a) Basic

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

	2017	2016
Loss attributable to equity holders of the Company *(RMB'000)*	**1,884,826**	3,564,755
Weighted average number of ordinary shares in issue	**2,191,236,343**	2,171,592,507
Basic loss per share *(RMB per share)*	**0.86**	1.64

The shares consolidation pursuant to the shareholders resolutions passed at the extraordinary general meeting held on 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 2016, the beginning of the earliest period reported.

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year (2016: same).

13 DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year 2017 (2016: nil).