宏华集团
HONGHUA GROUP

Honghua Group Limited
宏華集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock code: 0196)

ANNUAL RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHT

	For the year ended 31 December		
	2015	2014	% change
Turnover (RMB'000)	**4,219,253**	7,812,537	–46.0%
Gross profit (RMB'000)	**946,537**	1,629,543	–41.9%
Gross profit margin (%)	**22.4%**	20.9%	
(Loss)/profit from operations (RMB'000)	**(42,602)**	396,498	–110.7%
(Loss)/earnings attributable to equity shareholders of the Company (RMB'000)	**(252,207)**	91,787	–374.8%
(Loss)/earnings per share			
— Basic (RMB cents)	**(7.93)**	2.89	-374.4%
— Diluted (RMB cents)	**(7.93)**	2.87	-376.3%

The Board does not recommend the payment of dividend for the year ended 31 December 2015.

ANNUAL RESULTS

The Board hereby is hereby to announce the consolidated results of the Group for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014.

These annual results have also been reviewed by the Audit Committee, comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	3	**4,219,253**	7,812,537
Cost of sales		**(3,272,716)**	(6,182,994)
Gross profit		**946,537**	1,629,543
Distribution expenses		**(472,764)**	(637,567)
Administrative expenses		**(584,016)**	(688,464)
Other losses, net	5	**(9,863)**	(7,326)
Other income	4	**77,504**	100,312
Operating (loss)/profit		**(42,602)**	396,498
Finance income	8(a)	**83,145**	100,777
Finance expenses	8(a)	**(344,980)**	(373,795)
Finance expenses — net	8(a)	**(261,835)**	(273,018)
Share of profit of associates		**925**	–
Share of profit of joint ventures		**1,793**	186
(Loss)/Profit before income tax	3,8	**(301,719)**	123,666
Income tax expense	6	**35,853**	(13,499)
(Loss)/Profit for the year		**(265,866)**	110,167
(Loss)/Profit attributable to:			
— Owners of the Company		**(252,207)**	91,787
— Non-controlling interests		**(13,659)**	18,380
		(265,866)	110,167
(Loss)/Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
Basic (loss)/earnings per share	7(a)	**(7.93)**	2.89
Diluted (loss)/earnings per share	7(b)	**(7.93)**	2.87

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in RMB unless otherwise stated)

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(265,866)**	110,167
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets, net of tax	**(827)**	225
Currency translation differences	**70,978**	15,562
Other comprehensive income for the year, net of tax	**70,151**	15,787
Total comprehensive income for the year	**(195,715)**	125,954
Total comprehensive income attributable to:		
— Owners of the Company	**(183,079)**	106,388
— Non-controlling interests	**(12,636)**	19,566
	(195,715)	125,954

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in RMB unless otherwise stated)

	Note	**As at 31 December** **2015** ***RMB'000***	2014 *RMB'000*
ASSETS			
Non-current assets			
Lease prepayments		**405,732**	402,784
Property, plant and equipment		**3,139,093**	3,205,240
Payment for acquisition of leasehold prepayment		**163,192**	163,192
Intangible assets		**234,261**	226,313
Investments in associates		**52,161**	9,000
Investments in joint ventures		**48,239**	86,914
Deferred income tax assets		**318,263**	201,189
Available-for-sale financial assets		**74,053**	74,053
Held-to-maturity financial assets		**–**	44,038
Trade and other receivables	*9*	**356,985**	825,445
Total non-current assets		**4,791,979**	5,238,168
Current assets			
Inventories	*11*	**2,164,432**	2,980,996
Trade and other receivables	*9*	**4,537,569**	4,663,587
Amount due from customers for contract work	*10*	**20,778**	217,001
Current tax recoverable		**9,592**	8,002
Available-for-sale financial assets		**39,203**	331,826
Held-to-maturity financial assets		**46,734**	–
Pledged bank deposits		**368,884**	612,743
Bank deposits maturing over three months		**100,518**	4,003
Cash and cash equivalents		**1,102,651**	1,442,014
Total current assets		**8,390,361**	10,260,172
Total assets		**13,182,340**	15,498,340

CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2015
(All amounts in RMB unless otherwise stated)

	Note	**As at 31 December 2015** *RMB'000*	2014 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**300,983**	300,983
Other reserves		**3,046,576**	2,954,593
Retained earnings		**1,204,470**	1,473,401
		4,552,029	4,728,977
Non-controlling interests		**222,157**	234,793
Total equity		**4,774,186**	4,963,770
LIABILITIES			
Non-current liabilities			
Deferred income		**51,376**	–
Borrowings		**2,331,886**	2,320,097
Trade and other payables	*12*	**23,255**	9,236
Total non-current liabilities		**2,406,517**	2,329,333
Current liabilities			
Deferred income		**4,923**	–
Trade and other payables	*12*	**3,556,059**	5,270,762
Current income tax liabilities		**54,130**	60,641
Borrowings		**2,332,545**	2,806,956
Provisions for other liabilities and charges		**53,980**	66,878
Total current liabilities		**6,001,637**	8,205,237
Total liabilities		**8,408,154**	10,534,570
Total equity and liabilities		**13,182,340**	15,498,340

1 GENERAL INFORMATION

Honghua Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in manufacturing drilling rigs, offshore engineering, and oil & gas exploitation equipment and providing drilling services.

The Company was incorporated in the Cayman Islands on 15 June 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Chinese Renminbi ("RMB"), unless otherwise stated, and was approved for issue on 29 March 2016.

2 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Honghua Group Limited have been prepared in accordance all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, except that available-for-sale financial assets are carried at fair value, and certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the annual report.

Changes in accounting policy, accounting estimates and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs-2010–2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

Amendments from annual improvements to IFRSs-2011–2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010–2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

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

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(d) Changes in accounting estimates

According to the actual situation of drilling rigs used for oil and gas engineering services and the relevant provisions of the accounting standards, and refer to the depreciation of other comparable oil and gas engineering services companies, the Company decided to adjust the estimated the depreciation method of those drilling rigs included in plant and machinery of property, plant and equipment to units-of-production method from 1 July 2015 onward.

	Before Adjustment Estimated		After Adjustment Estimated		
	Depreciation method	**Useful life**		**Depreciation method**	**Depreciation period**
Drilling rigs included in plant and machinery	straight-line method	5–10 years	For each day a rig is operating	units-of-production method	5,000~6,000 days

The Group applied prospective application to account the changes in the accounting estimate. After measurement based on the scope of the existing consolidated financial statements, the change in the accounting estimate is expected to increase the total consolidated profit by approximately RMB22,320,000 for year 2015 and expected to increase certain amount of the total consolidated profit for year 2016 and subsequent years.

3 SEGMENT INFORMATION

The senior executive management is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the senior executive management for the purposes of allocating resources and assessing performance.

The Group manages its businesses by divisions, which are organised by business lines (land drilling rigs, offshore drilling rigs, parts and components and others, oil and gas engineering services) and geographically. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments. No operating segments have been aggregated to form the following reportable segments.

The senior executive management assesses the performance of the operating segments based on a measure of segment profit or loss. This measurement basis excludes the share of post-tax profit or loss of joint ventures and associates, other losses, net and other income. Finance income and expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided, except as noted below, to the senior executive management is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out in the ordinary course of business and in accordance with the terms of the underlying agreements. The revenue from external parties reported to the senior executive management is measured in a manner consistent with that in profit or loss.

The following table presents revenue and profit information regarding the Group's operating segments for the years ended 31 December 2015 and 2014 respectively.

	Land drilling rigs Year ended 31 December		Offshore drilling rigs Year ended 31 December		Parts and components and others Year ended 31 December		Oil and gas engineering services Year ended 31 December		Total Year ended 31 December	
	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*
Revenue from external customers	**2,408,514**	4,770,926	**203,833**	129,577	**1,268,393**	2,468,947	**338,513**	443,087	**4,219,253**	7,812,537
Inter-segment revenue	**48,848**	–	**143,575**	299	**530,249**	1,605,833	**10,263**	26,291	**732,935**	1,632,423
Reportable segment revenue	**2,457,362**	4,770,926	**347,408**	129,876	**1,798,642**	4,074,780	**348,776**	469,378	**4,952,188**	9,444,960
Reportable segment profit/(loss)	**164,045**	637,870	**(136,956)**	(150,382)	**63,566**	64,762	**(163,738)**	(215,400)	**(73,083)**	336,850
Depreciation and amortisation for the year	**73,246**	49,850	**75,666**	85,695	**93,116**	44,600	**112,122**	133,194	**354,150**	313,339
Impairment on trade and other receivables	**19,629**	25,164	**–**	–	**9,606**	2,873	**419**	–	**29,654**	28,037
Write-down of inventories	**2,070**	6,845	**–**	–	**3,843**	3,592	**–**	71,170	**5,913**	81,607

Given the manufacturing processes of the Group's business are in a form of vertical integration, the Group's chief operating decision maker considered segment assets and liabilities information was not relevant in assessing performance of and allocating resources to the operations segments. During the year ended 31 December 2015, such information was not reviewed by the Group's chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

A reconciliation of segment (loss)/profit to (loss)/profit before income tax is provided as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Segment (loss)/profit		
— for reportable segments	**(73,083)**	336,850
Elimination of inter-segment profits	**397**	11,843
Segment (loss)/profit derived from Group's external customers	**(72,686)**	348,693
Share of profit of joint ventures	**1,793**	186
Share of profit of associates	**925**	–
Other income and other losses, net	**67,641**	92,986
Finance income	**83,145**	100,777
Finance expenses	**(344,980)**	(373,795)
Unallocated head office and corporate expenses	**(37,557)**	(45,181)
(Loss)/Profit before income tax	**(301,719)**	123,666

The following table sets out revenue from external customers by geographical location, based on the destination of the customer:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
PRC (country of domicile)	**737,596**	930,615
Americas	**521,097**	1,180,887
Middle East	**1,411,344**	2,248,781
Europe and Central Asia	**1,067,011**	2,271,007
South Asia and South East	**58,420**	491,853
Africa	**423,785**	689,394
	4,219,253	7,812,537

The following table sets out non-current assets, other than financial instruments and deferred income tax assets, by geographical location:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
PRC (country of domicile)	**3,955,942**	4,082,384
Americas	**54,203**	78,663
Middle East	**184,269**	200,981
Europe and Central Asia	**158,658**	511,756
South Asia and South East	**–**	–
Africa	**46,591**	45,104
	4,399,663	4,918,888

4 OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**45,676**	42,805
Sales of scrap materials	**9,266**	22,224
Rental income	**9,528**	15,848
Repair services income	**12,593**	13,531
Others	**441**	5,904
	77,504	100,312

5 OTHER LOSSES, NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Changes in fair value recognised in profit or loss	**(344)**	–
Gain/(loss) on disposals of property, plant and equipment	**1,992**	(1,044)
Donations	**(4,110)**	(3,329)
Others	**(7,401)**	(2,953)
	(9,863)	(7,326)

6 INCOME TAX EXPENSE

Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax — Hong Kong Profits Tax *(i)*		
Provision for the year	**3,265**	7,882
Current income tax — PRC *(ii)*		
Provision for the year	**74,107**	115,631
(Over)/Under provision in respect of prior years	**(3,030)**	5,378
	71,077	121,009
Current income tax — Other jurisdictions *(iii)*		
Provision for the period	**7,898**	13,624
	7,898	13,624
Total current income tax	**82,240**	142,515
Deferred income tax	**(118,093)**	(129,016)
Income tax expense	**(35,853)**	13,499

(i) Hong Kong

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the subsidiaries of the Group incorporated in Hong Kong for the years ended 31 December 2015 and 2014.

(ii) PRC

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Group in the PRC are subject to PRC enterprise income tax at a rate of 25% for the years ended 31 December 2015 and 2014, except for the following companies:

(a) Sichuan Honghua Petroleum Equipment Co., Ltd. ("Honghua Company")

Corporate income tax ("CIT") of Honghua Company is accrued at a tax rate of 15% applicable for Hi-tech enterprises pursuant to the relevant PRC tax rules and regulations for the years ended 31 December 2015 and 2014.

(b) Sichuan Honghua Electric Co., Ltd. ("Honghua Electric")

On 6 April 2012, State Taxation Administration issued Notice 12(2012) ("the Notice") in respect of favourable CIT policy applicable to qualified enterprises located in western China. Honghua Electric applied and obtained an approval from in-charge tax authority under the policy for the 15% preferential CIT rate and is qualified for the 15% preferential CIT rate from 2012 to 2020.

(iii) Others

Taxation for other entities is charged at their respective applicable tax rates ruling in the relevant jurisdictions.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

(iv) Withholding tax

Under the PRC tax law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Pursuant to a tax arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident will be liable for withholding tax at a reduced rate of 5% for dividend income derived from the PRC.

The Company's directors revisited the dividend policy of the Group in 2015 and 2014. To retain the fundings for operations and future development, it was resolved that the Group's PRC subsidiaries will not distribute dividend to the offshore holding companies in the foreseeable future. Any dividends to be declared by the company will be distributed from the share premium account.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (loss)/profits of the consolidated entities as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Profit before income tax	**(301,719)**	123,666
Tax calculated at statutory tax rates applicable to each group entities	**(57,843)**	42,779
Tax effect of non-deductible expenses	**20,958**	12,601
Tax effect of non-taxable income	**(9,812)**	(11,408)
Tax losses for which no deferred income tax asset was recognised	**7,253**	2,069
Reversal of withholding tax provision on expected profits distribution from PRC subsidiaries	**–**	(37,920)
Write off of previously recognised tax losses	**6,621**	–
(Over)/Under-provision in respect of prior years	**(3,030)**	5,378
Income tax expense	**(35,853)**	13,499

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic/(loss) earnings per share is based on the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2015	2014
(Loss)/profit attributable to owners of the Company (RMB'000)	**(252,207)**	91,787
Issued ordinary shares at 1 January (thousands)	**3,241,057**	3,239,167
Effect of the share award scheme (thousands)	**(62,089)**	(62,089)
Effect of share options exercised (thousands)	**–**	1,122
Weighted average number of ordinary shares at 31 December (thousands)	**3,178,968**	3,178,200
Basic (loss)/ earnings per share (RMB cents per share)	**(7.93)**	2.89

(b) Diluted (loss)/ earnings per share

The calculation of diluted (loss)/ earnings per share is based on adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2015	2014
(Loss)/profit attributable to owners of the Company (RMB'000)	**(252,207)**	91,787
Weighted average number of ordinary shares at 31 December (thousands)	**3,178,968**	3,178,200
Effect of deemed issue of shares under the share option scheme (thousands)	**–**	21,870
Weighted average number of ordinary shares (diluted) at 31 December (thousands)	**3,178,968**	3,200,070
Diluted (loss)/earnings per share (RMB cents per share)	**(7.93)**	2.87

8 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

(a) Net finance expenses

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance expenses		
Interest on borrowings wholly repayable within five years	**291,777**	320,825
Net foreign exchange loss	**90,522**	82,880
Changes in fair value of derivative financial instruments	**–**	3,108
Others	**1,735**	3,474
Less: interest expense capitalised into assets under construction	**(39,054)**	(36,492)
	344,980	373,795
Finance income		
Interest income on bank deposits	**(55,095)**	(46,316)
Interest income from long-term receivables	**(25,545)**	(44,688)
Gain on settlement of available-for-sale financial assets	**(2,505)**	(9,773)
	(83,145)	(100,777)
	261,835	273,018

(b) Staff costs

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Contributions to defined contribution retirement schemes	**86,905**	134,626
Equity-settled share-based payment expenses	**6,131**	8,292
Salaries, wages and other benefits	**642,918**	734,586
	735,954	877,504

(c) Other items

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Amortisation and depreciation		
— Lease prepayment	**8,668**	7,142
— Property, plant and equipment	**292,889**	268,296
— Intangible assets	**52,593**	38,920
Operating lease charges	**40,111**	19,843
Provision for inventory write-down	**5,913**	81,607
Impairment losses on trade and other receivables	**29,654**	28,037
Provision for warranty	**3,666**	12,025
Auditors' remuneration		
— Audit services	**3,810**	4,275
— Other services	**–**	2,804
Research and development costs *(i)*	**58,072**	58,450
Less: amount capitalised into intangible assets	**(52,845)**	(37,454)
	442,531	483,945

(i) The amounts do not include staff costs of the research and development department of approximately RMB42,665,000 (2014: RMB40,714,000) and relevant amortisation and depreciation of approximately RMB14,431,000 (2014: RMB3,547,000), which are included in the total staff costs and total amortisation and depreciation.

9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables *(a)*	**3,618,306**	3,631,330
Bills receivable	**102,143**	155,566
Less: provision for impairment of trade receivables	**(247,151)**	(225,660)
	3,473,298	3,561,236
Amount due from related parties		
— Trade	**77,683**	121,494
— Non-trade	**54,796**	32,608
Finance lease receivable	**207,920**	199,128
Less: provision for impairment of finance lease receivable	**(7,734)**	–
Value-added tax recoverable	**273,163**	408,408
Prepayments	**442,666**	875,769
Other receivables *(b)*	**381,818**	299,016
Less: provision for impairment of other receivables	**(9,056)**	(8,627)
	4,894,554	5,489,032
Representing:		
Current portion *(c)*	**4,537,569**	4,663,587
Non-current portion *(d)*	**356,985**	825,445
Total	**4,894,554**	5,489,032

(a) As at 31 December 2015 and 31 December 2014, the ageing analysis of the net of amount of trade receivables and bills receivable (including amounts due from related parties of trading in nature), based on the invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**1,906,084**	1,857,583
3 to 12 months	**750,856**	1,223,358
Over 1 year	**894,041**	601,789
	3,550,981	3,682,730

The Group maintains different billing policies for different customers based on the negotiated terms with each of the customers. The Group issues progress billing at different stages such as upon the signing of contracts and upon the delivery of products. The exact percentage of each part of payment varies from contract to contract. Trade receivables are generally due for payment within 90 days from the date of billing.

At 31 December 2015, the Group's trade receivables and bills receivable of approximately RMB421,881,000 (2014: RMB338,125,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of approximately RMB247,151,000 (2014: RMB234,287,000) were recognised. The Group does not hold any collateral over these balances.

At 31 December 2015, trade receivables of approximately RMB1,261,670,000 (2014: RMB1,163,295,000) were past due but not impaired. These relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these receivable is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Less than 1 month past due	**269,582**	14,698
1 to 3 months past due	**48,915**	85,490
More than 3 months but less than 12 months past due	**756,372**	810,815
More than 1 year past due	**186,801**	252,292
	1,261,670	1,163,295

(b) Included in other receivables of the Group as at 31 December 2015 is an amount of approximately RMB32,317,000 (2014: RMB32,317,000) to be indemnified by some beneficiary owners of the Company in relation to a legal claim.

(c) Except for the non-current trade and other receivables, all of the other trade and other receivables are expected to be recovered within one year.

(d) Non-current trade and other receivables as at 31 December 2015 include receivables of approximately RMB100,292,000 (2014: RMB490,038,000) arising from instalment sales which are due for payment 1 year after the end of the reporting period and are discounted at market interest rate, finance lease receivables of approximately RMB37,192,000 (2014: RMB129,215,000), prepayment for acquisition property, plant and equipment of approximately RMB177,422,000 (2014: RMB164,113,000) and deposit placed as security for borrowings of approximately RMB42,079,000 (2014: RMB42,079,000).

(e) Movement on the provision for impairment of trade and other receivables is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
At 1 January	**234,287**	206,250
Provision for impairment of receivables	**29,654**	28,037
At 31 December	**263,941**	234,287

The other classes within trade and other receivables do not contain impaired assets.

(f) As at 31 December 2015 and 2014, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above.

(g) The carrying amounts of the current portion of trade and other receivables approximate their fair value.

(h) As at 31 December 2015, Group's trade and bills receivables of approximately RMB17,464,000 (2014: RMB794,072,000) were secured for the Group's borrowings.

(i) The creation and release of provision for impaired receivables have been included in "administrative expenses" in profit or loss.

(j) As at 31 December 2015, the Group had receivables under finance lease as follows:

	2015	2014
	RMB'000	*RMB'000*
Non-current receivables		
Finance leases — gross receivables	**40,406**	142,429
Unearned finance income	**(3,214)**	(13,214)
	37,192	129,215
Current receivables		
Finance leases — gross receivables	**190,467**	80,877
Unearned finance income	**(19,739)**	(10,964)
	170,728	69,913
Gross receivables from finance leases:		
— No later than 1 year	**190,467**	80,877
— Later than 1 year and no later than 5 years	**40,406**	142,429
	230,873	223,306
Unearned future finance income on finance leases	**(22,953)**	(24,178)
Net investment in finance leases	**207,920**	199,128
The net investment in finance leases may be analysed as follows:		
No later than 1 year	**170,728**	69,913
Later than 1 year and no later than 5 years	**37,192**	129,215
Total	**207,920**	199,128

10 CONTRACT WORK-IN-PROGRESS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Contract cost incurred plus recognised profit less recognised losses	**439,350**	235,517
Less: progress billings	**(418,572)**	(18,516)
Contract work-in-progress	**20,778**	217,001
Representing:		
Amount due from customers for contract work	**20,778**	217,001

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Contract revenue recognised as revenue	**332,667**	52,776

11 INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Raw materials	**601,058**	705,123
Work in progress	**810,027**	1,096,517
Finished goods	**733,213**	991,701
Goods in transit	**20,134**	187,655
	2,164,432	2,980,996

For the year ended 31 December 2015, the cost of inventories recognised as the Group's expense and included in 'cost of sales' amounted to approximately RMB2,484,275,000 (2014: RMB4,944,435,000).

For the year ended 31 December 2015, the provision for inventory write-down was approximately RMB14,001,000 (2014: RMB81,607,000).

As at 31 December 2015, the provision of approximately RMB79,609,000 (2014: RMB106,340,000) was made. For the year ended 31 December 2015, a write-off of approximately RMB32,644,000 was made due to the sale of the inventories. A reversal of approximately RMB8,088,000 was made to the inventories due to the increase in the recoverable amount.

12 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**1,386,017**	2,003,822
Amounts due to related companies		
— Trade	**16,451**	24,250
— Non-trade	**65**	–
Bills payable	**857,472**	1,504,639
Receipts in advance	**780,861**	1,110,543
Other payables	**538,448**	636,744
	3,579,314	5,279,998
Representing:		
Current portion	**3,556,059**	5,270,762
Non-current portion	**23,255**	9,236
Total	**3,579,314**	5,279,998

At 31 December 2015 and 2014, the ageing analysis of the trade payables and bills (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**1,004,615**	1,953,411
3 to 6 months	**371,021**	1,039,606
6 to 12 months	**260,563**	168,180
Over 1 year	**623,741**	371,514
	2,259,940	3,532,711

As at 31 December 2015 and 2014, all the trade payables and the current portion of other payables of the Group were non-interest bearing and their fair value approximated their carrying amounts due to their short maturities.

Bills payable as at 31 December 2015 and 2014 were secured by certain pledged bank deposits. Non-current trade and other payables represent receipts in advances from customers and are expected to be settled after one year. All of the current trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the Group's revenue amounted to approximately RMB4.219 billion, representing a decrease of 46.0% from RMB7.813 billion in the last year; gross profit was approximately RMB947 million, representing a decrease of 41.9% from RMB1.63 billion in the corresponding period last year; and earnings attributable to equity shareholders was approximately RMB-252 million, representing a decrease of 374.8% from RMB91.79 million in the last year.

Market Review

In 2015, there was an obvious differentiation among the global economies. Some of the developed economic regions such as the United States and Japan adopted quantitative easing reflecting a mild recovery of economy; however, most of the emerging countries are suffering from a strong downward pressure on the economy due to its relatively weak economic foundation. It is expected that the oil prices will remain unstable before the gap between the crude oil supply and demand come closer. Apart from the global economic growth was not as expected, excess supply, softening global demand of the market, combined with the Organization of the Petroleum Exporting Countries' ("OPEC") strategy on not cutting production and geopolitics, oil prices has further plunged since the 2nd quarter of 2015 and recorded a decrease of 35% as compared with last year. The slump of oil prices had made a strong impact on the global oil industry, and forced the major international oil companies continuously and largely reduce their investment on exploration and development, leading to the downturn of the oil and gas services market.

In domestic market, resulting from the slowdown in domestic economic growth and RMB depreciation, the three state-owned oil companies continued to reduce upstream exploration spending, production costs, and overseas investment, in order to tackle with the global oil and gas market downturn, which brought severe challenges to the development of domestic oil equipment and service market. However, the Chinese government committed to strengthening the economy and adjusting the industry structure. During the Year, the government continued to implement "One Belt and One Road" strategy and proposed "Made in China 2025" strategic plan, which had brought huge opportunities to the future development of many industries, including high-end equipment manufacturing and offshore engineering equipment manufacturing. By the end of 2015, we obtained a 10-year loan support from China Development Fund Co., Ltd. in the amount of RMB105 million, with interest rate of 1.2% per annum. It was the longest loan we ever obtained in our operation history, representing we are well recognized for our leading position in high-end equipment manufacturing industry. Relying on our leading global network, we continued to expand and develop the markets along "One Belt and One Road" in 2015, such as the Middle East and Russian areas. The market opportunity will be gradually produced along with the implement of national policies, thus laying a solid foundation for our future business expansion and regional coverage.

Business Review

1. *Land Drilling Equipment and Relevant Products*

The crude oil prices remained low in 2015. According Baker Hughes, as of December 2015, the global active rig counts were 1969 sets (excluding Chinese land drilling rigs and Russian drilling rigs), representing a decrease of 44.8% as compared to 2014. Despite the fact that global demand for drilling rigs had dropped, relying on cost-effective products and excellent technique, we have promoted technology-driven sales and introduced new products and other diversified product series to major markets, including the drilling rig accessories and oil and gas field surface engineering. Meanwhile, we offered various innovative payment methods to different customers and the overall business segments had maintained a relatively stable development.

Our self-developed "Aurora" polar rig has achieved sales after its debut in 2015 and the rig was successfully operated in Russia under minus 50 degrees Celsius environment in February 2016. In January 2016, we entered a sales agreement with a drilling company in Kuwait by introducing our ultra-deep drilling rig into local market, which has broken the monopoly of the high-end drilling rig in Middle East market by western manufacturers.

During the Year, we signed sales contracts for a total of 17 sets of land drilling rigs worth approximately US$159 million. In Middle East market, we continue to consolidate and expand market share by signing sales contracts of 6 sets of land drilling rigs amounted to approximately US$67 million, among which three sets in Oman, and other 3 sets in Kuwait, Saudi Arabia and etc.. In Eurasian market, our sales team maintained close contact with our existing clients, and successfully explored new customers through various sales channels. We signed sales contracts for 3 sets and 2 sets of land drilling rigs with an existing Russian client and a new Russian client respectively, worth approximately US$40 million in total. In African market, we strived to explore new client and successfully signed a sales contract for one set of land drilling rig with a new Nigeria client worth approximately US$15 million and signed a sales contract for one set of land drilling rig with an existing Egypt client worth US$10 million. Despite the fierce competitions over the domestic market, we successfully signed sales contracts for 3 sets of land drilling rig with the state-owned and private oil companies in 2015.

In the business of parts and components, while consolidating our existing regional advantages, we actively developed new markets and new customers and expanded the sales scope of parts and components in the places where our overseas subsidiaries are located, to break inherent monopoly. During the Year, we recorded major parts and components sales of 22 sets of top drivers and 108 sets of mud pumps. Besides, we also developed our trade agent business, laying solid foundation to further expand the trade and sales of parts and components.

In 2015, we made a great breakthrough in EPC turnkey engineering business, through successfully entering into the service agreements in an aggregate amount of approximately US$340 million with PDVSA that we shall provide pipe-laying and pump renewing project. We will continue to focus on R&D, manufacturing, and trading of oil production and transportation equipment and get well prepared to capture the opportunity from this field, and to realize the expansion from equipment manufacturing to technical services.

In 2015, we not only promoted sales to cope with the industry downturn, but also improved our after-sales service to provide higher value-added services to customers. Our after-sales service team installed and debugged 55 sets of drilling rigs during the Year, and innovatively started new technology services based on the consolidation of the existing technical services for land rig equipment, such as technology services for new Triplex Pump and Solids Control System and maintenance technology services for offshore platforms. During the installation process for the high-end rig for National Drilling Company (NDC), our service team had overcome difficulties by positive thinking, as a result, we not only met NDC's high standard and stringent quality requirements, but also took only 29 days to complete the mast raising, which achieved a milestone and created a new record.

During the Year, we also actively participated in large exhibitions at home and abroad, including China International Petroleum & Petrochemical Technology and Equipment Exhibition (CIPPE), Offshore Technology Conference (OTC) in US, Canada's Global Petroleum Show (GPS), Latin America International Petroleum Show (LAPS), Moscow International Oil & Gas Exhibition (MIOGE) and Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC). By attending these international exhibitions, we not only introduced our featured products like direct-drive pump and Tiger offshore drilling package model to old and new customers, but also showcased the newest products like lightweight 3NB1600 drilling pump and polar rig that can be used under minus 70 degrees Celsius. The polar rig has successfully achieved sales during the Year.

In the industry contraction, Sichuan Honghua, our main production base, upgraded its industrial chain and reorganized production line layout to achieve intelligence in part of production lines and improve the efficiency. After transformation, the production areas of Guanghan base is 1,693 mu, which increased 83% as compared with before and newly established manufacture area for shale gas, intelligent drilling rig, gas station and other ancillary equipment. And we transferred and upgraded equipment in three production areas for structural component, drilling rig assembly, and core parts & components manufacturing. We also reallocate each production line according to the production process, saving the transportation time and improving production efficiency.

Facing further challenges of global oil industry in 2016, our land drilling rig business will strengthen the internal management, focus on the standardization of design drawings, safety raw material inventory and zero defect production and strengthen 5S site management as well. Meanwhile, we will continue to promote sales by using innovative technologies and products to create greater additional value on the products and services for different markets and customers and committed to work with our clients in the industry downturn and move upward on a long-term stable development of the global oil industry. In the first half of 2016, we planned to hold a large new products release conference, based on diversified product lines and solutions to aim at the Middle East and American markets and to help oil companies overcome the pressure from saving cost and enhancing production efficiency.

2. *Oil and Gas Engineering Service Business*

Facing a relatively sluggish environment of global oilfield service market, the oil and gas engineering service business lagged adjustment and resulted less than expected operation when the global oil price modestly rebounded in the first quarter of 2015. However, our business achieved substantial development in the international market during the Year, especially made breakthroughs in Russia and Venezuela market. We entered into Russian market through establishing a joint venture with local companies and obtained turnkey contracts for the first time. As a result, we successfully completed two wells in Russia during the Year. Honghua oil and gas engineering service also operated directional well services in Venezuela for more than half a year, which marked a significant step of our directional drilling service in internationalization process.

By the end of December 2015, we had a total of 20 drilling service teams including 1,089 oilfield service staff. We operated drilling service for oil, tight sandstone gas and shale gas, mud and directional services in north of Yan'an, Northeast China, Xinjiang and Sichuan in China, as well as Russia, Iraq, Venezuela and other overseas areas. During the Year, we drilled 46 wells, and the footage drilled amounted to approximately 167,642 meters, representing a decrease of 7.1% as compared with 2014. And 31 wells had been completed on schedule, representing an approximately 1.5 times execution rate as compared to 2014. Besides, the "Drilling Technology for Unconventional Tight Sandstone Gas in north of Yan'an" had been approved as the technological innovation project by the government.

During the Year, we had further strengthened the production organization, equipment, drilling tools and HSE management. According to geological characteristics, we optimized drill and drilling tools selection, enhanced technology research of collapse, wells leakage prevention and leak plugging, leading to improvement in processing capability and greatly reducing the occurrence of underground accidents. The production efficiency rate of the team reached 88.26% in 2015, representing an increase of 8.49% as compared with last year, while the accident rate was down 67.9% year on year.

In 2016, Honghua oilfield service will continue to overcome difficulties, expand overseas market especially in Middle East area to get high-quality project orders and effectively identify the domestic projects. We will take the guarantee of cash flow as a priority for all projects and initiatively quit from inefficient or ineffective market to ensure that company can get through industry winter smoothly. In terms of business, we will ensure the healthy and continuous development of each business by keeping the focus on drilling business, striving to expand directional wells business, developing drilling fluid business rationally, examining the overall market risk and investing new equipment prudently. Besides, Honghua oilfield service will continue to enhance internal management level in 2016. Based on the highly recognition of domestic and overseas client, we will continue to build up core competitiveness with drilling service technology and project management, further optimize the personnel structure, strengthen cost control and QHSE management, to ensure safe, efficient and qualified execution of our backlogs.

3. *Offshore Engineering Equipment and Related Products Business*

In 2015, Phase I of our offshore base located in Qidong, Jiangsu Province, was completed. The construction of "Honghai Crane", a type of large lifting equipment, was also completed in the second half of 2015, and the debugging for No.1 machine was completed. No. 2 machine is scheduled to be lifted in March 2016 and debugged in June.

In terms of production, Tiger-I, the first deep-water drilling package for drillship in China we produced, successfully completed the second trial voyage in December 2015. Tiger-II has been delivered to Shanghai Shipyard. Tiger-III was 70% completed and is expected to be delivered in the first half of 2016. Tiger-IV was 60% completed. In addition, the 15 oil tankers for inland river usage ordered by an India company was completed and delivered in middle July 2015, and the debugging status was good. The high quality product of Honghua has been recognized by the ship owner again.

In addition, we entered into a shipbuilding contract with LNG Power Shipping Company Limited, with an aggregate amount of approximately RMB760 million. The construction of 200 sets of LNG power ships with certain specifications has already started and is expected to be delivered on time by the end of September 2016. The LNG power ship under the Shipbuilding Contract is a new type of environment-friendly transportation vessel, directly reflecting the concept of environment protection and energy saving. The LNG power ship, which is generally used in inland river, will greatly reduce the pollution emission during operation, that is not only being in line with the policy of "Green Yangtse River" promulgated by the PRC government, but also enable the owners to reduce the fuel cost. In the future, apart from more opportunities will be brought from the further implement of "Green Yangtse River" policy, we will also make use of our construction experience and advantages to capture more opportunity from inland river LNG power ship market in China.

To respond to the Green Energy promoted by the government and to capture the opportunity from the development of natural gas industry in China, we entered into the agreement with industry leading enterprises, such as Braemar Shipping Service PLC, in 2015 to jointly develop the new type of FSP LNG tank-containment system. At present, the tank-containment system project is conducting Welding Procedure Specification, universal joint testing, alloy aluminum material procurement etc., and the project is scheduled to complete the first FSP testing tank in the first half of 2016 and to obtain the product certification from ABS.

In 2016, offshore sector will adopt the business strategy of coexistence of survival and development. In terms of survival, Honghua Offshore will endeavor to seek and operate "Short, Steady and Quick" projects with low construction difficulty, short delivery time and quick cash turnover, in order to obtain continued cash flow in the industry contraction period and keep the operation of the Company. At the same time, to keep development of the company amid the industry downturn, we will focus on the development trend of natural gas and new energy, and develop related offshore equipment in advance. We will actively engage in the R&D of LNG equipment and wind power installation platform, fully ensure on-time delivery of contracted LNG power ship, LNG tank and wind power installation platform. Considering the insufficient offshore construction experience, we will seek the cooperation opportunity with industry leading enterprise to explore the joint bidding and increase the winning rate. Besides, during the project execution period, we will enhance overall cost management, increase project management capability, and conduct effective coordination and monitoring for project design and production parties. We will also have comprehensive management and control on safe, technique, progress, cost and product quality, to avoid delayed delivery risk.

4. *Unconventional Oil and Gas Development Business*

Our oilfield service team has accumulated very rich experience through participating in the exploration of unconventional oil and gas resources in complex geological conditions. After implementing the shale gas project we won in Yibin, Sichuan province in 2014, the teams have owned China's leading shale gas exploration technologies and equipment manufacturing experience, as well as proficiently mastered the coordination of on-site drilling processes (referring to the shaft engineering), the directional technology and the oil-based mudding in the shale gas exploitation.

During the Year, the flexible water tank developed by us independently achieved continued sales of 8 sets; while through the cooperation with Baker Hughes, the in-house developed 6,000 horsepower fracturing pump has completed fracturing stimulation for 12 wells in California, USA and well recognized by the client. From November to December, it also joined the LNG fracturing in wellsite near Sichuan Yibin, where the fracturing pump completed the first landmark industrial test.

During the Year, we continued to implement strategic cooperation with General Electric (GE) and introduced GE's gas-powered products to utilize unconventional natural gas or oilfield-associated gas generated in the oil and gas drilling and production process to provide energy for the drilling rig to achieve energy saving and emission reduction and green production. The first batch 3 sets of gas-powered engine has been applied in the emission reduction and efficiency increase — distributed gas-powered generation oilfield engineering application project, and achieved industrial test breakthrough in Sinopec wellsite. It could save more than 50% average daily cost by using gas-powered engine set as compared with diesel engine set, which is widely recognized by the users. The application of this system in wellsite near Sichuan Deyang became the first successful application of supplying electricity to drilling rig system by gas-powered engine in China, which marks a benchmark of the market promotion of Honghua's micro distributed power generation station and product industrialization, as well as indicates the major parts of the integrated solution for Shale Gas entered into field test stage.

QUALITY MANAGEMENT AND RESEARCH AND DEVELOPMENT

As of 31 December 2015, we have obtained 347 patents, including 85 patents for invention, which further represent we have continued to improve our product R&D and technique innovation capabilities in oil and gas equipment field and keep at an international leading level.

During the Year, we continued to improve our quality management and R&D capabilities and successfully obtained application of various qualifications. Our products have successfully obtained from Norwegian Det Norske Veritas ("DNV") the approval of ISO 9001 quality system certification, HSE certification, API certification, ABB transmission system integration certification and related electrical product explosion-proof certification. In production of land drilling equipment business, we have passed the annual HSE review; In the oil and gas engineering services segment, we have obtained the membership of the International Association of Drilling Contractors ("IADC"), the safety production license, Grade II work safety standardization conducted by State Administration of Work Safety, ISO9001 quality management system certification, ISO4001 environmental management system certification, OHSAS18001 occupational health and safety management system certification.

In respect of oil field access, we have also obtained the market access to PetroChina Yumen oil field, the qualification of Sinopec Northeast Bureau, and some other qualifications such as the qualified supplier of well drilling AC directional well of Sichuan Oil Service CNOOC, and the second level contractor and SOC turnkey contractor of Hong Kong Oil Service CNOOC etc. Besides, we have even become the certified oilfield service suppliers of Halliburton in Middle East, Netherlands Royal Dutch Shell Majnoon oil field and the Exxon Mobil's Iraq Company, which are all the international famous oil and gas engineering contractors. During the Year, we also actively strove to become the oilfield engineering service suppliers of other countries in Middle East, in order to consolidate our leading position in Middle East and expand the business in local market. In terms of offshore equipment manufacturing sector, we successfully obtained the "Provincial High and New Technology Enterprise", which embodies the technological level of our offshore base, and brings tax preference for offshore sector at the same time.

In the aspect of intelligent manufacturing, we have introduced Ear-shape welding robots, Box-shape welding robots and Reinforcing Ring welding robots in 2015 and put into operation, to gradually replace labor force and enhance the precision of our technology application. In the future, with the broader application of industrial informationization and artificial intelligence, we will consider introducing more intelligent manufacturing applications into a wide range of manufacturing procedures, including manufacturing process (production) planning, production adjustment, process monitoring to realize the entire process of intelligentization.

In the development of new products, the amount invested in R&D reached approximately RMB115 million during the Year. Especially, we have obtained outstanding achievements in the R&D of new-type high-end land drilling rigs. In June 2015, Honghua's polar rig has debuted at the 13th Moscow International Oil and Gas Exhibition ("MIOGE"). We are the world's second enterprise owning the technologies applied in polar rig, which is developed for the Russia's arctic environment and is also China's first polar rig. This new type drilling rig can be used under the stormy weather, ultra-low temperature and other harsh climatic environments which can well fit the operational demand in Russia's extremely cold areas. One set of polar rig was sold during the Year.

The smart rig is under development, which integrates a number of new technologies that will enable us to produce a wide range of mechanized, automated and informational oil drilling operation, featuring safety and high operational efficiency, as well as monitoring the operation safety in real time. Meanwhile, it can also reduce the number of drilling workers and operating costs. At present, the R&D of the smart rig has entered into the prototype stage and tried to achieve sales. The new generation driller console developed to match the smart rig has been tested and praised by customers, and it with perfect function can be applied for land and offshore drilling platform; The compact structure and the operation of traditional button replaced by touch screen improve the operation conveniences of driller personnel; And it can be comprehensively adjusted to meet different bodies. In addition, the gear rack drilling rig we developed previously reported its first sale in January 2016. The gear rack drilling rig enjoys the characteristics of compact size, light weight, convenient maintenance and convenient control of drill direction, which is especially suitable for special drilling well such as directional well, horizontal well and sidetracking well etc. and well drilling under complex circumstances.

HUMAN RESOURCE MANAGEMENT

We continued to adjust and optimize our human resources management, especially the performance appraisal system, and strengthen the technological talents introduction to achieve the strategic deployment of optimizing human resources allocation and efficiency improvement. As of 31 December 2015, the total number of the Group's employees was 5,709, representing a decrease of 23.4% compared with last year, in which the number of R & D staffs reached 627, representing a decrease of 15.6%. During the Year, on top of layoff and labor costs reduction, we focused on adjusting our personnel structure, strengthening the construction of our training system and improving our efficiency. We organized a total of approximately 912 training programs, achieved people flow rate of 23,761 and accumulated 115,963 lesson hours in total. The wide range of training program covers leadership enhancement, the development of Internet +, Industry 4.0, internet of things, procurement and marketing, and innovative training. The comprehensive training program has laid a solid foundation for the future development of the Group.

In addition, with the support of the Group's innovative & entrepreneurship platform, we encouraged innovative thinking, transformed management approaches, formulated incentive mechanism, made good use of the individual advantages of employees and motivated their work enthusiasm. In 2015, under the industry trend of the "Internet + manufacturing" in intelligent manufacturing, we will actively explore new forms of human resource management mechanism to reserve human resources for the Group's innovation and transformation in the future.

Confronting the continued depressed pressure on the industry, we adopted the strategic deployment of "foundation consolidation, attention with emphasis and differentiation in different sectors" and implemented the strategies by paying attention to strategic planning and focusing on operation management, organizational structure adjustment, cadre stipulation and cultivation, innovation talents cultivation and compensation incentive system, construction of differentiated human resource system according to sector characteristics.

OUTLOOK

The year of 2016 is the opening year of China's "13th five-year plan". It is expected that the Chinese government will continue to put forward favorable policies and measures for the balanced development between economic growth and industrial structure adjustment, in order to support the medium and long term stable development of the world's second largest economy. Although, the global economy still confronts some challenges and noncommittal factors at present, along with the global political environment is also filled with uncertainty, the overall prosperity of oil and gas industry is difficult to have obvious improvement. But, it has almost become consensus that crude oil market will find out new balance point in 2016. According to the prediction from many institutions, the new balance point will come in the fourth quarter of 2016, and the global crude oil will find out reasonable price range again, among which, Morgan Stanley predicted that WTI crude oil will maintain the average price of US$32.75 per barrel in 2016. Based on the macro consideration of industry trend and the market environment, combined with the comprehensive strength of Honghua and its "strategic transformation" theme in "13th five-year plan" period, we will strive to reach the second new high of the business development, And the year of 2016 will become the critical year to consolidate foundation in order to successfully realize "strategic transformation".

In order to realize the strategic transformation target from traditional equipment manufacturer to the integrated solutions service provider combining the equipment and service, we will closely keep pace with the industry trend such as High-end Equipment and Internet + etc. in 2016, comprehensively deploy the service business layout to establish the strategic foundation that takes the high-end equipment R&D manufacturing capacity and systematic service ability as core competitiveness.

Our work will focus on "continuous product and business innovation, cost reduction and efficiency improvement, and maintain liquidity". Looking forward, the oil and gas industry is still depressed, affected by narrowing profit and the reduced expenditure in exploration and production. The global active rig counts continued to decrease in 2015, especially in North America, where the rig counts decreased at 55% as of end of December. In order to resist severe winter and seek for the strategic transformation in the next stage, we officially established the land equipment sector by the end of 2015, to manage the various businesses of the three subsidiaries in the method of sector operation to realize the effective integration of resources including technology, production and market etc., to strengthen the profitability of the sector and make more profit for the Group. In 2016, we will aiming at establishing efficiently functioning land equipment business control system to integrate resources, improve efficiency, reduce cost, develop new products and promote the healthy and rapid development of each business.

In terms of R&D, we will establish a uniform platform within the sector, which comprehensively integrates project resource, facilities and equipment and technology talents. The R&D will be acted according to market demands and technology development trend, closely keeping pace with the high-end equipment industry plan of China and relevant policies. We will continue to upgrade the oil and gas equipment of Honghua and to improve its global market position, and to build up high-end brand. In terms of drilling rig, taking the one-button intelligent drilling rig as upgrade target, we will take advantage of our own control system and integrate external technology strengths at the same time, to lead the second global revolution in land drilling rig equipment field.

In terms of parts and components, we will continue to enhance R&D ability of the core components, increase the proportion of the self-developed core components in the whole rig, and to realize the continuous productization and marketization of parts and components products, so as to strengthen the Honghua's bargaining power in the entire land equipment industry chain. In terms of new products, we will actively explore the R&D direction of equipment used in oil and gas exploitation and transport, storage and transportation etc., mainly solving the technological difficulty of one or two kinds of equipment, and strive to establish another main product line of Honghua's oil and gas equipment.

In terms of business innovation, we will continuously carry out steady market strategy in 2016, at the same time, make good use of our innovative & entrepreneurship platform to develop new business and to realize new breakthrough. On the one hand, by capturing opportunity from "One Belt and One Road" matching policy and group project, we will strengthen traditional channels and old customer base to consolidate the existing market and to constantly gain new market breakthrough. On the other hand, we will closely track the dynamic of global emerging market, and operate new business based on the consolidation of equipment manufacturing business. Relying on the innovation & entrepreneurship platform of the Group, we have established asset-light start-ups which is in charge of exploiting the virtual reality software business in industrial application field. At present, a set of immersive systems based on helmet has been formed, which successfully achieves the real video imbedded in virtual reality environment and can be applied to industry virtual demonstration, virtual training and virtual assembly. Besides, we will absorb the successful experience from previous projects, vigorously promote the turnkey model of EPC project, and explore the oilfield surface engineering project and geophysical prospecting project, to establish the new market competitiveness which takes the equipment manufacturing as support and project management ability as core.

As for the cost reduction and efficiency enhancement and liquidity maintenance, we will strengthen budget control, finely manage inventory and procurement, and each sector will also continue to optimize human resource structure according to actual business. At the end of January 2016, we were approved to issue the Short-term Financing Debentures of an aggregate registered amount of RMB1.5 billion in the PRC. In the future, we will continue to explore various financing channels in China, so as to further enhance its financing capability and lay a solid foundation for the Group to capture the opportunity brought by the recovery of global oil and gas market and realize its long-term development.

As of 18 March, 2016, we have had land equipment section backlogs worth approximately RMB4,818 million, which including 22 sets of land drilling rig backlogs, with an aggregate amount of approximately RMB1,349 million.

As of 18 March, 2016, we have had offshore engineering equipment backlogs worth approximately RMB5,504 million.

As of 18 March, 2016, we have had oil and gas engineering service contracts worth approximately RMB219 million.

FINANCIAL REVIEW

During the Year, the Group's gross profit and loss attributable to shareholders of the Company amounted to approximately RMB947 million and RMB252 million respectively, and gross margin and net margin amounted to approximately 22.4% and -6.0% respectively; Last year, gross profit and profit attributable to shareholders of the Company amounted to approximately RMB1,630 million and RMB92 million respectively, gross margin and net margin amounted to approximately 20.9% and 1.2% respectively. During the Year, the Group's gross margin increased about 1.5 percentage point, which was attributed to the strong competitive ability of the Group's product and the Group's effective marketing strategy. However, the Group's gross profit and profit attributable to shareholders of the Company still decreased according to Last Year, which was mainly attributable to the fact that there is no significant improvement in the global oil and gas market and the oil and gas industry is under a deep adjustment, which leads to significant cut of capital expenditure of the main oil companies.

Turnover

During the Year, the Group's turnover amounted to approximately RMB4,219 million, representing a decrease of RMB3,594 million or 46.0% as compared to RMB7,813 million Last year. The decrease was mainly attributable to the declined demand for oil equipment due to the relating low level of the oil price, which leads to a decline of the sales volume of the Group's land drilling rigs part and the oil & gas engineering services part. Although the offshore drilling rigs part of the Group gained a substantial increase to the sales volume, it still had little impact to the Group's turnover according to its limited market scale.

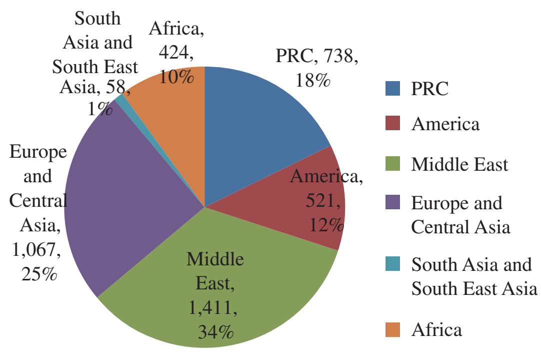
(a) *Revenue by Geographical Areas*

The Group's revenue by geographical segment During the Year: (1) The Group's export revenue amounted to approximately RMB3,481 million, accounting for approximately 82.5% of total revenue, representing a decrease of RMB3,401 million as compared to last year; (2) Mainland China's revenue amounted to approximately RMB738 million, accounting for approximately 17.5% of total revenue.

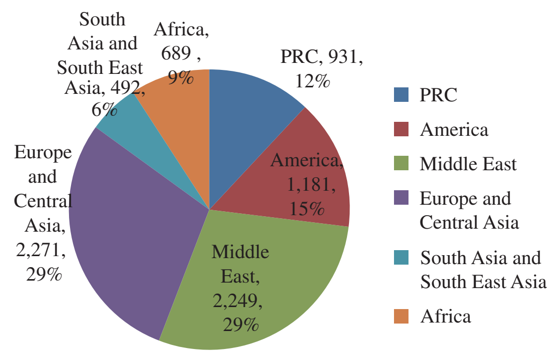
The revenues from different regions are affected by oil and gas exploration activities in various areas of the world. The Group actively explores markets, constantly develops new customers, and gains new purchase orders, ensuring the sustained development of the Group.

Revenue by Geographical Areas

2015 revenue by Geographical Area
Expressed in RMB'million



2014 revenue by Geographical Area
Expressed in RMB'million



(b) *Revenue by product categories*

The Group's business are divided into land drilling rigs, offshore drilling rigs, parts and components and others, and oil and gas engineering services.

During the Year, external revenue from land drilling rigs amounted to approximately RMB2,408 million, representing a decrease of RMB2,363 million or 49.5% as compared to RMB4,771 million last year.

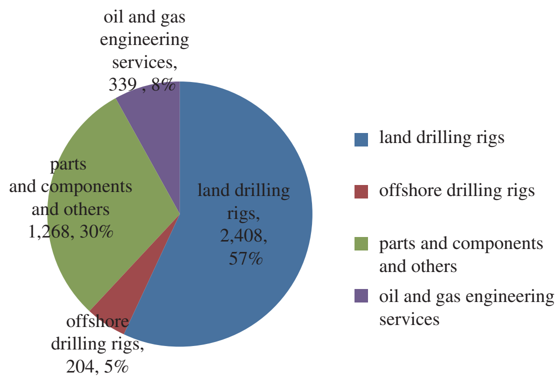
During the Year, external revenue from offshore drilling rigs amounted to approximately RMB204 million, representing an increase of RMB74 million or 56.9% as compared to RMB130 million last year.

During the Year, external revenue from parts and components and others amounted to approximately RMB1,268 million, representing a decrease of RMB1,201 million or 48.6% as compared to RMB2,469 million last year.

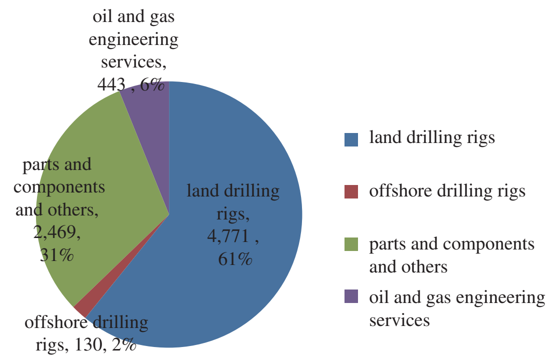
During the Year, revenue from oil and gas engineering services amounted to approximately RMB339 million, representing a decrease of RMB104 million or 23.5% as compared to RMB 443 million in the same period last year.

Revenue by business categories

2015 Revenue by business categories
Expressed in RMB'million



2014 Revenue by business categories
Expressed in RMB'million



Cost of Sales

During the Year, the Group's cost of sales amounted to approximately RMB3,273 million, representing a decrease of approximately 47.1% or RMB2,910 million as compared to RMB6,183 million in last year, mainly due to the decrease of material consumption and employee benefit expense, etc. because of the decline in sales volume.

Gross profit and Gross Margin

During the Year, the Group's gross profit amounted to approximately RMB947 million, representing a decrease of RMB683 million or 41.9% as compared to RMB1,630 million in last year.

During the Year, the Group's overall gross margin was 22.4%, representing an increase of 1.5 percentage points as compared to 20.9% in last year. This was mainly due to the Group's production efficiency improvement, cost reduction, and the tariff reduction in some areas.

Expenses in the period

During the Year, the Group's distribution expenses amounted to approximately RMB473 million, representing a decrease of RMB165 million or 25.9% as compared to RMB638 million in last year. This was mainly attributable to decreased transportation costs and commission brought on by the declined sales revenue, the Group's cost reduction strategy, such as travelling expenses and the employee benefit expense reduction by the optimization of the personnel structure.

During the Year, the Group's administrative expenses amounted to approximately RMB584 million, representing a decrease of RMB104 million or 15.1% as compared to RMB688 million in last year. This was mainly attributable to the strict cost control such as employee benefit.

During the Year, the Group's net finance expenses amounted to approximately RMB262 million, representing a decrease of RMB11 million, or 4.0% as compared to net finance expense of RMB273 million in the last year. This was mainly attributable to the optimization of debt scale according to the Group's sales volume last year

(Loss)/Profit before Taxation

During the Year, loss before taxation of the Group amounted to approximately RMB302 million, representing a decrease of RMB426 million or 343.6% compared to profit before taxation of RMB124 million in the same period last year.

Income Tax Expenses

During the Year, the Group's income tax expense amounted to approximately RMB-36 million as compared to the income tax expense of approximately RMB13 million last year.

(Loss)/Profit for the year

During the Year, the Group's loss amounted to approximately RMB266 million, as compared to a profit of approximately RMB110 million year. Among which, loss attributable to equity shareholders of the Company was approximately RMB252 million, while loss attributable to non-controlling interests was approximately RMB14 million. During the Year, net margin was -6.0%, as compared to a net margin of 1.2% last year, which was mainly due to the lower decreasing speed of the distribution expenses and the administrative expenses than the Group's the sales volume decreasing speed. The reason is that a number of items in the distribution expenses and the administrative expenses, such as depreciation and amortization and other fixed cost expenses, were difficult to deduct in the short run.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and EBITDA Margin

During the Year, EBITDA amounted to RMB314 million, as compared to approximately RMB711 million in last year, which was mainly attributable to the marked decrease in operating profit brought on by the decrease in revenue of the land drilling rigs and component, and the increasing loss of the offshore drilling rigs part and oil & gas engineering services part. The EBITDA margin was 7.4%, as compared to 9.1% in last year.

Dividends

For the year ended 31 December 2015, the Board does not recommend the payment of dividend.

Source of capital and borrowings

The Group's principal sources of capital include cash from operations, bank borrowings and securities financing.

As at 31 December 2015, the Group's bank borrowings and senior notes amounted to approximately RMB4,664 million, representing a decrease of approximately RMB463 million as compared to 31 December 2014. Among which, borrowings repayable within one year amounted to approximately RMB2,333 million, representing a decrease of RMB474 million or 16.9%,as compared to 31 December 2014.

Deposits and cash flow

As at 31 December 2015, the Group's cash and cash equivalents amounted approximately RMB1,103 million, representing a decrease of approximately RMB339 million as compared to 31 December 2014.

During the Year, the Group's net operating cash inflow from operations amounted to approximately RMB559 million; net cash outflow from investing assets, during the Year amounted to approximately RMB49 million; net cash outflow from financing activities amounted to approximately RMB857 million.

Assets structure and changes thereof

As at 31 December 2015, the Group's total assets amounted to approximately RMB13,182 million, representing a decrease of approximately RMB2,316 million or 14.9% as compared to 31 December 2014. Among which, current assets amounted to approximately RMB8,390 million, accounting for approximately 63.6% of total assets, representing a decrease of RMB1,870 million as compared to 31 December 2014, which were mainly decrease of inventories, cash and cash equivalent. Non-current assets amounted to approximately RMB4,792 million, accounting for approximately 36.4% of total assets, representing a decrease of approximately RMB446 million as compared to 31 December 2014, and were mainly attributable to the decrease in long term trade receivables.

Liabilities

As at 31 December 2015, the Group's total liabilities amounted to approximately RMB8,408 million, representing a decrease of approximately RMB2,126 million as compared to 31 December 2014. Among which, current liabilities amounted to approximately RMB6,002 million, accounting for approximately 71.4% of total liabilities, representing a decrease of approximately RMB2,204 million as compared to 31 December 2014. Non-current liabilities amounted to approximately RMB2,406 million, accounting for approximately 28.6% of total liabilities, presenting an increase of approximately RMB77 million as compared to 31 December 2014. As at 31 December 2015, the Group's total liabilities/total assets ratio was approximately 63.8%, representing a decrease of 4.2 percentage points as compared to 31 December 2014.

Equity

As at 31 December 2015, total equity amounted to RMB4,774 million, representing a decrease of RMB190 million as compared to 31 December 2014. Total equity attributable to equity shareholders of the Company amounted to approximately RMB4,552 million, representing a decrease of RMB177 million as compared to 31 December 2014. Non-controlling interests totaled to approximately RMB222 million, representing a decrease of RMB13million as compared to 31 December 2014. During the Year, the Group's basic earnings per share were RMB-7.93 cents, and diluted earnings per share were RMB-7.93 cents.

Contingent liabilities

A sales agency filed lawsuits against the subsidiary of the Company, alleged that it was owed commission in excess of USD18,000,000 in relation to their services to the Group. On 24 April 2013, the United Arab Emirates ("UAE") Federal Court of First Instance ordered the termination of the agency agreement and dismissed all claims from the sales agency. On 21 October 2014, UAE Federal Court affirmed the original judgment. The sales agency and the Group filed an appeal to the UAE Federal Court of Appeal on the court's decision and On 11 November 2015, Union Supreme Court of the United Arab Emirates revoke the challenged judgment completely, and it ordered to refer the case to Abu Dhabi Federal Court of Appeals to reconsider the same again in another form, and the hearing is not yet to be made as at 31 December 2015. Having consulted the Group's legal advisors, management considered that the Group had legal and factual merit to defend in lawsuit. Accordingly, management determined that it was not probable that the outcome of the lawsuit will be unfavorable to the Group. No provision was made for the potential claims under this lawsuit.

Capital Expenditure, Major Investment and Capital Commitments

During the Year, capital expenditure of the Group on infrastructure and technical improvements amounted to approximately RMB236 million, representing a decrease of approximately RMB542 million as compared to the same period last year.

As at 31 December 2015, the Group had capital commitments of approximately RMB286 million, which will be used for the construction of Jiangsu Qigong offshore manufacturing base and expansion of the Group's business as well as its production capacity.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 May 2016 to Tuesday, 24 May 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 May 2016.

AUDIT COMMITTEE

The Audit Committee comprises all the Independent Non-executive Directors with written terms of reference in compliance with the Listing Rules. The Audit Committee is responsible for reviewing and supervising financial reporting process and internal control systems and providing advices and recommendations to the Board. The Audit Committee shall hold at least two meetings a year and review opinions of internal auditors, matters in respects of internal control, risk management and financial reporting. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2015 and the accounting principles and practices adopted by the Group during the Year.

The Audit Committee is also responsible for reviewing the compliance of the corporate governance issues, the corporate governance report and the corporate governance policy.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with most of the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules ("CG Code") throughout the year ended 31 December 2015, saving for certain deviations from the code provision in respect of separation of roles of Chairman and President (Chief Executive Officer) and the dismissal of the nomination committee of the Company, details of which will be explained below.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The Company is committed to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure that they comply with the statutory and professional standards and the requirements under the Listing Rules and align with their latest developments.

Based on the Code Provision A.2.1 of CG Code, the roles of Chairman and President (Chief Executive Officer) should be separated and should not be performed by the same individual. Mr. Zhang Mi is the Chairman of the Board and President (Chief Executive Officer) of the Company. Mr. Zhang Mi is the main founder of the Group and has extensive experience in the industry and related industries. In the opinion of the Board, the vesting of duties of Chairman of the Board and President (Chief Executive Officer) of the Company to Mr. Zhang Mi would provide a strong and consistent leadership and allow effective planning and execution of business decisions and strategies, as well as ensure the interests of the shareholders of the Company as a whole. On the other hand, the balance between powers and duties could be ensured through the operation of the Board and the committees under it.

The Company will continue to review the effectiveness of the corporate governance framework of the Group, and consider whether to make any changes, including the separation of the roles of the Chairman and President (Chief Executive Officer).

For improving work efficiency, the nomination committee was dismissed with effect from 19 March 2013. The Board shall review its own structure, size and composition (including taking into account of the board diversity policy of the Company) regularly to ensure that it has a balance of expertise, skills, experience and diversity of board members appropriate for the requirements of the business of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 2015.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR 2015

This announcement is published on both the websites of the Company (www.hh-gltd.com) and of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2015 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

DEFINITION

"Annual General Meeting"	:	the annual general meeting of the Company which will be held on Tuesday, 24 May 2016
"Audit Committee"	:	the audit committee of the Company
"Board"	:	the Board of Directors of the Company
"Company"	:	Honghua Group Limited
"Directors"	:	directors of the Company

"During the Year"	:	for the year ended 31 December 2015
"Group" or "Honghua" or "We"	:	the Company and its subsidiaries, its associate and its jointly controlled entities
"HK$" or "HK dollars"	:	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	:	the Hong Kong Special Administrative Region of the PRC
"Last Year"	:	for the year ended 31 December 2014
"Listing Rules"	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"PRC" or "China"	:	the People's Republic of China, unless the context requires otherwise, reference in this announcement of the PRC or China excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	:	Renminbi, the lawful currency of the PRC
"Share(s)"	:	ordinary shares issued by the Company, with a nominal value of HK$0.10 each
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"US"	:	the United States of America, including its territories and possessions
"US$"	:	United States dollars, the lawful currency of the US

On behalf of the Board of
Honghua Group Limited
Zhang Mi
Chairman

Hong Kong, 29 March 2016

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Mi (Chairman), Mr. Ren Jie and Mr. Liu Zhi; the Non-executive Director of the Company is Mr. Siegfried Meissner (Mr. Popin Su as his alternate); and the Independent Non-executive Directors of the Company are Mr. Liu Xiaofeng, Mr. Qi Daqing, Mr. Chen Guoming, Mr. Shi Xingquan and Mr. Guo Yanjun.