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 2016

The board of directors (the "**Board**") of China Huarong Energy Company Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2016 (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 following discussion and analysis should be read in conjunction with the financial information of the Group, including the related notes, as set forth in this announcement.

BUSINESS REVIEW

For the Period, the Group recorded a negative revenue of RMB3,478.0 million, which was primarily attributable to the decrease in revenue from sales of vessels and the reversal of revenue from cancellation of shipbuilding contracts compared to the revenue of RMB379.1 million for the six months ended 30 June 2015 (the "**Comparative Period**"). Loss attributable to the equity holders of the Company was RMB1,963.1 million for the Period, while loss attributable to the equity holders of the Company was RMB2,035.8 million for the Comparative Period.

Shipbuilding and Offshore Engineering

Our shipbuilding segment recorded a negative revenue of RMB3,494.8 million for the Period. During the Period, we delivered 2 vessels with a revenue of approximately RMB60.0 million. As at 30 June 2016, our total orders on hand consisted of 12 vessels, representing a total volume of approximately 918,700 DWT with a total contract value of approximately USD437.3 million. They included 9 Panamax bulk carriers, 1 Panamax crude oil tanker and 2 7,000-TEU containerships.

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

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

Energy Exploration and Production

In September 2014, we completed the acquisition of 60% interests in the project (the "**Kyrgyzstan Project**") involving four oilfields located in the Fergana Valley of the Republic of Kyrgyzstan. For the Period, the Kyrgyzstan Project recorded 78,422 barrels (bbl) of light crude oil. Revenue from the energy exploration and production segment was RMB14.9 million for the Period, an increase of 263.4% from RMB4.1 million for the Comparative Period.

Marine Engine Building and Engineering Machinery

In the first half of 2016, while the sluggish shipping market has continuously suffered from the excess capacity of the industry, sales of marine engines were also affected by the downturn of the shipbuilding industry. There was no revenue from external customers of our marine engine building segment for both years. Inter-segment revenue was RMB0.7 million for the Period (for the Comparative Period: RMB0.9 million). As at 30 June 2016, our marine engine building segment had orders on hand for a total of 27 engines (for the Comparative Period: 26 orders on hand).

Engineering machinery market was picking up slightly in the first half of 2016. For the Period, revenue from the engineering machinery segment was RMB1.9 million, an increase of 850.0% from RMB0.2 million for the Comparative Period.

FINANCIAL REVIEW

Revenue

For the Period, the Group recorded a negative revenue of RMB3,478.0 million (for the Comparative Period: a revenue of RMB379.1 million). It was primarily attributable to the reversal of revenue from cancellation of shipbuilding contracts. For the Period, revenue from sales of vessels was RMB60.0 million (for the Comparative Period: RMB361.4 million). Revenue from shipbuilding and other contracts was RMB89.8 million as compared to RMB13.6 million for the Comparative Period, representing a year-on-year increase of approximately 560.3%. Revenue from sales of crude oil was RMB14.9 million (for the Comparative Period: RMB4.1 million). During the Period, revenue reversed from the cancellation of the shipbuilding contracts was 3,642.7 million (for the Comparative Period: nil).

Cost of Sales

For the Period, cost of sales decreased by approximately 34.9% to RMB551.8 million (for the Comparative Period: RMB847.9 million), which was primarily attributable to the reversal of cost of goods sold from cancellation of shipbuilding contracts. Cost of sales reversed from the cancellation of the shipbuilding contracts for the Period was RMB3,037.1 million (for the Comparative Period: nil).

Selling and Marketing Expenses

For the Period, selling and marketing expenses increased slightly by approximately 3.1% to RMB3.3 million (for the Comparative Period: RMB3.2 million), which was primarily in line with the Group's strategic transformation by maintaining selling and marketing expenses of the energy exploration and production segment.

General and Administrative Expenses

For the Period, general and administrative expenses decreased by approximately 18.1% to RMB305.0 million (for the Comparative Period: RMB372.6 million). This was mainly attributable to the implementation of cost control measures by the Group.

Reversal of/ (Provision for) Impairments and Delayed Penalties

For the Period, reversal of impairments and delayed penalties was RMB3,318.3 million (for the Comparative Period: provision for impairments and delayed penalties of RMB166.4 million). It was mainly due to the reversal of impairment of trade receivables of RMB1,043.9 million, reversal of impairment of other receivables and prepayments of RMB34.8 million, reversal of impairment of amounts due from customers for contract works of RMB2,239.6 million, respectively. The reversal of impairment of trade receivables for the Period was mainly due to the settlement of trade receivables during the Period.

Other Gains – Net

For the Period, other gains – net was RMB168.5 million (for the Comparative Period: losses of RMB2.0 million), primarily due to fair value gain of RMB213.9 million on embedded derivatives in convertible bonds recorded for the Period (for the Comparative Period: gain of RMB4.8 million).

Finance Costs – Net

Finance income for the Period, which mainly related to the bank interest income, decreased by approximately 98.6% to RMB0.2 million (for the Comparative Period: RMB14.0 million). Finance costs for the Period increased by approximately 8.6% to RMB1,182.4 million (for the Comparative Period: RMB1,089.2 million). The increase was mainly due to the increase in borrowings of the Company for the Period.

Gross Loss

During the Period, we recorded a gross loss of RMB4,029.8 million (for the Comparative Period: RMB468.8 million). As a result of depressed shipbuilding market conditions and the lower prices of newbuildings, the profitability of conventional shipbuilding business has diminished. We cancelled some shipbuilding contracts in response to the market downturn and to mitigate risk. In addition, in order to align with the strategic transformation of the Group, a gross loss was incurred as a result of a reduction of our production activities while having to maintain a considerable fixed production cost.

Total Comprehensive Loss for the Period

During the Period, we recorded total comprehensive loss of RMB1,993.2 million (for the Comparative Period: RMB2,085.8 million), of which loss attributable to equity holders of the Company was RMB1,928.3 million (for the Comparative Period: RMB2,036.3 million). Loss attributable to the equity holders of the Company is the result of gross loss, finance cost and the considerable fixed administrative expenses.

Liquidity and Going Concern

During the Period, the Group incurred a loss of approximately RMB2,027.9 million. As at 30 June 2016, the Group had a total deficit of RMB7,686.9 million and the Group's current liabilities exceeded its current assets by approximately RMB29,748.4 million. As at the same date, the Group's total current borrowings and financial lease liabilities amounted to RMB22,973.2 million, of which RMB18,509.2 million were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also included the convertible bonds issued by the Company with outstanding principal totaling Hong Kong dollars ("**HKD**") 2,440.0 million (equivalent to approximately RMB2,085.4 million) as at 30 June 2016 which were immediately redeemable after reaching the one-year non-redemption period.

However, a series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial positions of the Group. In order to accelerate and facilitate the progress of the Group's restructuring plan and to enhance the liquidity and financial position of the Group, the Group plans to reduce its borrowings by issuing shares of the Company to satisfy certain of the Group's outstanding debts. The Company has proposed to effect the disposal of liabilities by (1) entering into certain bank creditor subscription agreements with certain bank creditors or their designated entities to subscribe for, up to 14,108,000,000 shares of HKD0.50 each (the "**Shares**") at HKD1.20 per share, to satisfy the relevant borrowings in an aggregate amount of up to RMB14,108.0 million due from the Group to these bank creditors; and (2) entering into certain supplier creditor subscription agreements with certain supplier creditors or their designated entities to subscribe for, up to 3,000,000,000 Shares at HKD1.20 per share to satisfy the relevant payables in an aggregate amount of up to RMB3,000.0 million due from the Group to these supplier creditors. The disposal of liabilities and the subscriptions will enable the Group to ease its debt burden immediately and to enhance the flexibility of fund utilization.

Details regarding uncertainties on the going concerns of the Group and the respective plans and measures are set out in the section headed "Going Concern Basis" in Note 2.1 to the condensed consolidated interim financial information.

Borrowings and Finance Lease Liabilities

Our short-term borrowings and finance lease liabilities increased by RMB738.4 million from RMB22,234.8 million as at 31 December 2015 to RMB22,973.2 million as at 30 June 2016. Our long-term borrowings and finance lease liabilities decreased by RMB306.6 million from RMB445.2 million as at 31 December 2015 to RMB138.6 million as at 30 June 2016.

As at 30 June 2016, our borrowings and finance lease liabilities were RMB23,111.8 million (as at 31 December 2015: RMB22,680.0 million), of which RMB19,602.0 million (84.8%) was denominated in RMB and the remaining RMB3,509.8 million (15.2%) was denominated in USD and HKD. Certain borrowings were secured by our land use rights, buildings, construction contracts, pledged deposits, guarantee from certain related parties and guarantee from a subsidiary of the Group.

The Company intends to enter into certain bank creditor subscription agreements with certain bank creditors or their designated entities to subscribe for, up to 14,108,000,000 Shares at HKD1.20 per share, to satisfy the relevant borrowings in an aggregate amount of up to RMB14,108.0 million due from the Group to these bank creditors, details of which are set out in the circular of the Company dated 9 March 2016 (the "**Circular**").

Inventories

Our inventories decreased by RMB405.4 million to RMB604.7 million as at 30 June 2016 (as at 31 December 2015: RMB1,010.1 million). The inventory turnover days increased from 280 days as at 31 December 2015 to 299 days as at 30 June 2016.

Amounts Due from Customers for Contract Works

The amounts due from customers for contract works decreased by RMB172.1 million to nil as at 30 June 2016 (as at 31 December 2015: RMB172.1 million). The decrease in amounts due from customers for contract works was the result of the reduction in production scale.

Foreign Exchange Risks

Our shipbuilding business recorded revenue from contract prices mainly denominated in USD, while about 30% of the production costs were denominated in USD. The cash flow of unmatched currencies is subject to foreign exchange risks. Management continuously assesses the foreign exchange risks, with an aim to minimize the impact of foreign exchange fluctuations on our business operations. The Group incurred net foreign exchange losses of RMB17.9 million due to the depreciation of RMB against USD during the Period, which resulted in exchange losses on certain USD-denominated liabilities, such as accounts payable of the Group.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB3.1 million (for the Comparative Period: RMB60.9 million), which was mainly used as expenses of facilities.

Gearing Ratio

Our gearing ratio (measured by total borrowings and finance lease liabilities divided by the sum of total borrowings and finance lease liabilities and total deficit increased from 133.6% as at 31 December 2015 to 149.8% as at 30 June 2016, affected by the losses of RMB2,027.9 million for the Period. The total deficit was RMB7,686.9 million as at 30 June 2016 (as at 31 December 2015: RMB5,703.0 million).

Contingent Liabilities

As at 30 June 2016, we had contingent liabilities of RMB79.5 million (as at 31 December 2015: RMB79.5 million), which resulted from refund guarantees issued to and financial guarantees provided to our customers.

Credit Assessment and Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged deposits, as well as credit exposures to outstanding trade and other receivables and amounts due from customers for contract works. As at 30 June 2016, all of the Group's cash and bank balances, short-term and long-term bank deposits and pledged deposits were placed with reputable banks which management believes are of high creditworthiness and without significant credit risk.

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

As at 30 June 2016, trade receivables of RMB2,419.5 million (as at 31 December 2015: RMB3,398.2 million) and RMB383.9 million (as at 31 December 2015: RMB383.5 million) related to certain customers of the shipbuilding segment and the engineering machinery segment were impaired and provided for respectively, as a result of the management's assessment on the recoverability of the balances.

Human Resources

As at 30 June 2016, we had approximately 958 employees (as at 31 December 2015: approximately 2,028 employees). The decrease in the number of employees was mainly in relation to the market downturn and the downsizing of the shipbuilding business of the Group.

MARKET ANALYSIS AND PROSPECTS

In light of the impact of the global economic slowdown and the overcapacity in the shipping market, the shipbuilding industry was still facing tremendous challenges in production and operations during the first half of 2016. The shipbuilding industry in China had entered into a period of structural adjustment. Financial institutions followed a stringent credit policy persistently towards the shipbuilding industry. Fundamentals of the overall operating environment had not yet improved. Meanwhile, the international prices on crude oil had rebounded from the low prices in the beginning of the year, this rally was, however, under downside pressure. The oil exploration and production industry also encountered difficulties given the volatile market conditions.

To confront the prevailing sluggish shipbuilding market, the Company had deployed its existing production facilities and amenities and human resources to develop and diversify into various types of operating business. We also proactively promoted the resale of vessels under construction and had delivered 2 vessels, with a total volume of 233,000 DWT, in the first half of the year, so as to enable us to maintain the operation of our manufacturing base.

Looking forward to the second half of the year, while the global energy market is still complicated and volatile, the shipbuilding market has yet to reveal any positive sign for revival. Nevertheless, in pursuit of the national strategies for "One Belt One Road" and "Made in China 2025", the high-end equipment manufacturing sector receives favourable policies support as the country's strategic emerging industry. The Group, together its restructuring and upgrading strategy, will embrace and seize this new round of policy opportunities. Simultaneously, with various parties contributing to accelerating support from financial institutions on the implementation of policies in the development of the shipbuilding industry, and also strengthening communication and co-operation in all aspects amongst government authorities, financial institutions and shipbuilding enterprises, it is expected to rekindle the hope of the shipbuilding industry and to survive in this tough time.

The Company has proposed to conduct the Disposal of Liabilities (as defined in the circular) which involves an allotment of Shares to certain bank and supplier creditors to satisfy the relevant borrowings and payables due from the Group, the amount of which was RMB17,108.0 million, with a specific mandate granted by the shareholders of the Company. The Disposal of Liabilities will enable the Group to ease its debt burden immediately, enhance the flexibility of fund utilisation, improve the operation of shipbuilding business and mitigate the adverse effect of the high gearing of the Group on its expansion in the energy service industry. We are now actively procuring and materialising the Disposal of Liabilities with the bank and supplier creditors and to pursue the Disposal of Liabilities in the best interests of the Company and its shareholders as a whole.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Consolidation and Increase in Authorised Share Capital

Pursuant to ordinary resolutions passed at an extraordinary general meeting of the Company held on 24 March 2016, (i) every 5 ordinary shares of HKD0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HKD0.50 each in the issued and unissued share capital of the Company (the "**Share Consolidation**"); and (ii) the authorised share capital of the Company has been increased from HKD3,800,000,000 divided into 7,600,000,000 Shares to HKD30,000,000,000 divided into 60,000,000,000 Shares by the creation of an additional 52,400,000,000 Shares in the share capital of the Company (the "**Increase in Authorised Share Capital**"). The Share Consolidation and the Increase in Authorised Share Capital have become effective from 29 March 2016.

Corporate Governance Code

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 of directors (the "**Board**") meeting to give all directors an opportunity to attend, and for all other board meetings, reasonable notice should be given. During the Period, less than 14 days' notice was given for 2 Board meetings (other than regular meetings) to suit the tight and busy schedules of the participants.

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

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Zhou Zhan (chairman of the Audit Committee), Mr. Wang Jin Lian and Mr. Lam Cheung Mau. 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.

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the year 2016 (for the Comparative Period: nil).

Publication of Interim Report

The 2016 Interim Report of the Company will be despatched to the shareholders of the Company 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.

Acknowledgment

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

Board of Directors

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

On Behalf of the Board
CHEN Qiang
Chairman

Hong Kong, 30 August 2016

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	**Unaudited As at 30 June 2016 *RMB'000***	Audited As at 31 December 2015 *RMB'000*
ASSETS			
Non-current assets			
Land use rights	*6*	**3,786,404**	3,827,234
Property, plant and equipment	*4*	**16,755,729**	16,996,889
Intangible assets	*5*	**1,615,430**	1,583,048
Long-term deposits		**–**	60,000
Prepayments for non-current assets		**5,673**	13,626
Available-for-sale financial asset		**40,515**	39,676
		22,203,751	22,520,473
Current assets			
Inventories		**604,689**	1,010,147
Amounts due from customers for contract works		**–**	172,062
Trade receivables	*7*	**27,616**	163,462
Other receivables, prepayments and deposits		**502,656**	644,124
Pledged deposits		**38,981**	72,573
Cash and cash equivalents		**62,840**	69,227
		1,236,782	2,131,595
Total assets		**23,440,533**	24,652,068
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Share capital		**905,191**	905,191
Share premium		**10,430,533**	10,430,533
Other reserves		**3,672,244**	3,628,129
Accumulated losses		**(22,304,797)**	(20,341,666)
		(7,296,829)	(5,377,813)
Non-controlling interests		**(390,039)**	(325,159)
Total deficit		**(7,686,868)**	(5,702,972)

	Note	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**138,576**	150,328
Finance lease liabilities – non-current		**–**	294,852
Advance from a related party		**3,675**	14,427
		142,251	459,607
Current liabilities			
Trade and other payables	*8*	**7,570,032**	7,001,501
Advances from related parties		**353,795**	340,234
Borrowings		**22,395,833**	21,892,265
Derivative financial instruments		**81,380**	292,691
Provision for warranty		**6,730**	26,214
Finance lease liabilities – current		**577,380**	342,528
		30,985,150	29,895,433
Total liabilities		**31,127,401**	30,355,040
Total deficit and liabilities		**23,440,533**	24,652,068

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited For the six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue			
– Revenue from sales of vessels	3	**60,000**	361,350
– Revenue from shipbuilding and other contracts	3	**89,830**	13,581
– Revenue from sales of crude oil	3	**14,946**	4,126
– Revenue related to the cancellation of the construction contracts	3	**(3,642,744)**	–
		(3,477,968)	379,057
Cost of sales			
– Cost of vessels sold	9	**(554,356)**	(519,432)
– Cost of shipbuilding and other sales	9	**(416,462)**	(325,251)
– Cost of crude oil sold	9	**(13,290)**	(3,197)
– Cost of sales related to the cancellation of the construction contracts	9	**3,037,086**	–
– Provision for inventories related to the cancellation of the construction contracts	3, 9	**(2,604,794)**	–
		(551,816)	(847,880)
Gross loss		**(4,029,784)**	(468,823)
Selling and marketing expenses	9	**(3,334)**	(3,227)
General and administrative expenses	9	**(304,974)**	(372,562)
Research and development expenses	9	**(12,621)**	(18,443)
Reversal of /(provisions for) impairments and delayed penalties	9	**221,505**	(166,352)
Reversal of impairments related to the cancellation of the construction contracts	3, 9	**3,096,830**	–
Other income	10	**18,178**	21,268
Other gains/(losses) – net	11	**168,476**	(2,011)
Operating loss		**(845,724)**	(1,010,150)
Finance income		**224**	14,040
Finance costs		**(1,182,442)**	(1,089,209)
Finance costs – net		**(1,182,218)**	(1,075,169)
Loss before income tax		**(2,027,942)**	(2,085,319)
Income tax expense	12	**-**	–
Loss for the period		**(2,027,942)**	(2,085,319)
Loss attributable to:			
Equity holders of the Company		**(1,963,131)**	(2,035,847)
Non-controlling interests		**(64,811)**	(49,472)
		(2,027,942)	(2,085,319)

	Note	Unaudited For the six months ended 30 June 2016 RMB'000	2015 RMB'000
Other comprehensive income/(loss) for the period:			
Items that may be reclassified to profit or loss			
– Fair value gain/(loss) on an available-for-sale financial asset		**839**	(495)
– Exchange difference on translation of foreign operations		**33,885**	–
Other comprehensive income/(loss) for the period, net of tax		**34,724**	(495)
Total comprehensive loss for the period		**(1,993,218)**	(2,085,814)
Attributable to:			
Equity holders of the Company		**(1,928,338)**	(2,036,324)
Non-controlling interests		**(64,880)**	(49,490)
		(1,993,218)	(2,085,814)
Loss per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– Basic and diluted	*13*	**(0.90)**	(1.04)

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 30 August 2016.

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 2016 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 2015, which was prepared in accordance with International Financial Reporting Standards ("**IFRS**").

2.1 Going concern basis

During the six months ended 30 June 2016, the operation of the Group's shipbuilding business continued to be minimal, except for the continuous effort in collecting outstanding receivables and realising existing inventories through sale. The development of the Energy Exploration and Production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration and the sustaining depression of the oil price. Although management has already implemented measures to significantly reduce costs, the Group was still experiencing high level of finance costs for its existing borrowings, which would need to be accrued for even though they have not been paid. As a result, the Group had incurred a net loss of approximately RMB2,027,942,000 for the six months ended 30 June 2016.

As at 30 June 2016, the Group had a total deficit of RMB7,686,868,000 and the Group's current liabilities exceeded its current assets by RMB29,748,368,000. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB22,973,213,000, out of which RMB18,509,222,000 current borrowings were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also included convertible bonds with outstanding principals totaling HKD2,440,000,000 (equivalent to approximately RMB2,085,395,000) as at 30 June 2016, which were immediately redeemable by the bondholders after reaching the one-year non-redemption period, while the Group only maintained cash and cash equivalents of RMB62,840,000.

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 RMB1,138,710,000 were still overdue as at 30 June 2016. 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 RMB11,686,000 have been classified as current liabilities. Subsequent to 30 June 2016, additional loan principal and interest payments totaling RMB584,569,000 were not renewed or repaid upon the scheduled repayment dates and thus became overdue. Moreover, based on the financial position of the Group as at 30 June 2016, the Group was not in compliance with certain restrictive financial covenants of a current bank borrowing amounted to RMB663,120,000 as at 30 June 2016. The Group has obtained a wavier for compliance with such financial covenants subsequent to 30 June 2016. In addition, bank and other borrowings of RMB19,710,736,000 and convertible bonds with principal amount of HKD2,440,000,000 (equivalent to approximately RMB2,085,395,000), totaling RMB21,796,131,000 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 RMB21,446,840,000 as at 30 June 2016 became immediately repayable pursuant to the cross-default terms under the relevant loans and convertible bond agreements; and in this connection, certain non-current borrowings totaling RMB2,843,815,000 have 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 to comply with these cross-default terms from the relevant banks and bondholders; nor have these banks and bondholders taken any action against the Group to demand immediate repayment.

The Group had five outstanding convertible bonds with principal amounts totaling HKD2,440,000,000 (equivalent to approximately RMB2,085,395,000) as at 30 June 2016 (31 December 2015: six outstanding convertible bonds with principal amounts totaling HKD3,050,000,000 (equivalent to approximately RMB2,555,229,000)). During the six months ended 30 June 2016, no convertible bond was converted into equity. According to the bond agreements, the bondholders have early redemption options to request the Company to redeem the outstanding convertible bonds when the respective convertible bonds reached the one-year non-redemption period. As at 30 June 2016, all the Group's outstanding convertible bonds already reached their one-year non-redemption period and became immediately repayable should the bondholders request for early redemption (in addition to their rights to request for early repayment because of the triggering of the cross-default terms described in the preceding paragraph). Furthermore, a parcel of convertible bonds with an outstanding principal of HKD610,000,000 (equivalent to approximately RMB521,349,000) matured in February 2016 was settled by a promissory note due in May 2016 (as further extended to August 2016 by a deed of amendment). The Company is in the process of negotiating with the relevant promissory note holder to extend the maturity date of this promissory note to September 2016. In addition, a balance of interest payable for a parcel of convertible bonds with an amount of HKD57,557,000 (equivalent to approximately RMB49,192,000) was due in June 2016. The Company is in the process of negotiating with the relevant convertible bondholder and planned to settle the outstanding interest by a promissory note to be matured in September 2016. Subsequent to the six months ended 30 June 2016, a parcel of convertible bonds with an outstanding principal of HKD500,000,000 (equivalent to approximately RMB427,335,000) matured in July 2016 was settled by a promissory note due in October 2016. The remaining outstanding convertible bonds will mature over the period from October to December 2016, if the relevant bondholders do not request for early repayments.

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

In view of such circumstances, the directors of the Company have during the period and up to the date of the approval of this condensed consolidation interim financial information taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group, to refinance its operation and to restructure its debts:

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

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

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

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

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

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

The Group had obtained the shareholders' approval for the proposal of the Disposal of Liabilities and share consolidation as well as the increase in authorised share capital on 24 March 2016. With the said shareholders' approval obtained, the directors of the Company are working with the bank and supplier creditors to execute and complete the proposal for the Disposal of Liabilities, which are subject to finalisation and agreement of the detailed terms and conditions on the subscription arrangements as well as obtaining the necessary and relevant regulatory approvals. During the six months ended 30 June 2016, the directors of the Company expect that the Disposal of Liabilities will be completed in year 2016. For the bank loans which will remain outstanding subsequent to the Disposal of Liabilities, the Group will continue to negotiate with the respective banks to further extend or renew those loans as and when they fall due (see Notes (iv) to (vi) below);

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

(iii) During the six months ended 30 June 2016, a parcel of convertible bonds with a total principal amount of HKD610,000,000 (equivalent to approximately RMB521,349,000) matured in February 2016. On 29 March 2016, the Company issued a promissory note to this convertible bondholder, pursuant to which the Company promised to repay the principal together with interest accrued thereon, to the bondholder on or before 31 May 2016 (as further extended to August 2016 by a deed of amendment). The Company is in the process of negotiating with this promissory note holder to further extend the maturity date to September 2016. In addition, a parcel of convertible bonds with a total principal amount of HKD500,000,000 (equivalent to approximately RMB427,335,000) matured in July 2016. On 11 July 2016, the Company issued a promissory note to the bondholder, pursuant to which the Company promised to repay the principal together with interest accrued thereon, to the respective bondholders in October 2016. The remaining outstanding convertible bonds will mature over the period from October to December 2016, if the relevant bondholders do not request for early repayments. The Company is in discussion with the respective bondholders and has requested them not to redeem the convertible bonds until 20 December 2016 and will continue to negotiate with the bondholders for further arrangement so as to enable it to meet its financial obligations of the outstanding promissory notes when they fall due in August 2016 and October 2016, respectively.

(iv) Pursuant to the Jiangsu Rongsheng Heavy Industries Co., Ltd. Debt Optimisation Framework Agreement (《江蘇熔盛重工有限公司債務優化銀團框架協議》) (the "**Jiangsu Framework Agreement**") entered into with a group of banks in the Jiangsu Province of the People's Republic of China ("**PRC**"), the Group has continuously been able to extend the repayment of and renewal terms of the existing bank loans that had original maturity in 2016 to new maturity dates ranging from July 2016 to January 2017. During the six months ended 30 June 2016, pursuant to this framework agreement, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB1,659,849,000 (inclusive of principal amount of RMB1,399,038,000 and interest amount of RMB260,811,000), which would be due after June 2016. As at 30 June 2016, the Group's total outstanding current borrowings with respect to the Jiangsu Framework Agreement amounted to RMB12,674,988,000, of which RMB195,792,000 have been overdue since January 2016, and of which RMB12,479,196,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities, and will further negotiate with these banks, after the completion of the Disposal of Liabilities, for renewal and extension of the remaining outstanding bank loans which are not settled as and when they fall due during the year 2016. Subsequent to 30 June 2016, loans of RMB997,250,000 were successfully extended and will be repayable in year 2017;

(v) Pursuant to the Debt Optimisation Framework Agreement for China Rongsheng's Entities in Hefei (《中國熔盛系合肥企業債務優化銀團框架協議》) (the "**Hefei Framework Agreement**") entered into with a group of banks in Hefei, Anhui Province of the PRC, the Group continued to be able to extend the repayment and renewal terms of the existing bank loans that had original maturity in 2016 to new maturity dates ranging from September 2016 to June 2017. During the six months ended 30 June 2016, the Group successfully renewed and extended loans, totaling RMB445,192,000 (inclusive of principal amount of RMB394,420,000 and interest amount of RMB50,772,000), which would be due after June 2016. As at 30 June 2016, the Group's total outstanding current borrowings with respect to this Hefei Framework Agreement amounted to RMB3,778,106,000, of which RMB218,287,000 have been overdue since 2014 and RMB46,000,000 have been overdue since 2015, and, of which RMB3,347,115,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities; and will further negotiate with these banks, after the completion of the Disposal of Liabilities, for renewal and extension of the remaining outstanding bank loans which are not settled as and when they fall due during the year 2016;

(vi) The Group has also been actively negotiating with the lenders regarding the current and non-current borrowings (other than convertible bonds) of RMB4,911,629,000 and RMB138,576,000 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 2016 to new maturity dates ranging from August 2016 to October 2017. During the period, the Group has successfully extended the repayment dates of and renewed certain loans amounted to RMB2,889,213,000 (inclusive of principal amount of RMB2,634,038,000 and interest amount of RMB265,175,000), so that these loans are now repayable after June 2016. As at 30 June 2016, total current loans from these lenders amounted to RMB4,911,629,000, of which RMB395,242,000 have been overdue, and of which RMB2,963,697,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these lenders not to demand for repayment of the outstanding loans before the completion of the Disposal of Liabilities; and will further negotiate with these lenders, after the completion of Disposal of Liabilities, for renewal and extension of the remaining outstanding loans which are not settled as and when they fall due during the year 2016;

(vii) During the six months ended 30 June 2016, the Group obtained security-free and interest-free loans from entities controlled by Mr. Zhang Zhi Rong ("**Mr. Zhang**") or a close family member of Mr. Zhang amounted to RMB57,554,000, which will be repayable ranging from August 2016 to August 2018;

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

(ix) The Group has actively diversified its operation through continuous development of the Energy Exploration and Production segment. During the six months ended 30 June 2016, a number of wells were developed in the Republic of Kyrgyzstan ("**Kyrgyzstan**") and management expects to realise an increase of oil output through further development and expansion of this segment and thereby generate steady operating cash flows, especially in view of the rebound of the oil price during the first half of 2016; 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) timely executing the subscription agreements with the bank and supplier creditors for the subscription of the Company's shares for the satisfaction of debts due by the Group to these bank and supplier creditors. The successful completion of the Disposal of Liabilities would include the finalisation and agreement of the detailed terms and conditions with the bank and supplier creditors on the subscription arrangement as well as obtaining the necessary and relevant regulatory approvals, including among other things, the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the subscription shares under the relevant subscription agreements;

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

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

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

(v) convincing the convertible bondholders not to exercise their redemption options to request the Company to redeem the outstanding convertible bonds when they mature over the period from October to December 2016, and negotiating with the bondholders of the outstanding promissory notes of HKD1,110,000,000 (equivalent to RMB948,684,000), together with accrued interests thereon for further arrangement so as to enable the Company to meet its financial obligations when it falls due in year 2016;

(vi) negotiating with the relevant banks for the renewal or extension for repayments beyond the period ending 30 June 2017 for those loans that (i) are scheduled for repayment (either based on the original agreement or the existing arrangements) in next twelve-month period; (ii) were overdue at 30 June 2016 because the Group failed to repay on or before the scheduled repayment dates; and (iii) became or might become overdue in next twelve-month period;

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

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

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any 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 2015, 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 2016:

- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendment to IAS 27 – Equity method in separate financial statements
- Annual improvements 2014
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception
- Amendments to IAS 1 – Disclosure initiative

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 derives 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 2016 and 2015 is as follows:

	Shipbuilding For the six months ended 30 June		**Offshore Engineering For the six months ended 30 June**		**Engineering Machinery For the six months ended 30 June**		**Marine Engine Building For the six months ended 30 June**		**Energy Exploration and Production For the six months ended 30 June**		**Total For the six months ended 30 June**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue												
– Revenue from sales of vessels	**60,000**	361,350	–	–	**–**	–	**–**	–	**–**	–	**60,000**	361,350
– Revenue from shipbuilding and other contracts	**87,962**	13,389	–	–	**1,868**	192	**660**	855	**–**	–	**90,490**	14,436
– Revenue from sales of crude oil	**–**	–	–	–	**–**	–	**–**	–	**14,946**	4,126	**14,946**	4,126
– Reversal of revenue related to the cancellation of the shipbuilding contracts	**(3,642,744)**	–	–	–	**–**	–	**–**	–	**–**	–	**(3,642,744)**	–
Segment revenue	**(3,494,782)**	374,739	–	–	**1,868**	192	**660**	855	**14,946**	4,126	**(3,477,308)**	379,912
Inter-segment revenue	**–**	–	–	–	**–**	–	**(660)**	(855)	**–**	–	**(660)**	(855)
Revenue from external customers	**(3,494,782)**	374,739	–	–	**1,868**	192	**–**	–	**14,946**	4,126	**(3,477,968)**	379,057
Segment results	**(4,033,469)**	(405,083)	–	–	**11,846**	(46,191)	**(9,816)**	(18,478)	**1,655**	929	**(4,029,784)**	(468,823)
Selling and marketing expenses											**(3,334)**	(3,227)
General and administrative expenses											**(304,974)**	(372,562)
Research and development expenses											**(12,621)**	(18,443)
Reversal of/(provision for) impairments and delayed penalties											**221,505**	(166,352)
Reversal of impairments related to the cancellation of construction contracts											**3,096,830**	–
Other income											**18,178**	21,268
Other gains/(losses) – net											**168,476**	(2,011)
Finance costs – net											**(1,182,218)**	(1,075,169)
Loss before income tax											**(2,027,942)**	(2,085,319)

During the six months ended 30 June 2016, revenue from the top customer of the Shipbuilding segment, excluding cancellation of construction contracts, amounted to RMB38,890,000 (for the six months ended 30 June 2015: RMB325,516,000), representing 23.6% of the total revenue (for the six months ended 30 June 2015: 85.9%).

No customers of the Engineering Machinery, Marine Engine Building and Energy Exploration and Production segments individually accounted for ten percent or more of the Group's consolidated revenue for the six months ended 30 June 2016 (for the six months ended 30 June 2015: same).

The top three customers of the Group amounted to RMB98,890,000 (for the six months ended 2015: RMB370,039,000), representing 60.0% of the total revenue, excluding cancellation of construction contracts for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 97.6%).

During the six months ended 30 June 2016, the Group terminated nineteen shipbuilding contracts (for the six months ended 30 June 2015: nil). Accordingly, the Group reversed revenue and cost of sales of RMB3,642,744,000 and RMB3,037,086,000 respectively. In relation to such cancellations, the Group reversed impairments of trade receivables and amounts due from customers for contract works amounted to RMB3,096,830,000 and correspondingly provided for inventories amounting to RMB2,604,794,000 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:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
China	**136,404**	49,415
Kyrgyzstan	**14,946**	4,126
Others	**13,426**	–
Norway	**–**	325,516
	164,776	379,057

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
For the six months ended 30 June 2016	
Revalued amounts	
Opening amounts as at 1 January 2016	**16,996,889**
Additions	**27,661**
Disposals	**(90,510)**
Depreciation *(Note 9)*	**(190,622)**
Exchange difference	**12,311**
Closing amounts as at 30 June 2016	**16,755,729**
For the 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

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.

In determining the recoverable amounts of the non-current assets, including land use rights and property, plant and equipment under Shipbuilding, Offshore Engineering and Marine Engine Building segments amounting to RMB19,758,853,000 as at 30 June 2016, which were based on the fair value less costs to sell of these assets, the directors made reference to the estimated consideration of these assets under the Potential Transaction. The estimated consideration of these assets under the Potential Transaction is dependent on the scope of assets and liabilities to be included in the Potential Transaction, and the directors expect that consideration would be no less than the aggregate carrying amount of the net assets to be disposed of under the Potential Transaction. Therefore, the directors are of the view that the estimated consideration to be allocated to each individual asset would exceed the carrying value of such asset and hence, no impairment charge with respect to the non-current assets of Shipbuilding, Offshore Engineering and Marine Engine Building segments is necessary.

The property, plant and equipment of Engineering Machinery segment amounted RMB119,468,000 consisted of certain construction in progress of a plant, a building and other plant and machinery, whereby management has been unable to implement a viable business plan to utilise these amounts, a full provision of RMB119,468,000 has been made in the year 2015.

In determining the recoverable amount of the land use rights under Engineering Machinery segment amounting to RMB183,676,000 as at 30 June 2016, which was based on the fair value less costs to sell, the directors made reference to the current market price of the land use rights in Hefei, Anhui Province. Since the fair value of the land use rights exceeds the carrying value of the land use rights and hence, no impairment charge is necessary.

Please refer to Note 5 for the impairment assessment associated with the property, plant and equipment of the Energy Exploration and Production segment, together with the related intangible assets of the Co-operation Rights.

5 INTANGIBLE ASSETS

	RMB'000
For the six months ended 30 June 2016	
Opening amounts as at 1 January 2016	**1,583,048**
Amortisation *(Note 9)*	**(1,145)**
Exchange difference	**33,527**
Closing amounts as at 30 June 2016	**1,615,430**
For the 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

The intangible assets represent rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oil fields zones ("**Co-operation Rights**"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. During the year ended 31 December 2015, certain wells have entered into production stage. As a result, amortisation of RMB1,145,000 has been charged to the profit or loss during the six month ended 30 June 2016 (for the six months ended 30 June 2015: RMB333,000) based on the units-of-production method.

During the six months ended 30 June 2016, the development of the Energy Exploration and Production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under Energy Exploration and Production segment amounting to RMB1,615,430,000 and RMB599,604,000, respectively, the directors have evaluated the recoverable amounts based on value-in-use calculations using pre-tax cash flow projections. Key assumptions are crude oil price of USD40-60 per barrel (31 December 2015: USD40-60 per barrel) and a discount rate of 18% (31 December 2015: 18%).

As a result of the above assessment, the recoverable amounts of the intangible assets and property, plant and equipment under Energy Exploration and Production segment as estimated by the directors exceeded the carrying amounts of these assets and therefore, the directors are of the opinion that no impairment charge is considered necessary as at 30 June 2016.

6 LAND USE RIGHTS

	RMB'000
For the six months ended 30 June 2016	
Opening amounts as at 1 January 2016	**3,827,234**
Amortisation *(Note 9)*	**(40,830)**
Closing amounts as at 30 June 2016	**3,786,404**
For the 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

7 TRADE RECEIVABLES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Trade receivables	**2,831,000**	3,945,240
Less: Provision for doubtful debts	**(2,803,384)**	(3,781,778)
Total	**27,616**	163,462

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

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
Not yet due	**–**	1,036
Past due		
1 – 180 days	**18,726**	23,166
181 – 360 days	**5,720**	18,662
Over 360 days	**3,170**	120,598
Total	**27,616**	163,462

As at 30 June 2016, trade receivables of RMB27,616,000 (31 December 2015: RMB162,426,000) were past due but not impaired. The ageing analysis of these trade receivables by due date is listed above.

As at 30 June 2016, trade receivables of RMB2,419,522,000 (31 December 2015: RMB3,398,249,000) and RMB383,862,000 (31 December 2015: RMB383,529,000) 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 receivables approximate their fair values.

8 TRADE AND OTHER PAYABLES

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Trade payable	**1,890,862**	2,234,242
Other payables for purchase of property, plant and equipment		
– Third parties	**416,166**	439,313
– Related parties	**484,759**	520,433
Other payables		
– Third parties	**1,457,730**	1,017,063
– Related parties	**41,062**	36,038
Receipt in advance	**75,850**	87,210
Accrued expenses		
– Payroll and welfare	**165,982**	128,393
– Interests	**2,190,729**	1,575,764
– Exploration costs	**14,307**	23,328
– Others	**67,666**	112,472
Provision for litigation cases	**749,235**	771,911
Provision for delayed penalties	**-**	9,571
VAT payable	**126**	4,003
Other tax-related payables	**15,558**	41,760
Current trade and other payables	**7,570,032**	7,001,501

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

	As at 30 June 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
0 – 30 days	**12,350**	108,378
31 – 60 days	**5,325**	133,918
61 – 90 days	**1,359**	132,783
Over 90 days	**1,871,828**	1,859,163
	1,890,862	2,234,242

9 EXPENSES BY NATURE

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Agency fees	**32**	478
Amortisation of land use rights *(Note 6)*	**40,830**	40,822
Amortisation of intangible assets *(Note 5)*	**1,145**	333
Auditors' remunerations	**861**	4,113
Bank charges (include refund guarantee charges)	**62**	5,488
Commission expenses	**–**	17,249
Cost of sales related to the cancellation of the construction contracts *(Note 3)*	**(3,037,086)**	–
Cost of vessels and inventories	**554,356**	210,857
Depreciation of property, plant and equipment *(Note 4)*	**190,622**	249,891
Employee benefit expenses	**110,091**	166,613
Legal and consultancy fees	**16,930**	31,085
Miscellaneous expenses	**15,015**	90,106
Operating lease payments	**4,415**	9,801
Outsourcing and processing costs	**21,207**	52,954
Over provision for other tax-related expenses and customs duties	**(40,606)**	–
Provision for inventories	**2,972,333**	186,945
Provision for delayed penalties	**–**	9,571
Raw materials and consumables used	**5,222**	79,459
Provision for warranty		
– charged for the period	**–**	5,569
– reversal upon expiring of the warranty period	**(19,484)**	(1,999)
(Reversal of)/provision for impairment		
– trade receivables	**(1,043,932)**	245,392
– amounts due from customers for contract works	**(2,239,594)**	(29,625)
– other receivables and prepayments	**1,704**	(58,986)
Provision for litigations	**287**	92,348
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses, (reversal of)/provision for impairments and reversal of impairments related to the cancellation of the construction contract	**(2,445,590)**	1,408,464

10 OTHER INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Government grants	**100**	82
Rental income	**3,169**	3,459
Others	**14,909**	17,727
Total	**18,178**	21,268

11 OTHER GAINS/(LOSSES) – NET

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Fair value gain on derivative instruments – embedded derivatives in convertible bonds	**213,913**	4,792
Loss on disposal of land use rights and property, plant and equipment, net	**(27,548)**	(2,326)
Net foreign exchange losses	**(17,889)**	(4,477)
Total	**168,476**	(2,011)

12 INCOME TAX EXPENSE

No Hong Kong, PRC and Kyrgyzstan profits tax have been provided for during the six months ended 30 June 2016 (for the six months ended 30 June 2015: 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 2016 since it is not expected to have any tax assessable profit (for the six months ended 30 June 2015: 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.

	For the six months ended 30 June	
	2016	2015 (restated)
Loss attributable to equity holders of the Company *(RMB'000)*	**(1,963,131)**	(2,035,847)
Weighted average number of ordinary shares in issue	**2,171,591,507**	1,957,201,542
Loss per share *(RMB per share)*	**(0.90)**	(1.04)

The shares consolidation pursuant to the shareholders resolutions dated 24 March 2016 is adjusted in the weighted average number of ordinary shares in issue as if the share consolidation had occurred at 1 January 2015, the beginning of the earliest period reported.

(b) Diluted

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 2016 and 2015.

14 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).