CHINA HUARONG ENERGY COMPANY LIMITED
中國華榮能源股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01101)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2015 (the "**Period**") together with comparative figures. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION & ANALYSIS

The management discussion and analysis should be read in conjunction with the Group's condensed consolidated interim financial information and the accompanying notes included in this announcement.

BUSINESS REVIEW

For the Period, the Group recorded revenue of RMB379.1 million, which is mainly attributable to the revenue from sales of vessels, compared to the negative revenue of RMB591.7 million for the six months ended 30 June 2014 (the "**Comparative Period**"). Loss attributable to the equity holders of the Company was RMB2,035.8 million for the Period, while loss attributable to the equity holders of the Company was RMB3,061.2 million in the Comparative Period.

Shipbuilding and Offshore Engineering

Our shipbuilding segment recorded revenue of RMB374.7 million for the Period. For the Period, we delivered 4 vessels with a total volume of 1,031,000 DWT. It included 1 very large ore carrier, 2 Suezmax crude oil tankers and 1 very large crude oil carrier.

As at 30 June 2015, our total orders on hand consisted of 31 vessels, representing a total volume of approximately 3,172,700 DWT with a total contract value of approximately USD1,325.3 million. They included 18 Panamax bulk carriers, 1 Panamax crude oil tanker, 10 Suezmax crude oil tankers and 2 7,000-TEU containerships.

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

Energy Exploration and Production

In September 2014, we completed the acquisition of 60% interests in the project (the"**Kyrgyzstan Project**") involving four oilfields located in the Fergana Valley of the Republic of Kyrgyzstan. Under the agreements entered into with the national oil company of Kyrgyzstan, КыргызжерНефтегаз ("Kyrgyzjer Neftegaz" Limited Liability Company*), a subsidiary which is 60% owned by the Company, was granted rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfields zones. For the Period, we have made satisfactory progress in the Kyrgyzstan Project. As at 30 June 2015, we had successfully completed construction of 42 wells out of which 6 wells were production wells. For the Period, the Kyrgyzstan Project recorded 30,563.2 barrels (bbl) of light crude oil. Revenue from the energy exploration and production segment was RMB4.1 million for the Period (for the Comparative Period: nil).

Marine Engine Building and Engineering Machinery

For the Period, there was no revenue from external customers of our marine engine building segment (for the Comparative Period: RMB21.1 million). Inter-segment sales revenue was RMB0.9 million for the Period. As at 30 June 2015, our marine engine building segment had orders on hand for a total of 26 engines with a total capacity of 546,174 horsepower.

For the Period, revenue from the engineering machinery segment was RMB0.2 million, a decrease of 97.6% from RMB8.2 million for the Comparative Period, primarily due to the slowdown of China's economic growth and the tightening control of infrastructure investments.

FINANCIAL REVIEW

Revenue

For the Period, we recorded revenue of RMB379.1 million (for the Comparative Period: a negative revenue of RMB591.7 million). It was primarily attributable to the revenue from sales of vessels. Revenue from sales of vessels was RMB361.4 million (for the Comparative Period: nil). Revenue from shipbuilding and other contracts was RMB13.6 million as compared to RMB340.6 million for the Comparative Period, representing a year-on-year decrease of approximately 96.0%. Revenue from sales of crude oil was RMB4.1 million (for the Comparative Period: nil). There was no revenue reversed from the cancellation of the shipbuilding contracts for the Period (for the Comparative Period: RMB932.3 million).

Cost of sales

For the Period, cost of sales increased by approximately 621.0% to RMB847.9 million (for the Comparative Period: RMB117.6 million), which was primarily attributable to the cost of vessels sold and the cost of shipbuilding and other contracts. There was no cost of sales reversed from the cancellation of the shipbuilding contracts for the Period (for the Comparative Period: RMB830.8 million).

Selling and marketing expenses

For the Period, selling and marketing expenses decreased by approximately 65.6% to RMB3.2 million (for the Comparative Period: RMB9.3 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 43.8% to RMB372.6 million (for the Comparative Period: RMB662.6 million). This is mainly attributable to the reduction of shipbuilding production activities and the implementation of cost control measures.

Provisions for impairments and delayed penalties

For the Period, provision for impairments and delayed penalties increased by 293.4% to RMB166.4 million (for the Comparative Period: RMB42.3 million). It is mainly due to the provision for impairment of trade receivables of RMB245.4 million, reversal of provision for impairment of other receivables and prepayments of RMB59.0 million, reversal of provision for impairment of amounts due from customers for contract works of RMB29.6 million and the provision for delayed penalties of RMB9.6 million respectively. The provision for impairment of trade receivables is mainly due to the increase in risk of default in payment by certain customers under the current market downturn.

Research and development expenses

For the Period, research and development expenses decreased by approximately 63.1% to RMB18.4 million (for the Comparative Period: RMB49.9 million), mainly due to the reduction of research and development expenditures on the shipbuilding products.

Other losses - net

For the Period, other losses - net decreased by approximately 99.8% to RMB2.0 million (for the Comparative Period: losses RMB802.6 million) primarily due to a fair value gain of RMB4.8 million on embedded derivatives in convertible bonds was recorded for the Period, compared to a loss of RMB807.5 million for the Comparative Period.

Finance income / costs – net

Finance income for the Period, which mainly came from imputed interest income on non-current interest-free loans, increased by approximately 21.7% to RMB14.0 million (for the Comparative Period: RMB11.5 million). Finance costs for the Period increased by approximately 20.1% to RMB1,089.2 million (for the Comparative Period: RMB906.7 million). The increase was due to amortisation of convertible bonds and reduction in interest capitalisation as a result of reduced production activities.

Gross loss

During the Period, we recorded a gross loss of RMB468.8 million (for the Comparative Period: RMB709.2 million). As a result of depressed market conditions, the profitability of conventional shipbuilding business has diminished. In addition, in order to align with the strategic transformation of the Group, a gross loss was incurred as a result of a reduction of our production activities while having to maintain a considerable fixed production cost.

Total comprehensive loss for the Period

During the Period, we recorded total comprehensive loss of RMB2,085.8 million (for the Comparative Period: RMB3,146.6 million), of which comprehensive loss attributable to equity holders of the Company was RMB2,036.3 million (for the Comparative Period: RMB3,063.1 million). Comprehensive loss attributable to the equity holders of the Company is the result of gross loss and the considerable fixed administrative expenses.

Liquidity and going concern

During the Period, the Group incurred a loss of approximately RMB2,085.3 million and had a net operating cash outflow of approximately RMB248.9 million. As at 30 June 2015, the Group had a total deficit of RMB902.8 million and the Group's current liabilities exceeded its current assets by RMB23,096.6 million. As at the same date, the Group's total borrowings and finance lease liabilities amounted to RMB22,444.3 million, out of which RMB17,930.3 million were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also include convertible bonds with outstanding principal totaling HKD3,250.0 million (equivalent to approximately RMB2,563.0 million) as of 30 June 2015 which are immediately redeemable after reaching the one-year non-redemption period. However, a series of plans and measures to mitigate liquidity pressure have been taken to improve the financial and liquidity positions of the Group. The Group has also been actively re-negotiating the terms and conditions of its existing borrowings with the respective lenders regarding the current and non-current borrowings (other than convertible bonds) not covered in 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》) and "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》) to extend the repayment and renewal terms of these existing current bank loans that had original maturity in 2015 to new maturity dates ranging from January 2016 to June 2016. Up to the date of approval of this condensed consolidated interim financial information, none of the lenders or holders of convertible bonds has demanded immediate repayment of loans or indebtedness by the Group. Details regarding uncertainties on the going concerns of the Group are set out in the section headed "Going Concern Basis" in note 2.1 to the condensed consolidated interim financial information.

Borrowings and finance lease liabilities

Our short-term borrowings and finance lease liabilities increased by RMB1,342.8 million from RMB20,773.7 million as at 31 December 2014 to RMB22,116.5 million as at 30 June 2015. Our long-term borrowings and finance lease liabilities decreased by RMB1,513.4 million to RMB327.8 million as at 30 June 2015 from RMB1,841.2 million as at 31 December 2014.

As at 30 June 2015, our total borrowings and finance lease liabilities were RMB22,444.3 million (as at 31 December 2014: RMB22,614.9 million), of which RMB19,938.9 million (88.8%) was denominated in RMB and the remaining RMB2,505.4 million (11.2%) was denominated in other currencies such as US dollars ("**USD**") and HK dollars.

Certain borrowings were secured by our raw materials, land use rights, buildings, plant and machinery, construction contracts, pledged deposits, available-for-sale financial asset, guarantee of the Group, guarantee from a director of the Company, certain shareholders of the Company and the related parties, and land use rights, buildings, plant and equipment and share capital of certain related parties.

Inventories

As at 30 June 2015, our inventories decreased by RMB628.0 million to RMB1,764.9 million (as at 31 December 2014: RMB 2,392.9 million). The inventory turnover days increased from 355 days as at 31 December 2014 to 842 days as at 30 June 2015.

Amounts due from customers for contract works

As at 30 June 2015, the amounts due from customers for contract works decreased by RMB274.4 million to RMB891.0 million (as at 31 December 2014: RMB1,165.4 million). The decrease in amounts due from customers for contract works was the result of the reduction in production scale.

Foreign exchange risks

Our shipbuilding business recorded revenue from contract prices mainly denominated in USD while about 30% of the production costs were denominated in USD. The cash flows of unmatched currencies are subject to foreign exchange risks. Management continuously assesses the foreign exchange risks, with an aim to minimise the impact of foreign exchange fluctuations on our business operations. The Group incurred net foreign exchange losses of RMB4.5 million due to the appreciation of RMB against USD during the Period which slightly caused exchange losses on certain USD denominated assets, such as accounts receivable of the Group.

Capital expenditure

For the Period, our capital expenditure was approximately RMB60.9 million (for the Comparative Period: RMB69.8 million), which was mainly used as expenses of facilities.

Gearing ratio

Our gearing ratio (measured by total borrowings and finance lease liabilities divided by the sum of total borrowings and finance lease liabilities and total (deficit)/equity increased from 98.6% as at 31 December 2014 to 104.2% as at 30 June 2015. Affected by the accumulated losses of RMB15,834.6 million as at 30 June 2015, the total deficit was RMB902.8 million as at 30 June 2015 (total equity as at 31 December 2014: RMB313.7 million).

Contingent liabilities

As at 30 June 2015, we had contingent liabilities of RMB449.3 million (as at 31 December 2014: RMB2,419.1 million), which resulted mainly from the agreements entered between our Group and several banks in China and also litigations in relation to one shipbuilding customer and some suppliers.

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 30 June 2015, all of the Group's cash and bank balances, short-term and long-term bank deposits and pledged deposits were placed with reputable banks which management believes are of high creditworthiness and without significant credit risk.

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

As at 30 June 2015, trade receivables of RMB2,709.9 million (as at 31 December 2014: RMB2,486.2 million) and RMB341.8 million (as at 31 December 2014: RMB322.1 million) related to certain customers of the shipbuilding segment and the engineering machinery segment were impaired and provided for respectively, as a result of the management's assessment on the recoverability of the balances.

Human resources

As at 30 June 2015, we had approximately 2,976 employees (as at 31 December 2014: approximately 3,100 employees). The decrease in the number of employees was mainly in relation to the market downturn and the downsizing of the shipbuilding business of the Group.

MARKET ANALYSIS AND PROSPECTS

Due to the profound impact of the slowdown in global economic growth and overcapacity in the shipping industry, shipbuilders were still confronted with numerous challenges in production and operations in the first half of 2015. The shipping market is unlikely to be recovered from overcapacity in the near future. It is expected that China's shipbuilding industry will accelerate its transformation and will generally enter into an industrial structure adjustment stage.

In September 2014, we completed the acquisition of 60% interests in the Kyrgyzstan Project. Central Asia is a region subject mainly to the influence of Russia, whose export oil prices have not plunged in tandem with international oil prices. Local domestic oil prices of Kyrgyzstan have not changed significantly despite the dramatic decline in international oil prices. We aim to further optimise the sales channel of the Kyrgyzstan Project and mitigate the effect of international oil price fluctuation by establishing sales agreements with large refineries. In view of the low costs and stable local oil prices in Kyrgyzstan, we are of the view that under the current adverse market conditions of the shipbuilding industry, exposure to the energy sector will enable us to diversify our operations and broaden our source of revenue, as well as drive our active transformation from a manufacturer to a supplier in the energy service sector, thereby enhancing contributions to the overall interests of our shareholders.

On 20 July 2015, APEX Reservoir Service, Inc., an independent competent evaluator (the "**Independent Evaluator**"), has issued a petroleum reserve report (the "**Reserve Report**") for the three oilfield zones (namely Maili-Su IV, Eastern Izbaskent and Izbaskent) (the "**Evaluated Zones**") in the Kyrgyzstan Project with a base date of evaluation of 31 May 2015. The proved (1P) recoverable reserves of the Evaluated Zones in the Kyrgyzstan Project were approximately 24.39 million tons, whereas the proved plus probable (2P) recoverable reserves were approximately 50.54 million tons. The post-tax net present value of the petroleum reserves of the Evaluated Zones (calculated with an annual discount rate of 10%) shared by КыргызжерНефтегаз ("Kyrgyzjer Neftegaz" Limited Liability Company*) was approximately USD1.925 billion.

The Reserve Report supports the view of the Group that the Evaluated Zones have favourable development potential and value. The Group will accelerate the pace of new well development and enlarge the scope of well fracturing in order to realise the development potential of the Kyrgyzstan Project. In light of China's "Belt and Road Initiative", we will establish a closer strategic cooperation relationship with well-established energy companies and strive for its growth in the energy industry.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the Period, 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.1.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting to give all directors of the Company (the "**Directors**") an opportunity to attend. During the Period, less than 14 days' notice was given for six Board meetings to suit the tight and busy schedules of the participants.

Code provision A.2.1 of the Code stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer should be separate and should not be performed by the same individual. Mr. Chen Qiang 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.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has confirmed, following specific enquiries made by the Company that they complied with the required standards set out in the Model Code during the Period.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Interim Results

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Zhou Zhan (chairman of the Audit Committee), Mr. Xia Da Wei and Mr. Wang Jin Lian. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the Period.

Publication of Interim Report

The 2015 Interim Report of the Company will be despatched to the shareholders and published on the respective websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.huarongenergy.com.hk in due course.

Interim Dividend

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

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. Sean S J WANG, Mr. WANG Tao, Mr. WEI A Ning and Ms. ZHU Wen Hua; and the independent non-executive directors are Mr. XIA Da Wei, Mr. WANG Jin Lian and Ms. ZHOU Zhan.

** for identification purpose only*

On Behalf of the Board
CHEN Qiang
Chairman

Hong Kong, 28 August 2015

CHINA HUARONG ENERGY COMPANY LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2015

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	**Unaudited As at 30 June 2015** *RMB'000*	Audited As at 31 December 2014 *RMB'000*
ASSETS			
Non-current assets			
Land use rights	*6*	**3,867,971**	3,955,560
Property, plant and equipment	*4*	**17,102,180**	17,192,897
Intangible assets	*5*	**1,491,695**	1,493,345
Long-term deposits		**-**	136,000
Prepayments for non-current assets		**23,867**	63,979
Available-for-sale financial asset		**35,879**	36,374
		22,521,592	22,878,155
Current assets			
Inventories		**1,764,866**	2,392,920
Amounts due from customers for contract works		**891,015**	1,165,371
Trade and bills receivables	*7*	**704,127**	1,036,356
Other receivables, prepayments and deposits		**2,280,472**	2,270,533
Pledged deposits		**85,236**	119,820
Cash and cash equivalents		**77,651**	143,101
		5,803,367	7,128,101
Total assets		**28,324,959**	30,006,256
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**887,662**	797,296
Share premium		**10,280,452**	9,512,510
Other reserves		**3,533,283**	3,522,724
Accumulated losses		**(15,834,644)**	(13,798,797)
		(1,133,247)	33,733
Non-controlling interests		**230,462**	279,963
Total (deficit)/equity		**(902,785)**	313,696

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2015

	Note	**Unaudited As at 30 June 2015 *RMB'000***	Audited As at 31 December 2014 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**327,791**	1,436,656
Finance lease liabilities - non-current		**-**	404,548
		327,791	1,841,204
Current liabilities			
Trade and other payables	*8*	**6,080,081**	6,125,115
Advances from related parties		**323,699**	381,629
Borrowings		**21,429,352**	20,488,142
Derivative financial instruments		**343,209**	532,805
Provision for warranty		**36,436**	38,112
Finance lease liabilities - current		**687,176**	285,553
		28,899,953	27,851,356
Total liabilities		**29,227,744**	29,692,560
Total deficit / equity and liabilities		**28,324,959**	30,006,256
Net current liabilities		**(23,096,586)**	(20,723,255)
Total assets less current liabilities		**(574,994)**	2,154,900

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue			
- Revenue from sales of vessels	*3*	**361,350**	-
- Revenue from shipbuilding and other contracts	*3*	**13,581**	340,593
- Revenue from sales of crude oil	*3*	**4,126**	-
- Revenue related to the cancellation of the construction contracts	*3*	**-**	(932,265)
		379,057	(591,672)
Cost of sales			
- Cost of vessels sold	*9*	**(519,432)**	-
- Cost of shipbuilding and other contracts	*9*	**(325,251)**	(948,410)
- Cost of crude oil sold	*9*	**(3,197)**	-
- Cost of sales related to the cancellation of the construction contracts	*9*	**-**	830,843
		(847,880)	(117,567)
Gross loss		**(468,823)**	(709,239)
Selling and marketing expenses	*9*	**(3,227)**	(9,340)
General and administrative expenses	*9*	**(372,562)**	(662,630)
Research and development expenses	*9*	**(18,443)**	(49,943)
Provisions of impairments and delayed penalties	*9*	**(166,352)**	(42,295)
Other income	*10*	**21,268**	26,628
Other losses - net	*11*	**(2,011)**	(802,615)
Operating loss		**(1,010,150)**	(2,249,434)
Finance income		**14,040**	11,483
Finance costs		**(1,089,209)**	(906,696)
Finance costs - net		**(1,075,169)**	(895,213)
Loss before income tax		**(2,085,319)**	(3,144,647)
Income tax expense	*12*	**-**	-
Loss for the period		**(2,085,319)**	(3,144,647)
Loss attributable to:			
Equity holders of the Company		**(2,035,847)**	(3,061,227)
Non-controlling interests		**(49,472)**	(83,420)
		(2,085,319)	(3,144,647)
Loss per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- Basic and diluted	*13*	**(0.21)**	(0.44)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Other comprehensive loss for the period:			
Item that may be reclassified to profit or loss			
- Loss on available-for-sale financial asset		**(495)**	(1,976)
Other comprehensive loss for the period, net of tax		**(495)**	(1,976)
Total comprehensive loss for the period		**(2,085,814)**	(3,146,623)
Attributable to:			
Equity holders of the Company		**(2,036,324)**	(3,063,131)
Non-controlling interests		**(49,490)**	(83,492)
		(2,085,814)	(3,146,623)
Dividend			
Dividend (expressed in RMB per share)	14	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

China Huarong Energy Company Limited (the "Company") was incorporated in the Cayman Islands on 3 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the construction and sales of vessels, manufacturing of excavators and crawler cranes, building of marine engines and energy exploration and production.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors of the Company on 28 August 2015.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which was prepared in accordance with International Financial Reporting Standards ("IFRS"). Comparative figures in revenue, costs of sales and general and administrative expenses in the interim consolidated statement of comprehensive income have been reclassified to current period's presentation.

2.1 Going concern basis

During the six months ended 30 June 2015, the Group had been actively negotiating with an independent third party (the "Potential Purchaser") to sell the related core assets and liabilities of the onshore shipbuilding and offshore engineering business of the Group in the PRC (the "Potential Transaction") pursuant to the memorandum of understanding (the "MOU") entered into with the Potential Purchaser in March 2015; operation of the Group's shipbuilding business had been minimal, except for the continuous effort in collecting outstanding receivables and realising existing inventories through sale. Although management has already implemented measures to significantly reduce costs, the Group was still experiencing high level of finance costs for its existing borrowings. As a result, the Group had incurred a loss of approximately RMB2,085,319,000 and had a net operating cash outflow of approximately RMB248,891,000 for the six months ended 30 June 2015.

As at 30 June 2015, the Group had a total deficit of RMB902,785,000 and the Group's current liabilities exceeded its current assets by RMB23,096,586,000. As at the same date, the Group's total borrowings and finance lease liabilities amounted to RMB22,444,319,000, out of which RMB17,930,323,000 were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also included convertible bonds with outstanding principal totaling HKD3,250,000,000 (equivalent to approximately RMB2,562,950,000) as at 30 June 2015, which were immediately redeemable after reaching the one-year non-redemption period.

Although the Group has been actively re-negotiating the terms and conditions of its existing borrowings with the respective banks and has successfully deferred part of the principal and interests, certain loan principal repayments and interest payments totaling RMB1,349,105,000 were still overdue as at 30 June 2015. The non-payment of loan principal and interests in accordance with the scheduled repayment dates caused the relevant bank loans to become immediately repayable pursuant to the respective loan agreements. In this connection, certain non-current borrowings totaling RMB1,915,281,000 have been classified as current liabilities. Subsequent to the period end, additional loan principal and interest payments totaling RMB155,818,000 were not renewed or repaid upon the scheduled repayment dates and thus became overdue. Based on the financial position of the Group as at 30 June 2015, the Group was not in compliance with certain restrictive financial covenants of a current bank borrowing amounting to RMB611,360,000 as at 30 June 2015. The Group has obtained a wavier for compliance with such financial covenants subsequent to period end. In addition, bank loans of RMB19,132,090,000 and convertible bonds with principal amount of HKD3,250,000,000 (equivalent to approximately RMB2,562,950,000), totaling RMB21,695,040,000 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 RMB18,638,397,000 as at 30 June 2015 became immediately repayable pursuant to the cross-default terms under the relevant loans and convertible bond agreements; and in this connection, a non-current borrowing totaling RMB844,525,000 has been classified as current liabilities. As at the date of the approval of this condensed consolidated interim financial information, the Group has not obtained waivers from the relevant banks and bondholders on these cross-default clauses; nor have these banks and bondholders taken any action against the Group to demand immediate repayment.

The Group had six convertible bonds outstanding with principal amounts totaling HKD3,250,000,000 (equivalent to approximately RMB2,562,950,000) as at 30 June 2015. According to the bond agreements, the bondholders have early redemption options to request the Company to redeem the outstanding convertible bonds should the market price of the Company's shares fall below a certain level or when the respective convertible bonds reached the one-year non-redemption period. All six convertible bonds already reached their one-year non-redemption period and became immediately repayable.

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 period ended and up to the date of the approval of this condensed consolidated interim financial information taken the following measures to mitigate the liquidity pressure and to improve financial position of the Group, and to restructure its businesses:

i) The Group has actively diversified its operation through continuous development of the Energy Exploration and Production segment. During the six months ended 30 June 2015, the energy and exploration assets acquired in the Republic of Kyrgyzstan ("Kyrgyzstan") was found with proved commercial oil reserve; a number of wells were developed and entered into production stage. Management expects to realise an increase of oil output through further development and expansion of the segment and thereby to generate steady operating cash flows;

ii) Although the Group was not able to enter into any definitive agreement with the Potential Purchaser prior to the expiry of the MOU entered into in March 2015, the Group's subsidiary, Jiangsu Rongsheng Heavy Industries Co., Ltd., has obtained conditional letters of consent from all of its creditor banks relating to the disposal of (including but not limited to) its assets and liabilities. The Group is now assisting the Potential Purchaser to establish an efficient and competitive professional core management team to enable

Jiangsu Rongsheng Heavy Industries Co., Ltd. to enter full production and obtain new orders immediately after completion of the Potential Transaction;

iii) During the six months ended 30 June 2015, convertible bonds with a total principal amount of HKD1,054,000,000 (equivalent to approximately RMB831,447,000) were converted into 1,145,540,714 shares of the Company. As at 30 June 2015, convertible bonds with the aggregate principal amount of HKD3,250,000,000 (equivalent to approximately RMB2,562,950,000) remained outstanding and were immediately redeemable after reaching the one-year non-redemption period. The Group is in discussion with the bondholders and has requested them not to exercise their redemption options until 30 June 2016;

iv) In March 2014, the Group entered into a "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") with a group of banks in the Jiangsu Province of the People's Republic of China ("PRC") to extend the repayment of and renewal terms of the existing bank loans that had original maturity in 2015 to new maturity ranging from December 2015 to May 2016. During the six months ended 30 June 2015, pursuant to this framework agreement, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB4,026,178,000 (inclusive of principal amount of RMB3,854,333,000 and interest amount of RMB171,845,000), which will be due after November 2015. As at 30 June 2015, the Group's total outstanding current borrowings with respect to the Jiangsu Framework Agreement amounted to RMB12,848,965,000. The Group is planning to further negotiate with the bank for renewal and extension of these outstanding bank loans as and when they fall due during the year 2015. Subsequent to the period end, loans of RMB1,192,250,000 were successfully extended and will be repayable in year 2016;

v) In October 2014, the Group entered into a "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") with a group of banks in Hefei, Anhui Province of the PRC to extend the repayment and renewal terms of the existing bank loans that had original maturity in 2015 to June 2016. During the six months ended 30 June 2015, the Group successfully renewed a loan amounting to RMB50,000,000, which would be due in June 2016. As at 30 June 2015, the Group had total outstanding current borrowings amounting to RMB3,828,302,000 with respect to this Hefei Framework Agreement, of which RMB578,287,000 have been overdue since 2014 and RMB16,000,000 have been overdue since April 2015. The Group is planning to further negotiate with these banks for renewal and extension of these outstanding bank loans;

vi) The Group has also been actively negotiating with the lenders regarding the current and non-current borrowings (other than convertible bonds) of RMB4,012,862,000 and RMB327,791,000 respectively not covered in the above Jiangsu Framework Agreement and Hefei Framework Agreement (together with "Framework Agreements") to extend the repayment and renewal terms of these existing current loans that had original maturity in 2015 to new maturity dates ranging from January 2016 to June 2016. The Group has during the period successfully extended the repayment dates of and renewed certain loans amounting to RMB2,231,073,000 (inclusive of principal amount of RMB2,098,276,000 and interest amount of RMB132,797,000), so that these loans are now repayable after December 2015. Out of the renewed amounts during the period, an amount of RMB118,311,000 represented a bank loan that were overdue since 2014. As at 30 June 2015, total current loans from these lenders amounted to RMB4,012,862,000, of which RMB510,810,000 have been overdue. The Group is now actively negotiating with the remaining lenders on the terms and conditions of the extension and renewal of borrowings which are either overdue or will fall due in 2015;

vii) During the six months ended 30 June 2015, the Group obtained security-free and interest-free loans from a non-controlling interest shareholder of the Company and a non-controlling interest shareholder of a subsidiary amounted to RMB97,786,000 and RMB42,240,000 respectively which will be repayable in year 2016. These loans have been used to repay interests of bonds and bank borrowings and also for the development of Energy Exploration and Production segment;

viii) Subsequent to the period end, the Group obtained a new bank loan of RMB6,000,000 in July 2015, which will be repayable in July 2016. This bank loan will be used to finance the shipbuilding activities. In addition, a non-controlling interest shareholder of the Company provided security-free and interest-free facilities up to HKD28,000,000 (equivalent to approximately RMB22,081,000) for working capital and bond interests repayment purposes during the months of July and August 2015. HKD26,000,000 (equivalent to approximately RMB20,504,000) was drawn down up to the date of the approval of this condensed consolidated interim financial information and will be repayable in 2017;

ix) 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 under 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 clauses; 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. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above, 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) executing a formal transaction agreement with the Potential Purchaser and completing the Potential Transaction for selling the core assets and liabilities of the onshore shipbuilding and offshore engineering business 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 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;

ii) segregating the assets and liabilities to be excluded from the Potential Transaction from the ones included, and successfully implementing a business plan for those businesses;

iii) convincing the convertible bondholders not to exercise their redemption options to request the Company to redeem the outstanding convertible bonds until 30 June 2016;

iv) negotiating with the relevant banks for the renewal or extension for repayments beyond the period ending 30 June 2016 for those loans that (i) are scheduled for repayment (either based on the original agreement or the existing arrangements) in next twelve-month period; (ii) were overdue at 30 June 2015 because the Group failed to repay on or before the scheduled repayment dates; and (iii) became or might become overdue in next twelve-month period;

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

vi) obtaining additional sources of financing other than those above-mentioned, including those to finance the Group's new 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 future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this condensed consolidated interim financial information.

2.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted, for the first time, the following new and revised standards and amendments and interpretations to existing standards ("new and revised IFRSs") which are mandatory for the accounting periods beginning on or after 1 January 2015:

- IAS 19 (Amendment) – Defined Benefits Plan: Employee Contributions
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

The adoption of the above new and revised IFRSs does not have any significant impacts on the financial statements of the Group for the current or prior accounting periods.

(b) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 SEGMENTAL 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 this condensed consolidated interim financial information.

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business from both geographic and product perspectives. The Shipbuilding segment derives its revenue primarily from the construction and sales 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 will derive its revenue from sales of crude oil. 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 and including loss on cancellation of the construction contracts. The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2015 and 2014 is as follows:

	Shipbuilding Six months ended 30 June		Offshore Engineering Six months ended 30 June		Engineering Machinery Six months ended 30 June		Marine Engine Building Six months ended 30 June		Energy Exploration and Production Six months ended 30 June		Total Six months ended 30 June	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	***RMB'000***	RMB'000	***RMB'000***	RMB'000	***RMB'000***	RMB'000	***RMB'000***	RMB'000	***RMB'000***	RMB'000
Revenue												
- Revenue from sales of vessels	**361,350**	-	**-**	-	**-**	-	**-**	-	**-**	-	**361,350**	-
- Revenue from shipbuilding and other contracts	**13,389**	311,268	**-**	-	**192**	11,278	**855**	79,209	**-**	-	**14,436**	401,755
- Revenue from sales of crude oil	**-**	-	**-**	-	**-**	-	**-**	-	**4,126**	-	**4,126**	-
- Reversal of revenue related to the cancellation of the shipbuilding contracts	**-**	(932,265)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(932,265)
Segment revenue	**374,739**	(620,997)	**-**	-	**192**	11,278	**855**	79,209	**4,126**	-	**379,912**	(530,510)
Inter-segment revenue	**-**	-	**-**	-	**-**	(3,077)	**(855)**	(58,085)	**-**	-	**(855)**	(61,162)
Revenue from external customers	**374,739**	(620,997)	**-**	-	**192**	8,201	**-**	21,124	**4,126**	-	**379,057**	(591,672)
Segment results	**(405,083)**	(660,279)	**-**	-	**(46,191)**	(17,353)	**(18,478)**	(31,607)	**929**	-	**(468,823)**	(709,239)
Selling and marketing expenses											**(3,227)**	(9,340)
General and administrative expenses											**(372,562)**	(662,630)
Research and development expenses											**(18,443)**	(49,943)
Provisions of impairments and delayed penalties											**(166,352)**	(42,295)
Other income											**21,268**	26,628
Other losses – net											**(2,011)**	(802,615)
Finance costs – net											**(1,075,169)**	(895,213)
Loss before income tax											**(2,085,319)**	(3,144,647)

During the six months ended 30 June 2014, the Group terminated eight shipbuilding contracts. Accordingly, the Group reversed revenue and cost of sales of RMB932,265,000 and RMB830,843,000 respectively.

Geographically, management considers the operations of Shipbuilding, Offshore Engineering, Engineering Machinery and 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 is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Norway	**325,516**	5,434
China	**49,415**	175,013
Kyrgyzstan	**4,126**	-
Brazil	-	132,848
India	-	115,749
Greece	-	34,272
Turkey	-	5,500
Germany *(Note a)*	-	(128,223)
	379,057	340,593

Note:

(a) The reduction in revenue from a customer during the period ended 30 June 2014 was mainly due to the change in contract price.

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

	RMB'000
Six months ended 30 June 2015	
Revalued amounts	
Opening amounts as at 1 January 2015	**17,192,897**
Additions	**235,616**
Disposals	**(75,790)**
Depreciation *(Note 9)*	**(249,891)**
Exchange difference	**(652)**
Closing amounts as at 30 June 2015	**17,102,180**
Six months ended 30 June 2014	
Revalued amounts	
Opening amounts as at 1 January 2014	17,471,432
Additions	65,359
Disposals	(9,660)
Depreciation *(Note 9)*	(288,970)
Closing amounts as at 30 June 2014	17,238,161

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

On 10 March 2015, the Group and a Potential Purchaser entered into the MOU, pursuant to which the Group intends to sell to the Potential Purchaser, and the Potential Purchaser intends to purchase from the Group, the related core assets and liabilities of the onshore shipbuilding and offshore engineering business of the Group in the PRC. Although no definitive agreement with the Potential Purchaser was signed before the expiry of the MOU on 30 June 2015, the Group's subsidiary, Jiangsu Rongsheng Heavy Industries Co., Ltd., has obtained conditional letters of consent from all of its creditor banks relating to the disposal of (including but not limited to) its assets and liabilities. The Group is now assisting the Potential Purchaser to establish an efficient and competitive professional core management team to enable Jiangsu Rongsheng Heavy Industries Co., Ltd. to enter full production and obtain new orders immediately after completion of the Potential Transaction.

In determining the recoverable amounts of the non-current assets, including land use rights and property, plant and equipment, under the Shipbuilding and the Offshore Engineering segments amounting to RMB17,487,137,000 as at 30 June 2015, which was based on the fair value less costs to sell of these assets, the directors made reference to the estimated consideration of these assets under the Potential Transaction. The estimated consideration of these assets under the Potential Transaction is dependent on the scope of assets and liabilities to be included in the Potential Transaction, and the directors expect that the estimated consideration would be higher than the aggregate carrying amount of the 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 the Shipbuilding and the Offshore Engineering segments is considered necessary as at 30 June 2015.

In determining the recoverable amounts of the non-current assets, including land use rights and property, plant and equipment under the Engineering Machinery and the Marine Engine Building segments amounting to RMB3,128,847,000 as at 30 June 2015, the directors expect that the implementation of a robust business plan would generate positive operating cashflows in the future (including active marketing of the existing products, for example, the promotion of the Group's marine engines and excavators to shipbuilding manufacturers/distributors in Jiangsu and Anhui Provinces and the development of new products such as dynamic compactors and wetland excavators). In addition, after completion of the Potential Transaction, the directors expect that the Group will be able to focus its cashflow arrangements and optimise its funding structure for the Engineering Machinery and the Marine Engine Building segments to enhance the growth of these segments. Therefore, the recoverable amounts of these non-current assets under the Engineering Machinery and the Marine Engine Building segments were determined based on value-in-use calculations.

As a result of the above assessment, the recoverable amounts of the non-current assets, including land use rights and property, plant and equipment, of the Engineering Machinery and the Marine Engine Building segments 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 30 June 2015.

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 asset of the Co-operation Rights.

5 INTANGIBLE ASSETS

	RMB'000
Six months ended 30 June 2015	
Opening amounts as at 1 January 2015	**1,493,345**
Amortisation *(Note 9)*	**(333)**
Exchange difference	**(1,317)**
Closing amounts as at 30 June 2015	**1,491,695**
Six months ended 30 June 2014	
Opening amounts as at 1 January 2014	-
Amortisation *(Note 9)*	-
Closing amounts as at 30 June 2014	-

The intangible assets represent rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oil fields zones ("Co-operation Rights"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. During the six months ended 30 June 2015, certain wells have been developed and found with proved commercial oil reserve, and have entered into production stage. As a result, amortisation of RMB333,000 has been charged to the income statement during the six months ended 30 June 2015 .

In determining the recoverable amounts of the Co-operation Rights under Energy Exploration and Production segment amounting to RMB1,491,695,000, the directors expect that the fair value of the Co-operation Rights, which is estimated with reference to the value of the proved oil reserve of 24.39 million tons and crude oil price in future with approximately USD50-60 per barrel, exceeded their carrying amounts as at 30 June 2015.

As a result of the above assessment, the recoverable amounts of the intangible assets 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 30 June 2015.

In addition, the recoverable amounts of the exploration and evaluation assets classified in property, plant and equipment amounting to RMB353,140,000 were determined based on value-in-use calculation using pre-tax cash flow projections.

As a result of the above assessment, the recoverable amounts of the non-current assets, including property, plant and equipment, of 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 30 June 2015.

6 LAND USE RIGHTS

	RMB'000
Six months ended 30 June 2015	
Opening amounts as at 1 January 2015	**3,955,560**
Disposal	**(46,767)**
Amortisation *(Note 9)*	**(40,822)**
Closing amounts as at 30 June 2015	**3,867,971**
Six months ended 30 June 2014	
Opening amounts as at 1 January 2014	4,045,028
Amortisation *(Note 9)*	(40,202)
Closing amounts as at 30 June 2014	4,004,826

7 TRADE AND BILLS RECEIVABLES

	As at 30 June 2015 ***RMB'000***	As at 31 December 2014 *RMB'000*
Trade receivables	**3,752,170**	3,844,053
Less: Provision for doubtful debts	**(3,051,693)**	(2,808,297)
Bills receivables	**3,650**	600
Total	**704,127**	1,036,356

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

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Not yet due	**6,618**	4,657
Past due		
1 - 180 days	**18,460**	27,050
181 - 360 days	**17,606**	12,332
Over 360 days	**661,443**	992,317
Total	**704,127**	1,036,356

As at 30 June 2015, trade receivables of RMB697,509,000 (2014: RMB1,031,699,000) were past due but not impaired. The ageing analysis of these trade receivables by due date is listed above.

As at 30 June 2015, trade receivables of RMB2,709,891,000 (2014: RMB2,486,179,000) and RMB341,802,000 (2014: RMB322,118,000) related to certain customers of the Shipbuilding segment and the Engineering Machinery segment were impaired and provided for respectively. These trade receivables are aged over 360 days.

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.

The carrying amounts of trade and bills receivables approximate their fair values.

8 TRADE AND OTHER PAYABLES

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
Trade payable	**1,869,527**	1,920,660
Other payables for purchase of property, plant and equipment		
- Third parties	**452,020**	472,736
- Related parties	**568,675**	608,870
Other payables		
- Third parties	**1,135,738**	1,313,849
- Related parties	**21,434**	21,234
Receipt in advance	**28,818**	108,227
Accrued expenses		
- Payroll and welfare	**120,078**	95,134
- Design fees	**41,801**	47,421
- Utilities	**10,758**	8,733
- Outsourcing and processing fees	**48,860**	173,756
- Interests	**1,099,443**	667,406
- Exploration costs	**51,645**	31,515
- Others	**109,576**	170,587
Provision for litigation cases	**452,007**	317,917
Provision for delayed penalties	**9,571**	111,274
VAT payable	**4,462**	2,952
Other tax-related payables	**55,668**	52,844
Current trade and other payables	**6,080,081**	6,125,115

Ageing analysis of trade payable by invoice date is as follows:

	As at 30 June 2015 *RMB'000*	As at 31 December 2014 *RMB'000*
0 - 30 days	**136,946**	144,382
31 - 60 days	**35,312**	39,259
61 - 90 days	**32,287**	5,013
Over 90 days	**1,664,982**	1,732,006
	1,869,527	1,920,660

9 EXPENSES BY NATURE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Raw materials and consumables used	**79,459**	582,519
Cost of sales related to the cancellation of the construction contracts	**-**	(830,843)
Cost of vessels and inventories	**210,857**	-
Amortisation of land use rights *(Note 6)*	**40,822**	40,202
Depreciation of property, plant and equipment *(Note 4)*	**249,891**	288,970
Amortisation of intangible assets *(Note 5)*	**333**	-
Employee benefit expenses	**166,613**	198,972
Operating lease payments	**9,801**	13,515
Auditors' remunerations	**4,113**	1,500
Outsourcing and processing costs	**52,954**	104,512
Commission expenses	**17,249**	7,176
Design fees	**1,666**	1,684
Agency fees	**478**	1,388
Legal and consultancy fees	**31,085**	36,621
Other tax-related expenses and customs duties	**7,857**	10,033
Bank charges (include refund guarantee charges)	**5,488**	45,310
Provision for/(reversal of) warranty		
- charged for the period	**5,569**	127
- reversal upon expiring of the warranty period	**(1,999)**	(16,838)
Office expenses and utilities	**43,401**	43,088
Inspection fees	**2,934**	2,716
Insurance premiums	**1,452**	7,014
Storage and handling charges	**1,559**	15,232
Advertising, promotion and marketing expenses	**151**	4,316
Royalty expenses	**-**	4,585
Provision for inventories	**186,945**	34,332
Provision for delayed penalties	**9,571**	145,212
Provision for/(reversal of) impairment		
- trade receivables	**245,392**	39,965
- amounts due from customers for contract works	**(29,625)**	-
- other receivables and prepayments	**(58,986)**	(142,882)
Provision for litigations	**92,348**	60,833
Compensation to ship owners for cancellation of contracts	**-**	176,143
Miscellaneous expenses	**31,086**	6,373
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses and provision for impairments and delayed penalties	**1,408,464**	881,775

10 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**82**	467
Rental income	**3,459**	16,982
Others	**17,727**	9,179
Total	**21,268**	26,628

11 OTHER LOSSES - NET

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Fair value gain on derivative instruments - interest rate swap	-	1,538
Fair value gain/(loss) on derivative instruments - embedded derivatives in convertible bonds	**4,792**	(807,514)
Loss on disposal of land use rights	**(2,326)**	-
Net foreign exchange (losses)/gains	**(4,477)**	3,361
Total	**(2,011)**	(802,615)

12 INCOME TAX EXPENSE

No Hong Kong, PRC and Kyrgyzstan profits tax have been provided for during the six months ended 30 June 2015 (2014: nil) as the Group had no assessable profit in Hong Kong, PRC and Kyrgyzstan.

Income tax expense is recognised based on management's estimation of the weighted average annual income tax rate expected for the full financial year. Management expected that there is no income tax expense for the six months ended 30 June 2015 since it is not expected to have any tax assessable profit (2014: same).

13 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 period.

	Six months ended 30 June	
	2015	2014
Loss attributable to equity holders of the Company (RMB'000)	**(2,035,847)**	(3,061,227)
Weighted average number of ordinary shares in issue	**9,786,007,712**	7,003,781,535
Loss per share (RMB per share)	**(0.21)**	(0.44)

(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 six months ended 30 June 2015 (2014: same).

14 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).