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 Report 2017

ABOUT HUARONG ENERGY

China Huarong Energy Company Limited and its subsidiaries are principally engaged in the businesses of shipbuilding, energy exploration and production, marine engine building, offshore engineering and engineering machinery, focusing on oil and gas related customers and markets. The Group has manufacturing bases in Nantong (Jiangsu Province) and Hefei (Anhui Province). The Group also holds 60% interests in the Kyrgyzstan Project involving five oilfield zones located in the Fergana Valley of Central Asia. Through the upstream oil exploration and production activities in Central Asia, we aim to grow as a regional energy company with a focus on the oil and gas market.

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2017 (the "**Period**"), China Huarong Energy Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") recorded a revenue of RMB42.7 million, which was primarily attributable to the revenue from sales of vessels and sales of crude oil, compared to a negative revenue of RMB3,478.0 million for the six months ended 30 June 2016 (the "**Comparative Period**"). Loss attributable to the equity holders of the Company was RMB825.7 million for the Period, while loss attributable to the equity holders of the Company was RMB1,963.1 million for the Comparative Period.

Shipbuilding and Offshore Engineering

Our shipbuilding segment recorded a revenue of RMB14.5 million for the Period. During the Period, we resold 1 vessel with revenue of approximately RMB14.5 million. As at 30 June 2017, our total orders on hand consisted of 6 vessels, representing a total volume of approximately 455,000 DWT with a total contract value of approximately USD204.5 million (equivalent to approximately RMB1,385.4 million). They included 5 Panamax bulk carriers and 1 Panamax crude oil tanker.

Facing the production slowdown in the shipbuilding business, the Group 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

For the Period, the Kyrgyzstan Project (being the acquisition of 60% interests in the project involving four oilfields located in the Republic of Kyrgyzstan) recorded 79,841 barrels (bbl) of light crude oil. Revenue from the energy exploration and production segment was RMB19.7 million for the Period with an increase of approximately 32.2% from RMB14.9 million for the Comparative Period.

Marine Engine Building and Engineering Machinery

For the Period, suffered from the continuously sluggish shipbuilding market and marine engine market, the Group utilised its production facilities, equipment, human resources and techniques to diversify its business. As at 30 June 2017, our orders on hand for marine engine building segment decreased to 6 engines (for the Comparative Period: 27 orders on hand), which resulted from cancellation of orders.

For the Period, revenue from the engineering machinery segment was RMB8.5 million (for the Comparative Period: RMB1.9 million). Revenue mainly came from sales of in-stock excavators.

Financial Review

Revenue

For the Period, the Group recorded a revenue of RMB42.7 million (for the Comparative Period: a negative revenue of RMB3,478.0 million). It was primarily attributable to the revenue from sales of vessels and sales of crude oil. Revenue from sales of vessels was RMB14.5 million as compared to RMB60.0 million for the Comparative Period, representing a decrease of approximately 75.8%. Revenue from shipbuilding and other contracts was RMB8.5 million as compared to RMB89.8 million for the Comparative Period, representing a decrease of approximately 90.5%. Revenue from sales of crude oil was RMB19.7 million (for the Comparative Period: RMB14.9 million), representing an increase of approximately 32.2%. During the Period, no revenue reversed from the cancellation of the shipbuilding contracts (for the Comparative Period: RMB3,642.7 million).

Cost of Sales

For the Period, cost of sales decreased by approximately 70.8% to RMB161.2 million (for the Comparative Period: RMB551.8 million), which was primarily attributable to the cost of vessels sold and the cost of shipbuilding and other sales. There were no reversal of cost of sales and provisions for inventories related to the cancellation of the construction contracts for the Period (for the Comparative Period: RMB3,037.1 million and RMB2,604.8 million respectively).

Selling and Marketing Expenses

For the Period, selling and marketing expenses decreased by approximately 36.4% to RMB2.1 million (for the Comparative Period: RMB3.3 million), which was primarily in line with the Group's strategic transformation by reducing selling and marketing expenses of the shipbuilding segment and attributable to the implementation of cost control measures.

General and Administrative Expenses

For the Period, general and administrative expenses increased by approximately 3.8% to RMB316.5 million (for the Comparative Period: RMB305.0 million). This was mainly attributable to the depreciation of property, plant and equipment and employees benefit expenses.

Other (Losses)/Gains – Net

For the Period, other losses – net was RMB94.0 million (for the Comparative Period: other gains of RMB168.5 million), primarily due to loss on disposal of land use rights and property, plant and equipment, net recorded for the Period.

Finance Costs – Net

Finance income for the Period increased by approximately 4,000.0% to RMB8.2 million (for the Comparative Period: RMB0.2 million). The increase was mainly attributable to the imputed interest income for interest-free loan. Finance costs for the Period decreased by approximately 53.0% to RMB556.3 million (for the Comparative Period: RMB1,182.4 million). The decrease was primarily due to the decrease in interests of convertible bonds for the Period.

Gross Loss

During the Period, the Group recorded a gross loss of RMB118.5 million (for the Comparative Period: RMB4,029.8 million). As a result of depressed market conditions and the lower prices of shipbuilding, the profitability of conventional shipbuilding business has diminished. In addition, in order to align with the strategic transformation of the Group, the decrease in gross loss as compared with the Comparative Period was primarily attributable from a reduction of production activities of the Group, particularly the shipbuilding segment.

Total Comprehensive Loss for the Period

During the Period, the Group recorded total comprehensive loss of RMB888.6 million (for the Comparative Period: RMB1,993.2 million), of which loss attributable to equity holders of the Company was RMB862.8 million (for the Comparative Period: RMB1,928.3 million). Loss attributable to the equity holders of the Company is the result of the considerable decrease in gross loss, the considerable finance costs and relatively fixed administrative expenses.

Liquidity and Going Concern

During the Period, the Group incurred a loss of RMB851.9 million and had a net operating cash outflow of approximately RMB25.3 million. As at 30 June 2017, the Group had a total deficit of RMB10,141.5 million and the current liabilities exceeded its current assets by RMB31,736.4 million. As at 30 June 2017, the Group's total current borrowings and financial lease liabilities amounted to RMB23,648.6 million, of which RMB21,737.3 million were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also included the 7.0% convertible bonds issued by the Company with outstanding principals totaling HKD848.6 million (equivalent to approximately RMB736.5 million) as at 30 June 2017, which were matured on the date falling 24 months after their issuance dates and immediately redeemable by the bondholders subject to the terms and conditions of the convertible bonds.

However, a series of plans and measures have been taken by the Group to mitigate liquidity pressure, to improve the financial position of the Group, to refinance its operations and to restructure its debts which is subject to, amongst others, fulfillment of certain plans including the successful completion of the Group's restructuring plan on the Disposal of Liabilities, the Potential Transaction and the restoration and refinancing of operation of the Group.

Details regarding uncertainties on the going concerns of the Group and the respective plans and measures are set out in the paragraph 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 decreased by RMB249.3 million from RMB23,897.9 million as at 31 December 2016 to RMB23,648.6 million as at 30 June 2017. Our long-term borrowings and finance lease liabilities increased by RMB32.4 million from RMB30.0 million as at 31 December 2016 to RMB62.4 million as at 30 June 2017.

As at 30 June 2017, our total borrowings and finance lease liabilities were RMB23,711.0 million (as at 31 December 2016: RMB23,927.9 million), of which RMB19,507.3 million (approximately 82.3%) was denominated in RMB and the remaining RMB4,203.7 million (approximately 17.7%) was denominated in other currencies such as USD and HKD. Certain borrowings were secured by our land use rights, buildings, construction contracts, pledged deposits, guarantee from certain related parties and guarantee from a subsidiary of the Group. About 53.6% of the borrowings bear interests at fixed rate.

Inventories

Our inventories decreased by RMB169.9 million to RMB473.6 million as at 30 June 2017 (as at 31 December 2016: RMB643.5 million). The decrease in inventories was the result of the Group actively releasing the asset through sales and the provision made for inventories during the period.

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 gain of RMB15.4 million due to the appreciation of RMB against USD during the Period, which resulted in exchange gain on certain USD-denominated liabilities, such as accounts payable of the Group.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB0.3 million (for the Comparative Period: RMB3.1 million), which was mainly used in the Energy Exploration and Production Segment.

Gearing Ratio

Our gearing ratio (measured by total borrowings and finance lease liabilities divided by the sum of total borrowings and finance lease liabilities and total deficit) increased from approximately 163.2% as at 31 December 2016 to approximately 174.7% as at 30 June 2017. Affected by the accumulated losses of RMB24,732.1 million as at 30 June 2017, the total deficit was RMB10,141.4 million as at 30 June 2017 (as at 31 December 2016: RMB9,263.8 million).

Contingent Liabilities

As at 30 June 2017, we had contingent liabilities of RMB130.4 million (as at 31 December 2016: same), which resulted from refund guarantees issued, litigation and financial guarantees provided to our customers.

Credit Assessment and Risk Management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged deposits, as well as credit exposures to outstanding trade, bills and other receivables. As at 30 June 2017, the Group had cash and cash equivalents of RMB90.3 million (as at 31 December 2016: RMB168.5 million), of which RMB78.7 million (approximately 87.2%) was denominated in RMB and the remaining RMB11.6 million (approximately 12.8%) was denominated in USD and HKD. 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 2017, trade receivables of RMB1,796.0 million (as at 31 December 2016: RMB2,578.1 million) and RMB374.6 million (as at 31 December 2016: RMB374.8 million) related to certain customers of the shipbuilding segment and the engineering machinery segment were impaired and provided for respectively, as a result of the management's assessment on the recoverability of the balances.

Human Resources

As at 30 June 2017, we had approximately 702 employees (as at 31 December 2016: approximately 785 employees). The decrease in the number of employees was mainly in relation to the market downturn and the downsizing of the shipbuilding business of the Group. The principal elements of remuneration package of the Group include basic salary and other benefits, contribution to pension schemes, discretionary bonus and/or share options granted under an approved share option scheme. Such remuneration should reflect work complexity, time commitment, responsibility and performance with a view of attracting, motivating and retaining high performing individuals.

Market Analysis and Prospects

In the first half of 2017, with the increasing volatility of the global shipping market, the recovery of the shipbuilding market in China remained slow. In light of the global economy and trade development, along with the lack of the improvement for the overcapacity in the shipping market, global shipbuilding market was still in the doldrums. Meanwhile, as the supply and demand for global crude oil market is gradually reaching a balance, the international benchmark pricing of crude oil experienced a slight improvement as compared to the corresponding period of the previous year while the global oil and gas exploration and development industry conditions were slowly recovering.

To confront the constantly 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 in the first half of this year to enable us to maintain the fundamental operation of our manufacturing base and broaden our source of revenue. Also, with the satisfactory development results, we carried out oilfields development and adopted various measures to maintain production capabilities, reinforced cost control measures and optimised allocation, and actively responded to the financial constraints and volatile industry conditions.

Looking forward to the second half of 2017, overcapacity and sluggish demand will still entangle the prospect of shipping market while the shipping industry and the related shipbuilding enterprises will continue to encounter a tougher operating environment in the following one to two years. The Company will continue to facilitate the progress of the strategic restructuring and to work on the foundation of our existing shipbuilding and energy businesses in order to continue to promote our business transformation by leveraging on our strengths in corporate resources. At the same time, the Company will continue to facilitate the proposal of disposal of liabilities with creditors, in order to ease the debt burden of the Company, improve the operation of shipbuilding business and mitigate the adverse effect of the high gearing of the Group on its development of the energy business.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.2.1 of the Code stipulates that the roles of 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 of the Board (the "**Chairman**") and chief executive officer of the Company which has derivated 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.

Audit Committee

The audit committee of the Company (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.

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

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

Interim Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

Subsequent Event

Proposed issue of 2019 Convertible Bonds

On 21 August 2017, the Company as issuer, Mr. Zhang Zhi Rong, a substantial shareholder of the Company, as guarantor entered into four subscription agreements with Partners Kingwin Fund (I), King Success Corporate Consulting Limited, King Wealth Enterprises Limited and Kingwin Victory Investment Limited, as the respective subscribers, pursuant to which the Company has conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, or procure their nominees to subscribe for, the 7.0% convertible bonds due 2019 in an aggregate principal amount of up to HKD1,037,240,000 (the "**2019 Convertible Bonds**") (the "**Proposed Issue of the 2019 Convertible Bonds**"). The 2019 Convertible Bonds will be issued in exchange for the existing indebtedness of the Company (owing to the holders of the promissory notes due in November 2017 issued by the Company), subject to and in accordance with the terms and conditions of the respective subscription agreements.

The initial conversion price of the 2019 Convertible Bonds is HKD0.50 per share of the Company (the "**Share(s)**") (subject to adjustments in accordance with the terms and conditions of the 2019 Convertible Bonds). Assuming full conversion of the 2019 Convertible Bonds at the initial conversion price of HKD0.50 per Share, the 2019 Convertible Bonds will be convertible into up to 2,074,480,000 Shares. The new Shares to be issued upon conversion of the 2019 Convertible Bonds (the "**Conversion Shares**") shall be allotted and issued by the Company pursuant to the specific mandate to be sought and granted to the Directors by the shareholders at an extraordinary general meeting of the Company. The issue of the 2019 Convertible Bonds and the Conversion Shares by the Company are subject to the approval of the shareholders of the Company.

Details of the Proposed Issue of the 2019 Convertible Bonds are set out in the announcement dated 21 August 2017 of the Company.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company

As at 30 June 2017, the Directors and chief executive of the Company had the following interests in the Shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"):

(A) Long Positions in Shares and Underlying Shares of the Company

	Number of shares interested				
Name of Director	**Personal interest**	**Corporate interest**	**Equity derivatives (share options)[2]**	**Total**	**Percentage of issued share capital[3]**
Mr. Chen Qiang	–	209,200,000[1]	14,000,000	223,200,000	10.28%
Mr. Hong Liang	–	–	3,675,000	3,675,000	0.17%
Mr. Wang Tao	–	–	2,151,000	2,151,000	0.10%
Ms. Zhu Wen Hua	–	–	975,000	975,000	0.04%

Notes:

1 Among 209,200,000 Shares (before taking into account the 14,000,000 Shares that may be granted to Mr. Chen Qiang pursuant to share options), 27,200,000, 84,000,000 and 98,000,000 Shares are directly held by Boom Will Limited, Leader World Investments Limited and Outspace Limited, respectively. Boom Will Limited, Leader World Investments Limited and Outspace Limited are 100%, 38.33% and 100% directly beneficially owned by Mr. Chen Qiang, respectively.

2 These interests represented the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in the section headed "Share Option Schemes" below.

3 These percentages have been compiled based on the total number of issued shares of the Company of 2,171,591,507 as at 30 June 2017 and rounded to two decimal places.

(B) Long Positions in Associated Corporations

Name of Director	Name of associated corporation	Nature of interest/ capacity	Number of shares	Percentage of shareholding
Mr. Chen Qiang	Rongsheng Heavy Industries Holdings Limited	Interest in a controlled corporation	15,000[1]	1.5%

Note:

1 As at 30 June 2017, 15,000 shares in Rongsheng Heavy Industries Holdings Limited were held by Boom Will Limited, a company 100% beneficially owned by Mr. Chen Qiang.

Save as disclosed above, as at 30 June 2017, none of the Directors or the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

As at 30 June 2017, the number of outstanding options granted by the Company to the Directors and chief executive to subscribe for shares of the Company, as recorded in the register required to be kept under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, is set out in the section headed "Share Option Schemes" of this interim report.

Save as disclosed above, at no time during the Period was the Company, its holding company or any subsidiary of the Company or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests and Short Positions in the Share Capital of the Company

As at 30 June 2017, the interests of substantial shareholders (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholder	Number of shares interested[5]	Percentage of issued share capital[6]
Ms. Mak Siu Hang Viola[1]	1,490,120,000	68.62%
VMS Holdings Limited[1]	1,490,120,000	68.62%
VMS Investment Group Limited[1]	1,220,000,000	56.18%
Action Phoenix Limited[1]	1,220,000,000	56.18%
Mr. Zhang Zhi Rong[2]	409,181,031	18.84%
Fine Profit Enterprises Limited[2]	409,181,031	18.84%
VMS Finance Group Limited[1]	270,120,000	12.44%
Castle Giant Investments Limited[1]	270,120,000	12.44%
Credit Suisse Group AG[3]	211,119,369	9.72%
	(short position) 3,978,252	0.18%
Mr. Zhang De Huang[4]	160,000,000	7.37%
Gallop Sun Limited[4]	160,000,000	7.37%

Notes:

1 These interests are derivative interests directly held by Action Phoenix Limited and Castle Giant Investments Limited in the 1,220,000,000 underlying shares and 270,120,000 underlying shares of the Company respectively in relation to the convertible bonds issued by the Company. Each of Action Phoenix Limited and Castle Giant Investments Limited is a wholly owned subsidiary of VMS Investment Group Limited and VMS Finance Group Limited, respectively, both of which are 100% directly beneficially owned by VMS Holdings Limited. VMS Holdings Limited is 100% directly beneficially owned by Ms. Mak Siu Hang Viola.

2 Among 409,181,031 shares, 387,436,231 shares are directly held by Fine Profit Enterprises Limited and 21,744,800 shares are directly held by Wealth Consult Limited, which is a wholly-owned subsidiary of Fine Profit Enterprises Limited. Both Fine Profit Enterprises Limited and Wealth Consult Limited are 100% directly or indirectly beneficially owned by Mr. Zhang Zhi Rong.

3 Among these interests include derivative interests directly held by Credit Suisse (Hong Kong) Limited in the 207,000,000 underlying shares of the Company in relation to the convertible bonds issued by the Company. Credit Suisse (Hong Kong) Limited is 100% directly owned by Credit Suisse AG which is in turn 100% directly owned by Credit Suisse Group AG.

4 Gallop Sun Limited is 100% directly beneficially owned by Mr. Zhang De Huang, the father of Mr. Zhang Zhi Rong.

5 Unless otherwise specified, all the interests stated above represent long positions.

6 These percentages have been compiled based on the total number of issued shares of the Company of 2,171,591,507 as at 30 June 2017 and rounded to two decimal places.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Schemes

Pre-IPO Share Option Scheme

On 24 October 2010, the Company conditionally approved and adopted the Pre-IPO Share Option Scheme (the "**Pre-IPO Share Option Scheme**"). As at 30 June 2017, the total number of shares in respect of the outstanding options granted under the Pre-IPO Share Option Scheme was 4,100,000 Shares, representing approximately 0.19% of the total issued share capital of the Company. No further options will be offered or granted by the Company pursuant to the Pre-IPO Share Option Scheme.

The following table discloses details of the Company's outstanding share options held by the Directors and certain employees of the Company under the Pre-IPO Share Option Scheme and their movements during the Period:

		Number of share options						
Name of grantee	Date of grant	As at 1 January 2017	Exercised	Cancelled	Lapsed	As at 30 June 2017	Exercise price (HKD)	Exercisable period
Mr. Hong Liang	24 October 2010	875,000	–	–	–	875,000	20.00	Note[1]
Mr. Wang Tao	24 October 2010	875,000	–	–	–	875,000	20.00	Note[1]
Ms. Zhu Wen Hua	24 October 2010	75,000	–	–	–	75,000	20.00	Note[1]
Senior management and other employees (in aggregate)	24 October 2010	2,275,000	–	–	–	2,275,000	20.00	Note[1]
Total		4,100,000	–	–	–	4,100,000		

Note:

1 Each of the grantees to whom the options have been granted under the Pre-IPO Share Option Scheme is entitled to exercise:

(i) up to 20% of the shares that are subject to the options granted to the relevant grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on 19 November 2010 (the "**Listing Date**") and ending on the first anniversary of the Listing Date;

(ii) up to 40% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the first anniversary of the Listing Date and ending on the second anniversary of the Listing Date;

(iii) up to 60% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;

(iv) up to 80% of the shares that are subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and

(v) such number of shares subject to the options granted to the relevant grantee less the number of shares in respect of which the options have been exercised by the grantee (rounded down to the nearest whole number of shares) at any time during the period commencing on the expiry of the fourth anniversary of the Listing Date and ending on 26 October 2020.

Share Option Scheme

On 24 October 2010, the Company also conditionally approved and adopted a share option scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. As at 30 June 2017, the total number of Shares in respect of the outstanding options granted under the Share Option Scheme was 32,124,000 Shares, representing approximately 1.48% of the total existing issued share capital of the Company. During the Period, no share options had been granted under the Share Option Scheme.

The following table discloses details of the Company's outstanding share options held by the Directors and certain employees of the Company under the Share Option Scheme and their movements during the Period:

		Number of share options						
Name of grantee	**Date of grant**	**As at 1 January 2017**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2017**	**Exercise price (HKD)**	**Exercisable period**
Mr. Chen Qiang	30 April 2012	14,000,000	–	–	–	14,000,000	9.70	Note[1]
Mr. Hong Liang	30 April 2012	2,800,000	–	–	–	2,800,000	9.70	Note[1]
Mr. Wang Tao	30 April 2012	1,276,000	–	–	–	1,276,000	9.70	Note[1]
Ms. Zhu Wen Hua	30 April 2012	900,000	–	–	–	900,000	9.70	Note[1]
Senior management and other employees (in aggregate)	30 April 2012	13,148,000	–	–	–	13,148,000	9.70	Note[1]
Total		32,124,000	–	–	–	32,124,000		

Note:

1 No share options are exercisable prior to the first anniversary of 30 April 2012 ("**Date of Grant**"). On each of the first, second, third, fourth and fifth anniversaries of the Date of Grant, a further 20% of the share options granted to each grantee may be exercised, provided that no share options shall be exercised after 30 April 2022.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 Audited
ASSETS			
Non-current assets			
Land use rights	9	**3,704,321**	3,745,196
Property, plant and equipment	7	**16,259,923**	16,582,181
Intangible assets	8	**1,647,828**	1,688,437
Prepayments for non-current assets	11(b)	**2,252**	4,110
Available-for-sale financial asset		**43,063**	40,199
		21,657,387	22,060,123
Current assets			
Inventories		**473,608**	643,453
Amounts due from customers for contract works	10	**–**	–
Trade receivables	11(a)	**11,201**	9,387
Other receivables, prepayments and deposits	11(b)	**339,065**	454,360
Pledged deposits		**25,574**	37,538
Cash and cash equivalents		**90,261**	107,263
		939,709	1,252,001
Total assets		**22,597,096**	23,312,124
DEFICIT			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**905,191**	905,191
Share premium	12	**10,430,533**	10,430,533
Other reserves		**3,718,611**	3,744,776
Accumulated losses		**(24,732,139)**	(23,906,421)
		(9,677,804)	(8,825,921)
Non-controlling interests		**(463,690)**	(437,837)
Total deficit		**(10,141,494)**	(9,263,758)

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

	Note	**As at 30 June 2017 RMB'000 (Unaudited)**	As at 31 December 2016 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	15	**62,444**	30,003
		62,444	30,003
Current liabilities			
Trade and other payables	14	**8,525,179**	8,293,615
Advances from related parties	27(b)	**366,119**	334,303
Borrowings	15	**23,067,545**	23,321,770
Derivative financial instruments	16	**133,203**	17,045
Provision for warranty	17	**3,049**	3,049
Finance lease liabilities	15	**581,051**	576,097
		32,676,146	32,545,879
Total liabilities		**32,738,590**	32,575,882
Total deficit and liabilities		**22,597,096**	23,312,124

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Unaudited for the six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue			
– Revenue from sales of vessels	6	**14,530**	60,000
– Revenue from shipbuilding and other contracts	6	**8,455**	89,830
– Revenue from sales of crude oil	6	**19,744**	14,946
– Revenue related to the cancellation of the construction contracts	6	**–**	(3,642,744)
		42,729	(3,477,968)
Cost of sales			
– Cost of vessels sold	18	**(58,195)**	(554,356)
– Cost of shipbuilding and other sales	18	**(87,625)**	(416,462)
– Cost of crude oil sold	18	**(15,374)**	(13,290)
– Cost of sales related to the cancellation of the construction contracts	18	**–**	3,037,086
– Provision for inventories related to the cancellation of the construction contracts	6, 18	**–**	(2,604,794)
		(161,194)	(551,816)
Gross loss		**(118,465)**	(4,029,784)
Selling and marketing expenses	18	**(2,067)**	(3,334)
General and administrative expenses	18	**(316,470)**	(304,974)
Research and development expenses	18	**(1,575)**	(12,621)
Reversal of impairments	18	**199,830**	221,505
Reversal of impairments related to the cancellation of the construction contracts	6, 18	**–**	3,096,830
Other income	19	**28,827**	18,178
Other (losses)/gains – net	20	**(93,964)**	168,476
Operating loss		**(303,884)**	(845,724)
Finance income	21	**8,213**	224
Finance costs	21	**(556,250)**	(1,182,442)
Finance costs – net	21	**(548,037)**	(1,182,218)
Loss before income tax		**(851,921)**	(2,027,942)
Income tax expense	22	**–**	–
Loss for the period		**(851,921)**	(2,027,942)
Loss attributable to:			
Equity holders of the Company		**(825,718)**	(1,963,131)
Non-controlling interests		**(26,203)**	(64,811)
		(851,921)	(2,027,942)

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

		Unaudited for the six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Other comprehensive (loss)/income for the period:			
Items that may be reclassified to profit or loss			
– Fair value gain on an available-for-sale financial asset		**2,864**	839
– Exchange difference on translation of foreign operations		**(39,559)**	33,885
Other comprehensive (loss)/income for the period, net of tax		**(36,695)**	34,724
Total comprehensive loss for the period		**(888,616)**	(1,993,218)
Attributable to:			
Equity holders of the Company		**(862,763)**	(1,928,338)
Non-controlling interests		**(25,853)**	(64,880)
		(888,616)	(1,993,218)
Loss per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– Basic and diluted	23	**(0.38)**	(0.90)

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
Balance at 1 January 2017		**905,191**	**10,430,533**	**3,744,776**	**(23,906,421)**	**(8,825,921)**	**(437,837)**	**(9,263,758)**
Loss for the period ended 30 June 2017		–	–	–	(825,718)	(825,718)	(26,203)	(851,921)
Other comprehensive income/(loss)								
Fair value gain on an available-for-sale financial asset		–	–	2,760	–	2,760	104	2,864
Exchange difference on translation of foreign operations		–	–	(39,805)	–	(39,805)	246	(39,559)
Total comprehensive loss for the six months ended 30 June 2017		–	–	(37,045)	(825,718)	(862,763)	(25,853)	(888,616)
Transactions with equity holders in their capacity as owners								
Share-based payment	13	–	–	10,880	–	10,880	–	10,880
Total transactions with owners in their capacity as owners		–	–	10,880	–	10,880	–	10,880
Balance at 30 June 2017		**905,191**	**10,430,533**	**3,718,611**	**(24,732,139)**	**(9,677,804)**	**(463,690)**	**(10,141,494)**

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2017

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
Balance at 1 January 2016		905,191	10,430,533	3,628,129	(20,341,666)	(5,377,813)	(325,159)	(5,702,972)
Loss for the period ended 30 June 2016		–	–	–	(1,963,131)	(1,963,131)	(64,811)	(2,027,942)
Other comprehensive income/(loss)								
Fair value gain on an available-for-sale financial asset		–	–	809	–	809	30	839
Exchange difference on translation of foreign operations		–	–	33,984	–	33,984	(99)	33,885
Total comprehensive income/(loss) for the six months ended 30 June 2016		–	–	34,793	(1,963,131)	(1,928,338)	(64,880)	(1,993,218)
Transactions with equity holders in their capacity as owners								
Share-based payment	13	–	–	9,322	–	9,322	–	9,322
Total transactions with owners in their capacity as owners		–	–	9,322	–	9,322	–	9,322
Balance at 30 June 2016		905,191	10,430,533	3,672,244	(22,304,797)	(7,296,829)	(390,039)	(7,686,868)

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	Unaudited For the six months ended 30 June **2017** **RMB'000**	 2016 RMB'000
Net cash (used in)/generated from operating activities	**(25,275)**	26,107
Net cash generated from/(used in) investing activities	**25,729**	(57)
Net cash used in financing activities	**(17,397)**	(32,549)
Net decrease in cash and cash equivalents	**(16,943)**	(6,499)
Exchange (loss)/gain on cash and cash equivalents	**(59)**	112
Cash and cash equivalents at beginning of the period	**107,263**	69,227
Cash and cash equivalents at end of the period	**90,261**	62,840

The notes on pages 20 to 63 are an integral part of this condensed consolidated interim financial information.

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 2017.

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 2017 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 2016, which was prepared in accordance with International Financial Reporting Standards ("**IFRS**").

2.1 Going concern basis

During the six months ended 30 June 2017, the operation of the Group's shipbuilding business continued to be minimal, except for the continuous effort in collecting outstanding receivables and realising existing inventories, whether they have been fully completed or still in the progress of construction, through sale. Separately, the development of the Energy Exploration and Production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration. Although management has already implemented measures to significantly reduce costs, the Group was still experiencing high level of finance costs for its existing borrowings, which would need to be accrued for even though they have not been paid. As a result, the Group had incurred a net loss of approximately RMB851,921,000 and had a net operating cash outflow of approximately RMB25,275,000 for the six months ended 30 June 2017.

As at 30 June 2017, the Group had a total deficit of RMB10,141,494,000 and the Group's current liabilities exceeded its current assets by RMB31,736,437,000. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB23,648,596,000, out of which RMB21,737,308,000 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 principal amounts totaling HKD848,560,000 (equivalent to approximately RMB736,482,000) as at 30 June 2017, which were immediately redeemable by the bondholders subject to the terms and conditions of the convertible bonds, while the Group only maintained cash and cash equivalents of RMB90,261,000.

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

As at 30 June 2017, loan principal repayments and interest payments totaling RMB5,794,307,000 were overdue. The non-payment of loan principals and interests in accordance with the scheduled repayment dates caused the relevant bank loans to become immediately repayable pursuant to the respective loan agreements. In this connection, certain non-current borrowings totaling RMB6,271,000 have been classified as current liabilities. Subsequent to 30 June 2017, additional loan principals and interest payments totaling RMB10,081,000 were not renewed or repaid upon the scheduled repayment dates and thus became overdue. In addition, bank and other borrowings of RMB21,588,062,000 and convertible bonds with an aggregate principal amount of HKD848,560,000 (equivalent to approximately RMB736,482,000), totaling RMB22,324,544,000 contain cross default terms in their respective financing agreements. As a result of the above-mentioned overdue of principal and interest repayments, current borrowings totaling RMB18,575,843,000 as at 30 June 2017 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements or the terms and conditions of the convertible bonds; and in this connection, certain non-current borrowings totaling RMB1,283,099,000 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 has certain promissory notes with principal amounts of HKD3,367,193,000 (equivalent to approximately RMB2,922,454,000) matured during the six months ended 30 June 2017. During the six months ended 30 June 2017, the Group issued a new convertible bond with a principal amount of HKD745,060,000 (equivalent to approximately RMB646,652,000) maturing in May 2019 and this convertible bond serves to extend the maturity of certain of its existing indebtedness and interest accrued thereon. As at 30 June 2017, all outstanding promissory notes amounting to HKD2,679,223,000 (equivalent to approximately RMB2,325,351,000) were not renewed nor repaid upon the scheduled repayment dates and thus became overdue. Subsequent to 30 June 2017, promissory notes with an aggregate principal amount of HKD947,462,000 (equivalent to approximately RMB822,321,000) were extended to November 2017; the Group proposed to issue convertible bonds amounting up to HKD1,037,240,000 (equivalent to approximately RMB900,241,000) due in 2019 in exchange for these promissory notes and interest accrued thereon. For the remaining promissory notes amounting to HKD1,731,761,000 (equivalent to approximately RMB1,503,030,000), the Company is in the process of negotiating with these promissory note holders to extend the due dates of these promissory notes ranging from August 2017 to September 2017. As at 30 June 2017, the Group had two outstanding convertible bonds with an aggregate principal amount totaling HKD848,560,000 (equivalent to approximately RMB736,482,000). Since the bondholders have an early redemption option to require the Company to redeem the convertible bonds at any time before the maturity date, all the convertible bonds are classified as current liabilities.

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

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

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 consolidated 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 7 March 2016, the Company proposed to effect the disposal of liabilities, pursuant to which the Company and the institutional creditors agreed that the entire or partial amount of borrowings of the institutional creditors owed by the Company and the Company's shipbuilding segment subsidiaries will be settled through issuance of shares of the Company to the relevant institutional creditors or their designated entities, (the "**Disposal of Liabilities**") by (1) entering into bank creditor subscription agreements with certain bank creditors or their designated entities pursuant to which these bank creditors or their designated entities will agree to subscribe for up to 14,108,000,000 shares of the Company at HKD1.20 per subscription share, to satisfy the relevant borrowings in an aggregate amount up to RMB14,108,000,000 due by the Group to these bank creditors; and (2) entering into supplier creditor subscription agreements with certain supplier creditors pursuant to which these supplier creditors or their designated entities will agree to subscribe for up to 3,000,000,000 shares of the Company at HKD1.20 per subscription share in order to settle the payables in an aggregate amount up to RMB3,000,000,000 due by the Group to these supplier creditors.

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

The completion of the Disposal of Liabilities is conditional upon i) the approval from the Company's shareholders to grant to the directors the specific mandate to allot and issue the subscription shares, with the corresponding approval of the share consolidation and the increase in authorised share capital; ii) the execution of the relevant subscription agreements with the bank and supplier creditors after obtaining the shareholders' approval; and iii) the listing committee of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting the listing of, and permission to deal in, the subscription shares under the relevant subscription agreements. The Group had obtained the shareholders' approval for the share consolidation as well as increase in authorised share capital of the Company on 24 March 2016.

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

The Disposal of Liabilities, which are subject to the shareholders' approval, finalisation and agreement of the detailed terms and conditions on the subscription arrangements as well as obtaining the necessary and relevant regulatory approvals. The directors of the Company expect that the Disposal of Liabilities will be completed in year 2017. For the bank loans which will remain outstanding subsequent to the Disposal of Liabilities, the Group will continue to negotiate with the respective banks to further extend or renew those loans as and when they fall due (see Note (iv) to (vi) below);

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

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

iii) During the six months ended 30 June 2017, promissory notes with an aggregate principal amount of HKD3,367,193,000 (equivalent to approximately RMB2,922,454,000) matured. The Group issued a new convertible bond with a principal amount of HKD745,060,000 (equivalent to approximately RMB646,652,000) maturing in May 2019 which serves to extend the maturity of certain of its existing indebtedness and interest accrued thereon. As at 30 June 2017, all outstanding promissory notes amounting to HKD2,679,223,000 (equivalent to approximately RMB2,325,351,000) were not renewed nor repaid upon the scheduled repayment dates and thus became overdue. Subsequent to 30 June 2017, promissory notes with an aggregate principal amount of HKD947,462,000 (equivalent to approximately RMB822,321,000) were replaced and extended to November 2017; the Company will continue to negotiate with the remaining promissory note holders with a total principal amount of HKD1,731,761,000 (equivalent to approximately RMB1,503,030,000) for further arrangement so as to enable the Company to meet its financial obligations of the outstanding promissory notes when they fall due.

As at 30 June 2017, the Group had two outstanding convertible bonds with an aggregate principal amount totaling HKD848,560,000 (equivalent to approximately RMB736,482,000) will be matured in October 2018 and May 2019 respectively, provided that the relevant bondholders do not exercise the early redemption options. The Company will convince the bondholders not to exercise the early redemption options.

On 21 August 2017, the Company has proposed to issue convertible bonds with an aggregate principal amount of up to HKD1,037,240,000 (equivalent to approximately RMB900,241,000) in exchange for the existing indebtedness of the Company (owing to the holders of the promissory notes due in November 2017) and the expected despatch date of the circular for shareholders' approval will be falling on or before 30 November 2017.

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

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 2017 to new maturity dates ranging from September 2017 to March 2018. During the six months ended 30 June 2017, pursuant to this framework agreement, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB810,349,000 (inclusive of principal amount of RMB765,009,000 and interest amount of RMB45,340,000), which will be due during the period from September 2017 to March 2018. As at 30 June 2017, the Group's total outstanding current borrowings with respect to the Jiangsu Framework Agreement amounted to RMB12,678,658,000, of which RMB980,270,000 have been overdue since 2016, and of which RMB12,468,388,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities, and will further negotiate with these banks, after the completion of the Disposal of Liabilities, for renewal and extension of the remaining outstanding bank loans which are not settled as and when they fall due during the year 2017. Subsequent to 30 June 2017, loans of RMB997,250,000 were successfully extended and will be repayable ranging from September 2017 to January 2018;

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 were still negotiating with the banks to extend the repayment and renewal terms of the overdue bank loans to new maturity dates to September 2017. As at 30 June 2017, the Group's total outstanding current borrowings with respect to this Hefei Framework Agreement amounted to RMB3,778,054,000, of which RMB218,287,000 have been overdue since 2014 and RMB46,000,000 have been overdue since 2015, and RMB847,766,000 have been overdue since 2016, and RMB484,000,000 were overdue during the six months period, and, of which RMB3,347,062,000 were attributable to bank creditors that have already entered into the letters of intent to participate in the Disposal of Liabilities as described in (i) above. The Group will continue to convince these banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities; and will further negotiate with these banks, after the completion of Disposal of Liabilities, for renewal and extension of the remaining outstanding bank loans which are not settled as and when they fall due during the coming twelve months;

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

vi) The Group has also been actively negotiating with the lenders regarding the borrowings (other than convertible bond and promissory notes) of RMB4,307,060,000 not covered in the above Jiangsu Framework Agreement and Hefei Framework Agreement (together with "**Framework Agreements**") to extend the repayment and amend the terms of these existing loans. During the six months ended 30 June 2017, the Group has successfully renewed and extended the repayment dates of certain loans amounted to RMB3,645,279,000 (inclusive of principal amount of RMB3,558,568,000 and interest amount of RMB86,711,000), so that these loans are now repayable after June 2017. As at 30 June 2017, total current loans from these lenders amounted to RMB4,244,616,000 of which RMB403,162,000 have been overdue, and of which RMB2,940,161,000 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 coming twelve months;

vii) During the six months ended 30 June 2017, the Group has newly 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 RMB894,000 which will be repayable October 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-month period, a number of wells were developed in the Republic of Kyrgyzstan ("**Kyrgyzstan**") and management expects to realise an increase of oil output through further development and expansion of this segment and thereby generate steady operating cash flows; and

x) The Group continues to implement measures to improve the operating cash flows, including (1) re-sale of certain completed shipbuilding orders to new customers should the original customers do not accept delivery; (2) utilising the capacity of the production plants; and (3) taking active measures to expedite collections of outstanding receivables, reduce headcount, control administrative costs and contain capital expenditures.

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 30 June 2017. They are of the opinion that, taking into account the above-mentioned plans and measures, if implemented, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

i) timely executing the subscription agreements with the banks and supplier creditors for the subscription of the Company's shares for the satisfaction of debts due by the Group to these bank and supplier creditors. The successful completion of the Disposal of Liabilities would include the finalisation and agreement of the detailed terms and conditions with the bank and supplier creditors on the subscription arrangement as well as obtaining the necessary and relevant regulatory approvals, including among other things, the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the subscription shares under the relevant subscription agreements;

ii) convincing the banks not to demand for repayment of the outstanding bank loans before the completion of the Disposal of Liabilities; and further negotiating with these banks after the completion of the Disposal of Liabilities for renewal and extension of the remaining outstanding bank loans as and when they fall due in the coming 12 months;

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 buyers 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;

2 Basis of preparation (Continued)

2.1 Going concern basis (Continued)

v) negotiating with all existing promissory note holders of outstanding principal of HKD2,679,223,000 (equivalent to RMB2,325,351,000), together with accrued interests thereon for further arrangement, so as to enable the Company to meet its financial obligations when they fall due, and convincing the convertible bondholders of the outstanding principal of HKD848,560,000 (equivalent to approximately RMB736,482,000) not to exercise the early redemption option; and successful issuance of proposed convertible bonds with an aggregate principal amount of up to HKD1,037,240,000 (equivalent to approximately RMB900,241,000) due in 2019 in exchange for certain existing indebtedness;

vi) negotiating with the relevant banks for the renewal or extension for repayments beyond the six-month period ended 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 2017 because the Group failed to repay on or before the scheduled repayment dates; and (iii) became or might become overdue in next twelve-month period;

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

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

Should the Group fail to achieve the above-mentioned plans and ensure, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in this condensed consolidated interim financial information.

3 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 2016, 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 2017:

- Amendments to IAS 7 – Disclosure Initiative
- Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvement Project – Annual improvement 2014 – 2016 Cycle

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

(b) Impact of standards issued but not yet applied by the Group

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management is currently assessing the effects of applying the new standard and it is not expected to have a significant effect on the Group's consolidated financial statements.

IFRS 9 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(ii) IFRS 15 Revenue from contracts with customers

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and base on the preliminary assessment, management does not expect the impact of the new rules on the Group's financial statements to be material.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

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

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, except as described below, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rate risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

5.2 Liquidity risk

During the six months ended 30 June 2017, the Group had incurred a net loss of approximately RMB851,921,000 and had a net operating cash outflow of approximately RMB25,275,000 for the six months ended 30 June 2017.

As at 30 June 2017, the Group had a total deficit of RMB10,141,494,000 and the Group's current liabilities exceeded its current assets by RMB31,736,437,000. As at the same date, the Group's total current borrowings and finance lease liabilities amounted to RMB23,648,596,000, out of which RMB21,737,308,000 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 principal amounts totaling HKD848,560,000 (equivalent to approximately RMB736,482,000) as at 30 June 2017, which were immediately redeemable by the bondholders subject to the terms and conditions of the convertible bonds, while the Group only maintained cash and cash equivalents of RMB90,261,000.

5 Financial risk management (Continued)

5.2 Liquidity risk (Continued)

As at 30 June 2017, loan principal repayments and interest payments totaling RMB5,794,307,000 were overdue. The non-payment of loan principals and interests in accordance with the scheduled repayment dates caused the relevant bank loans to become immediately repayable pursuant to the respective loan agreements. In this connection, certain non-current borrowings totaling RMB6,271,000 have been classified as current liabilities. Subsequent to 30 June 2017, additional loan principals and interest payments totaling RMB10,081,000 were not renewed or repaid upon the scheduled repayment dates and thus became overdue. In addition, bank and other borrowings of RMB21,588,062,000 and convertible bonds with an aggregate principal amount of HKD848,560,000 (equivalent to approximately RMB736,482,000), totaling RMB22,324,544,000 contain cross default terms in their respective financing agreements. As a result of the above-mentioned overdue of principal and interest repayments, current borrowings totaling RMB18,575,843,000 as at 30 June 2017 became immediately repayable pursuant to the cross-default terms under the relevant loan agreements or the terms and conditions of the convertible bonds; and in this connection, certain non-current borrowings totaling RMB1,283,099,000 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.

During the six months ended 30 June 2017, promissory notes with an aggregate principal amount of HKD3,367,193,000 (equivalent to approximately RMB2,922,454,000) matured. The Group issued a new convertible bond with a principal amount of HKD745,060,000 (equivalent to approximately RMB646,652,000) maturing in May 2019 which serves to extend the maturity of certain of its existing indebtedness and interest accrued thereon. As at 30 June 2017, all outstanding promissory notes amounting to HKD2,679,223,000 (equivalent to approximately RMB2,325,351,000) were not renewed nor repaid upon the scheduled repayment dates and thus became overdue. Subsequent to 30 June 2017, promissory notes with an aggregate principal amount of HKD947,462,000 (equivalent to approximately RMB822,321,000) were replaced and extended to November 2017; the Company will continue to negotiate with the remaining promissory note holders with a total principal amount of HKD1,731,761,000 (equivalent to approximately RMB1,503,030,000) for further arrangement so as to enable the Company to meet its financial obligations of the outstanding promissory notes when they fall due.

As at 30 June 2017, the Group had two outstanding convertible bonds with an aggregate principal amount totaling HKD848,560,000 (equivalent to approximately RMB736,482,000) will be matured over the period from October 2018 to May 2019 provided that the relevant bondholders do not exercise the early redemption options. The Company will convince the bondholders not to exercise the early redemption options.

On 21 August 2017, the Company has proposed to issue convertible bonds with an aggregate principal amount of up to HKD1,037,240,000 (equivalent to approximately RMB900,241,000) in exchange for the existing indebtedness of the Company (owing to the holders of promissory notes due in November 2017 issued by the Company) and the expected despatch date of the circular for shareholders' approval will be falling on or before 30 November 2017.

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.

5 Financial risk management (Continued)

5.2 Liquidity risk (Continued)

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 consolidated interim financial information taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group.

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.

During the six months ended 30 June 2017, the Group had extended the repayment of and renewal terms of the existing bank loans that had original maturity in the six months ended 30 June 2017 to various dates ranging from September 2017 to March 2018 with a group of banks under Jiangsu Framework Agreement. Management will continue to convince these banks not to demand for repayment of the outstanding loans before the completion of the Disposal of Liabilities; and will further negotiate with these banks for the renewal and extension of loans and banking facilities with extended repayment terms and reduced interest rates.

The Group will also continue to convince other lenders, which are not covered in the Framework Agreements, not to demand repayment of outstanding loans before the completion of Disposal of Liabilities; and will further negotiate with these lenders to extend the repayment and renewal terms of the existing bank loans that had original maturity in the six months ended 30 June 2017 to various dates in September 2017.

In relation to those bank loans that have been overdue because the Group failed to repay on or before the scheduled repayment dates or those bank loans that become 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 clauses.

5 Financial risk management (Continued)

5.3 Credit risk

Credit risk arises from cash and cash equivalents, pledged deposits, as well as credit exposures to outstanding trade and other receivables, prepayments and amounts due from customers for contract works. As at 30 June 2017, all the Group's cash and bank balances, short-term bank deposits and pledged deposits are placed in reputable banks located in the PRC, Kyrgyzstan, Singapore and Hong Kong which management believes are of high credit quality and without significant credit risk.

The Group carries out customer credit checks prior to entering into shipbuilding contracts and requests progress payments from customers in accordance with the milestones of the shipbuilding contracts. Such milestone payments received from the customers prior to the delivery of vessels could reduce the Group's credit risk exposure. 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 the Shipbuilding segment, the Group actively monitors the financial situations of its customers who are affected by the market downturn. The Group is exposed to concentration of credit risk as the three largest debtors of the Shipbuilding segment represented over 76% (31 December 2016: over 93%) of the total trade receivables (before impairment provisions) of the Group as at 30 June 2017. Accordingly, the Group's consolidated results would be heavily affected by the financial capability of these debtors to fulfill the obligations under the shipbuilding contracts with the Group. The Group regularly reviews the credit profiles, business prospects, background and financial capability of the customers. As a result, management has made a provision for doubtful receivable of RMB1,795,968,000 as at 30 June 2017 (31 December 2016: RMB2,578,126,000).

For customers of the Engineering Machinery segment and the Energy Exploration and Production segment, the Group assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors, before granting credit limits. The Group has a large number of customers on this segment and has no significant concentration of credit risk. As at 30 June 2017, trade receivables of RMB374,580,000 (31 December 2016: RMB374,768,000) relating to certain customers of the Engineering Machinery segment were impaired and provided for.

For credit exposures to other receivables and prepayments, management assesses the credit quality of the counterparties on a case-by-case basis, taking into account their financial positions, past experience, amounts and timing of expected receipts and other factors. As at 30 June 2017, other receivables and prepayments amounted to RMB2,137,440,000 were impaired and provided for (31 December 2016: RMB2,345,628,000).

5 Financial risk management (Continued)

5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial asset and liability that are measured at fair value at 30 June 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available-for-sale financial asset	–	–	43,063	43,063
Total asset	–	–	43,063	43,063
Liability				
Financial derivative component of borrowings	–	(133,203)	–	(133,203)
Total liability	–	(133,203)	–	(133,203)

5 Financial risk management (Continued)

5.4 Fair value estimation (Continued)

The following table presents the Group's financial asset and liability that are measured at fair value at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Available-for-sale financial asset	–	–	40,199	40,199
Total asset	–	–	40,199	40,199
Liability				
Financial derivative component of borrowings	–	(17,045)	–	(17,045)
Total liability	–	(17,045)	–	(17,045)

There were no transfers between levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

Financial instruments in level 2 are those that are not traded in an active market (for example, over-the-counter derivatives), the fair value of which is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2017.

	Available-for-sale financial asset
Balance at 1 January 2016	39,676
Fair value gain on revaluation recognised in other comprehensive income	839
Balance at 30 June 2016	40,515
Balance at 1 January 2017	**40,199**
Fair value gain on revaluation recognised in other comprehensive income	**2,864**
Balance at 30 June 2017	**43,063**

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as 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 derive its revenue from the 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 2017 and 2016 was 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue												
– Revenue from sales of vessels	**14,530**	60,000	**-**	-	**-**	-	**-**	-	**-**	-	**14,530**	60,000
– Revenue from shipbuilding and other contracts	**-**	87,962	**-**	-	**8,455**	1,868	**-**	660	**-**	-	**8,455**	90,490
– Revenue from sales of crude oil	**-**	-	**-**	-	**-**	-	**-**	-	**19,744**	14,946	**19,744**	14,946
– Reversal of revenue related to the cancellation of the shipbuilding contracts	**-**	(3,642,744)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(3,642,744)
Segment revenue	**14,530**	(3,494,782)	**-**	-	**8,455**	1,868	**-**	660	**19,744**	14,946	**42,729**	(3,477,308)
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	(660)	**-**	-	**-**	(660)
Revenue from external customers	**14,530**	(3,494,782)	**-**	-	**8,455**	1,868	**-**	-	**19,744**	14,946	**42,729**	(3,477,968)
Segment results	**(137,811)**	(4,033,469)	**-**	-	**14,036**	11,846	**938**	(9,816)	**4,372**	1,655	**(118,465)**	(4,029,784)
Selling and marketing expenses											**(2,067)**	(3,334)
General and administrative expenses											**(316,470)**	(304,974)
Research and development expenses											**(1,575)**	(12,621)
Reversal of impairments											**199,830**	221,505
Reversal of impairments related to the cancellation of construction contracts											**-**	3,096,830
Other income											**28,827**	18,178
Other (losses)/gains – net											**(93,964)**	168,476
Finance costs – net											**(548,037)**	(1,182,218)
Loss before income tax											**(851,921)**	(2,027,942)

6 Segment information (Continued)

During the six months ended 30 June 2017, revenue from the top customer of the Shipbuilding segment, excluding cancellation of construction contracts, amounted to RMB14,528,000 (for the six months ended 30 June 2016: RMB38,890,000), representing 34.0% of the total revenue (for the six months ended 30 June 2016: 23.6%).

No customers of the Engineering Machinery and Marine Engine Building segments individually accounted for ten percent or more of the Group's consolidated revenue for the six months ended 30 June 2017 (for the six months ended 30 June 2016: same).

The top three customers of the Group amounted to RMB25,901,000 (for the six months ended 30 June 2016: RMB98,890,000), representing 60.6% of the total revenue, excluding cancellation of construction contracts for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 60.0%).

During the six months ended 30 June 2017, no shipbuilding contracts of the Group were cancelled.

During the six months ended 30 June 2016, the Group terminated 19 shipbuilding contracts. 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 amount due from customers for contract works amounted to RMB3,096,830,000 and correspondingly provided for inventories amounting to RMB2,604,794,000 respectively during the six months ended 30 June 2016.

Geographically, management considers the operations of the Shipbuilding, Offshore Engineering, Engineering Machinery and Marine Engine Building segments are all located in the PRC while the Energy Exploration and Production segment is located in Kyrgyzstan, with revenue derived from different geographical locations, which is determined by the country in which the customer is located.

The Group's revenue, excluding cancellation of construction contracts by country is analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
China	**22,985**	136,404
Kyrgyzstan	**19,744**	14,946
Others	**–**	13,426
	42,729	164,776

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 the Energy Exploration and Production segment which are mainly located in Kyrgyzstan.

7 Property, plant and equipment

	RMB'000
For the six months ended 30 June 2017	
Revalued amounts	
Opening amounts as at 1 January 2017	**16,582,181**
Additions	**3,084**
Disposals	**(122,640)**
Depreciation (Note 18)	**(188,437)**
Exchange difference	**(14,265)**
Closing amounts as at 30 June 2017	**16,259,923**
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 18)	(190,622)
Exchange difference	12,311
Closing amounts as at 30 June 2016	16,755,729

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 RMB19,192,061,000 as at 30 June 2017, which were based on the fair value less costs to sell of these assets, the directors made reference to the estimated consideration of these assets under the Potential Transaction. The estimated consideration of these assets under the Potential Transaction is dependent on the scope of assets and liabilities to be included in the Potential Transaction, and the directors expect that consideration would be no less than the aggregate carrying amount of the net assets to be disposed of under the Potential Transaction. Therefore, the directors are of the view that the estimated consideration to be allocated to each individual asset would exceed the carrying value of such asset and hence, no impairment charge with respect to the non-current assets of Shipbuilding, Offshore Engineering and Marine Engine Building segments is necessary.

7 Property, plant and equipment (Continued)

The property, plant and equipment of the 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 the Engineering Machinery segment amounting to RMB179,829,000 as at 30 June 2017, 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 8 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 as defined below.

8 Intangible assets

	RMB'000
For the six months ended 30 June 2017	
Opening amounts as at 1 January 2017	**1,688,437**
Amortisation (Note 18)	**(1,045)**
Exchange difference	**(39,564)**
Closing amounts as at 30 June 2017	**1,647,828**
For the six months ended 30 June 2016	
Opening amounts as at 1 January 2016	1,583,048
Amortisation (Note 18)	(1,145)
Exchange difference	33,527
Closing amounts as at 30 June 2016	1,615,430

8 Intangible assets (Continued)

The intangible assets represent rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfield zones ("**Co-operation Rights**"). The Co-operation Rights are stated at cost less accumulated amortisation and any impairment losses. As a result, amortisation of RMB1,045,000 has been charged to the profit or loss during the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB1,145,000) based on the units-of-production method.

During the six months ended 30 June 2017, the development of the Energy Exploration and Production segment has been limited by the lack of means to fund additional investments for drilling wells and exploration.

In determining the recoverable amounts of the Co-operation Rights and property, plant and equipment under the Energy Exploration and Production segment amounting to RMB1,647,828,000 and RMB592,353,000, 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 2016: USD40-60 per barrel) and a discount rate of 18% (31 December 2016: 18%).

As a result of the above assessment, the recoverable amounts of the intangible assets and property, plant and equipment under the Energy Exploration and Production segment as estimated by the directors exceeded the carrying amounts of these assets and therefore, the directors are of the opinion that no impairment charge is considered necessary as at 30 June 2017.

9 Land use rights

	RMB'000
For the six months ended 30 June 2017	
Opening amounts as at 1 January 2017	**3,745,196**
Amortisation (Note 18)	**(40,875)**
Closing amounts as at 30 June 2017	**3,704,321**
For the six months ended 30 June 2016	
Opening amounts as at 1 January 2016	3,827,234
Amortisation (Note 18)	(40,830)
Closing amounts as at 30 June 2016	3,786,404

10 Amounts due from customers for contract works

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Aggregate contract costs incurred and recognised profits (less recognised losses) to date	**630,089**	645,212
Less: Provision for amounts due from customers for contract works	**(219,625)**	(224,896)
Less: Progress billings	**(410,464)**	(420,316)
Net position for ongoing contracts	**–**	–
Presented as:		
Amounts due from customers for contract works	**–**	–
	–	–

As at 30 June 2017, RMB219,625,000 amounts due from customers for contact works of the Shipbuilding segment (31 December 2016: RMB224,896,000) were impaired and provided for after management assessed the recoverability of these construction contracts and consideration of the future construction plan.

11 Trade receivables, other receivables, prepayments and deposits

(a) Trade receivables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade receivables	**2,181,749**	2,962,281
Less: Provision for doubtful debts	**(2,170,548)**	(2,952,894)
Total	**11,201**	9,387

11 Trade receivables, other receivables, prepayments and deposits (Continued)

(a) Trade receivables (Continued)

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

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Not yet due	**4,004**	2,061
Past due		
1 – 180 days	**2,567**	1,044
181 – 360 days	**–**	–
Over 360 days	**4,630**	6,282
Total	**11,201**	9,387

As at 30 June 2017, trade receivables of RMB7,197,000 (31 December 2016: RMB7,326,000) were past due but not impaired. The ageing analysis of these trade receivables by invoice date is listed above.

As at 30 June 2017, trade receivables of RMB1,795,968,000 (31 December 2016: RMB2,578,126,000) and RMB374,580,000 (31 December 2016: RMB374,768,000) related to certain customers of the Shipbuilding and Engineering Machinery segments 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 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.

11 Trade receivables, other receivables, prepayments and deposits (Continued)

(b) Other receivables, prepayments and deposits

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Receivables from agents (i)	**314,430**	324,987
Other receivables		
– Third parties	**247,614**	358,684
– Deposits for the Framework Agreements (ii)	**167,284**	167,284
VAT receivables	**855,937**	860,326
Deposits (iii)	**17,649**	17,649
Prepayments for property, plant and equipment and land use rights		
– Third parties	**242,540**	249,949
Prepayments for raw materials and production costs		
– Third parties (iv)	**632,327**	824,655
Prepayments – others		
– Third parties	**976**	564
Less: Allowance for impairment of other receivables and prepayments (v)	**(2,137,440)**	(2,345,628)
	341,317	458,470
Less: Non-current portion of deposits and prepayments	**(2,252)**	(4,110)
Current portion	**339,065**	454,360

11 Trade receivables, other receivables, prepayments and deposits (Continued)

(b) Other receivables, prepayments and deposits (Continued)

(i) The Group entered into a number of agency contracts with several agency companies. These agency companies assisted the Group to secure shipbuilding contracts and procure the relevant refund guarantees. Pursuant to the agency contracts, the customers agreed to pay the contract price to the agents for which the agents are responsible for payment to the raw material suppliers according to the progress of the shipbuilding works. As such, the amounts received by the agents from the customers are classified as receivables from agents and the relevant payments made to suppliers by the agents are classified as payables to agents. As at 30 June 2017, receivables from agents amounted to RMB314,430,000 (31 December 2016: RMB324,987,000) were impaired, as a result of the management's assessment on the recoverability of these receivables.

(ii) As at 30 June 2017, according to the Framework Agreements, the Shipbuilding segment and the Marine Engine Building segment placed deposits of RMB50,000,000 (31 December 2016: same) and RMB117,284,000 (31 December 2016: same) into bank accounts which were under the name of the Jiangsu and Anhui government respectively. These deposits are to be used for the payments of the Group's operating expenses and the renewal of the Group's bank borrowings.

(iii) Finance lease is secured by a refundable deposit with an aggregate carrying value of RMB3,337,000 as at 30 June 2017 (31 December 2016: same).

(iv) According to the contracts entered into with certain suppliers, the Group placed deposits and prepayments to secure the supply of raw materials. As at 30 June 2017, the Group prepaid RMB506,255,000 to the five largest suppliers (31 December 2016: RMB730,481,000). During the six months ended 30 June 2017, a reversal of provision of RMB184,672,000 (for the six months ended 30 June 2016: a reversal of provision of RMB35,418,000) has been made as a result of the management's assessment on the recoverability of these deposits and prepayments.

(v) Except as described above, the provision for impairment of other receivables and prepayments represented provision for certain prepayments for raw materials and property, plant and equipment, other receivables and VAT receivable, on which management has performed assessment on the recoverability of these balances. During the six months ended 30 June 2017, a reversal of provision of RMB17,386,000 (for the six months ended 30 June 2016: a provision of RMB37,122,000) was reversed/provided for these prepayments and other receivables during the six months ended 30 June 2017.

As at 30 June 2017, no other receivables were past due (31 December 2016: nil) but not impaired. The carrying amounts of receivables from agents, other receivables and deposits approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable and deposit mentioned above.

12 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary shares of HKD0.50 each	60,000,000,000	30,000,000,000	-	-	-
For the six months ended 30 June 2017					
Ordinary shares of HKD0.50 each at 30 June 2017	2,171,591,507	1,085,795,753	905,191	10,430,533	11,335,724

12 Share capital and premium (Continued)

	Number of ordinary shares	Nominal value of ordinary shares HKD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary shares of HKD0.50 each	60,000,000,000	30,000,000,000	–	–	–
For the six months ended 30 June 2016					
Issued:					
Ordinary shares of HKD0.10 each at 1 January 2016	10,857,957,535	1,085,795,753	905,191	10,430,533	11,335,724
Share consolidation (Note a)	(8,686,366,028)	–	–	–	–
Ordinary shares of HKD0.50 each at 30 June 2016	2,171,591,507	1,085,795,753	905,191	10,430,533	11,335,724

Note a: On 7 March 2016 the Company 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 proposed share consolidation was approved by the Company's shareholders at the Extraordinary General Meeting held on 24 March 2016 and the share consolidation became effective on 29 March 2016. Accordingly, the number of authorised shares decreased from 38,000,000,000 to 7,600,000,000. On the same date, the authorised share capital increased from HKD3,800,000,000 divided into 7,600,000,000 consolidated shares of HKD0.50 each to HKD30,000,000,000 divided into 60,000,000,000 consolidated shares of HKD0.50 each by the creation of an additional 52,400,000,000 consolidated shares.

13 Share-based payment

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolutions of the shareholders dated 24 October 2010, selected employees were granted a total of 62,500,000 share options (the "**Pre-IPO Share Options**") under the Pre-IPO Share Option Scheme (the "**Pre-IPO Share Option Scheme**"). The exercise price per share under the Pre-IPO Share Option Scheme shall be equal to a 50% discount to the offer price at the initial public offering (i.e. HKD4.00 per share) (the exercise price of the outstanding share options granted has been adjusted to HKD20.00 per consolidated share of HKD0.50 each with effect from 29 March 2016). Each of the Pre-IPO Share Option has a 10-year exercisable period, from 19 November 2010 ("**Old Grant Date**"), and ending on the expiration of the tenth anniversary of the date of acceptance of the grant of options, on 26 October 2020. As at 30 June 2017, the number of outstanding share options granted has been adjusted for the effect of share consolidation and 4,100,000 share options were exercisable (31 December 2016: 4,100,000) after the share consolidation adjustment.

Commencing from the date on which trading in the shares of the Company first commenced on the Main Board of the Stock Exchange, being 19 November 2010 ("**Listing Date**"), the expiry of first, second, third, and fourth anniversaries of the Listing Date, the relevant grantee may exercise options up to 20%, 40%, 60%, 80% and 100% respectively. No additional share options were granted pursuant to the Pre-IPO Share Option Scheme during the six months ended 30 June 2017.

13 Share-based payment (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

The fair value of the share options granted on 24 October 2010, determined using the binominal model (the "**Model**"), ranged from HKD4.38 to HKD5.17 per option. The significant inputs into the Model were the share price of HKD8.00 at the Listing Date, exercise price shown above, expected dividend yield rate of 1.32%, risk-free rate of 2.09%, an expected option life of 10 years and expected volatility of 55.00%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operations.

Movements in the number of share options outstanding and their related exercise price are as follows:

	Average exercise price in HKD per share	**Number of Share options** (thousands)
At 1 January 2016	4	27,375
Granted	–	–
Exercised	–	–
Lapsed	4	(2,875)
Adjustment arising from share consolidation	16	(19,600)
At 30 June 2016	20	4,900
At 1 January 2017	**20**	**4,100**
Granted	**–**	**–**
Exercised	**–**	**–**
Lapsed	**–**	**–**
Adjustment arising from share consolidation	**–**	**–**
At 30 June 2017	**20**	**4,100**

(b) Share Option Scheme

The Company conditionally approved and adopted a share option scheme on 24 October 2010 (the "**Share Option Scheme**"). The Share Option Scheme became unconditional on 19 November 2010 when the Company's shares were listed on the Main Board of the Stock Exchange.

Pursuant to the written resolutions of the Directors dated 30 April 2012, selected employees were granted a total of 348,580,000 share options under the Share Option Scheme. The exercise price of the share options granted under the Share Option Scheme is HKD1.94 per share of HKD0.10 each (the exercise price of the outstanding share options granted has been adjusted to HKD9.70 per consolidated share of HKD0.50 each with effect from 29 March 2016). No share option is exercisable prior to the first anniversary of 30 April 2012 (the "**New Grant Date**"). On each of the first, second, third, fourth and fifth anniversaries of the New Grant Date, a further 20% of the share options granted to the selected employees may be exercised, provided that no share option shall be exercised after 30 April 2022. As at 30 June 2017, the number of outstanding share options granted has been adjusted for the effect of share consolidation being effective on 29 March 2016 and 32,124,000 share options were exercisable (31 December 2016: 32,124,000 after the share consolidation adjustment).

13 Share-based payment (Continued)

(b) Share Option Scheme (Continued)

The fair value of the share options granted on 30 April 2012, determined using the Model, ranged from HKD0.63 to HKD0.64 per option. The significant inputs into the Model were the share price of HKD1.94 at the New Grant Date, the exercise price shown above, expected dividend yield rate of 4.66%, risk-free rate of 1.14%, an expected option life of 10 years and expected volatility of 54.50%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operations.

Movements in the number of share options outstanding and their related exercise price are as follows:

	Average exercise price in HKD per share	**Number of Share options** (thousands)
At 1 January 2016	1.94	195,600
Granted	–	–
Exercised	–	–
Lapsed	1.94	(13,990)
Adjustment arising from share consolidation	7.76	(145,288)
At 30 June 2016	9.70	36,322
At 1 January 2017	**9.70**	**32,124**
Granted	**–**	**–**
Exercised	**–**	**–**
Lapsed	**–**	**–**
Adjustment arising from share consolidation	**–**	**–**
At 30 June 2017	**9.70**	**32,124**

The total expense recognised in the interim consolidated statement of comprehensive income for share options granted to directors and employees was approximately RMB10,880,000 during the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB9,322,000). During the six months ended 30 June 2017, no expense (for the six months ended 30 June 2016: nil) is recognised for the Pre-IPO Share Option Scheme and RMB10,880,000 (for the six months ended 30 June 2016: RMB9,322,000) is recognised for the Share Option Scheme. The Group has no legal or constructive obligations to repurchase or settle the options in cash.

14 Trade and other payables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables	**1,535,370**	1,632,352
Other payables for purchase of property, plant and equipment		
– Third parties	**368,087**	429,266
– Related parties (Note 27(a))	**454,834**	477,761
Other payables		
– Third parties	**1,760,779**	1,856,269
– Related parties (Note 27(a))	**52,824**	39,239
Receipt in advance	**39,560**	72,829
Accrued expenses		
– Payroll and welfare	**101,921**	122,556
– Interests	**3,188,431**	2,647,269
– Exploration costs	**24,202**	30,836
– Others	**133,355**	129,969
Provision for litigation cases	**833,732**	821,978
Provision for delayed penalties	**27,624**	27,624
VAT payable	**109**	109
Other tax-related payables	**4,351**	5,558
Current trade and other payables	**8,525,179**	8,293,615

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

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
0 – 30 days	**14,769**	44,570
31 – 60 days	**3,852**	13,190
61 – 90 days	**705**	15,463
Over 90 days	**1,516,044**	1,559,129
	1,535,370	1,632,352

15 Borrowings

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Non-current		
Borrowings from a shareholder	**1,375**	1,368
Other borrowings	**61,069**	28,635
	62,444	30,003
Current		
Bank borrowings	**19,722,939**	19,846,156
Borrowings from a shareholder	**46,414**	46,282
Convertible bonds	**621,917**	77,071
Other borrowings	**350,924**	340,273
Promissory notes	**2,325,351**	3,011,988
Finance lease liabilities	**581,051**	576,097
	23,648,596	23,897,867
Total borrowings	**23,711,040**	23,927,870

Movements in borrowings are analysed as follows:

	RMB'000
For the six months ended 30 June 2017	
Opening amounts as at 1 January 2017	**23,927,870**
Proceeds from new borrowings from related parties	**894**
Proceeds from new other borrowings	**50,963**
Imputed interest expenses	**(2,361)**
Repayments of bank borrowings	**(101,070)**
Convertible bonds – liability component (Note a)	**556,038**
Repayment of promissory notes	**(615,396)**
Exchange difference	**(105,898)**
Closing amounts as at 30 June 2017	**23,711,040**

15 Borrowings (Continued)

Movements in borrowings are analysed as follows:

	RMB'000
For the six months ended 30 June 2016	
Opening amounts as at 1 January 2016	22,679,973
Proceeds from new borrowings from related parties	10,735
Imputed interest expenses	5,404
Proceeds from promissory notes	118,822
Repayments of other borrowings	(3,419)
Repayments of bank borrowings	(73,429)
Repayments of finance lease liabilities	(60,000)
Convertible bonds – liability component (Note a)	366,744
Exchange difference	66,959
Closing amounts as at 30 June 2016	23,111,789

Note a: The movements of convertible bonds are shown in the session of convertible bonds.

As at the dates of the interim consolidated statement of financial position, the Group's borrowings, after taking into account of repayable on demand clauses of certain borrowings, were repayable as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within 1 year	**23,648,596**	23,897,867
Between 1 and 2 years	**62,444**	30,003
	23,711,040	23,927,870

The Group's borrowings repayable based on the scheduled repayment dates were as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Within 1 year	**21,737,309**	20,909,169
Between 1 and 2 years	**1,252,731**	609,305
Between 2 and 5 years	**721,000**	2,409,396
	23,711,040	23,927,870

15 Borrowings (Continued)

Borrowings and finance lease liabilities amounting to RMB23,240,158,000 as at 30 June 2017 (31 December 2016: RMB23,500,212,000) were secured by the raw materials, land use rights, buildings, plant and machinery, vessels under constructions, pledged deposits, available-for-sale financial asset, guarantee of the Group, guarantee from a director of the Company, certain shareholders of the Company and the related parties, and land use rights, buildings, plant and equipment and share capital of certain related parties.

Included in the Group's borrowings were certain current loans of approximately RMB4,478,140,000, which were overdue and have not been renewed or repaid subsequent to 30 June 2017.

Bank and other borrowings of RMB21,588,062,000 and convertible bonds with an aggregate principal amount of HKD848,560,000 (equivalent to approximately RMB736,482,000), totaling RMB22,324,544,000 contain cross default terms in their respective financing agreements. As a result of the above-mentioned overdue of principal and interest repayments, current borrowings totaling RMB18,575,843,000 as at 30 June 2017 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 RMB1,283,099,000 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.

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

On 7 March 2016, the Company proposed to effect the Disposal of Liabilities 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 from the Group to these bank creditors; and (2) entering supplier creditor subscription agreements with certain supplier creditors or their designated entities 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 the announcement for the proposal of 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. Up to the date of this report, the directors of the Company are in active discussion with the creditors for materialising the proposal of the Disposal of the Liabilities and expect that the Disposal of Liabilities will be completed in year 2017.

Up to the date of this report, the directors of the Company are still in active discussion with the banks and other creditors for the proposal of the Disposal of the liabilities and expect that the Disposal of liabilities will be completed in year 2017.

The carrying amounts of the non-current borrowings approximate their fair values.

15 Borrowings (Continued)

The Group has the following undrawn borrowings facilities:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Expiring within one year	**36,227**	35,251
Expiring beyond one year	**–**	–
	36,227	35,251

Convertible bonds

During the six months ended 30 June 2017, the Group issued a new convertible bond with a principal amount of HKD745,060,000 (equivalent to approximately RMB646,652,000) maturing in May 2019 and this convertible bond serves to extend the maturity of certain of its existing indebtedness and interest accrued theorem.

As at 30 June 2017, the Group had two outstanding convertible bonds with an aggregate principal amount totaling HKD848,560,000 (equivalent to approximately RMB736,482,000) (31 December 2016: HKD103,500,000 (equivalent to approximately RMB92,582,000)). Since the bondholders have an early redemption option to require the Company to redeem the convertible bonds at any time before the maturity, these convertible bonds are classified as current liabilities.

The table below summarised the details and features of these guaranteed convertible bonds:

Guaranteed convertible bonds	Principal as at 30 June 2017	Principal as at 31 December 2016	Issuance and closing date	Maturity date	Conversion period	Conversion price as at 30 June 2017	Conversion price as at 31 December 2016
7th	**HKD103,500,000**	HKD103,500,000	31 October 2016	24 months after the closing date	After issue date up to maturity date	HKD0.50 per share	HKD1.05 per share
8th	**HKD745,060,000**	N/A	19 May 2017	24 months after the closing date	After issue date up to maturity date	HKD0.50 per share	N/A

For the above convertible bonds, subject to the following conditions, amongst others, the Company has the right to redeem all or any part of the principal amount of the convertible bonds outstanding. (1) The Company may redeem the respective convertible bonds at any time up to (and excluding) the commencement of the 7 calendar day-period ending on the (and including) maturity date, when the principal amount of the relevant convertible bonds outstanding is equal to or less than 10% of its original aggregate principal amount issued by the Company.

15 Borrowings (Continued)

Convertible bonds (Continued)

The redemption price of all convertible bonds is equal to 100% of the principal amount plus the unpaid interest. (2) The Company may redeem the respective convertible bonds at any time on or after eighteen months from the closing date and up to the third business day prior to the maturity date. The redemption price of all convertible bonds is equal to 100% of the principal amount plus the unpaid interest.

Subject to certain conditions, the bondholders have the right to require the Company to redeem all or part of the respective convertible bonds. Any bondholders may at any time on or after the closing date and up to the third business day prior to the maturity date to require the Company to redeem the whole or any part of the principal amount outstanding under the convertible bonds at a value at 100% of the principal amount plus the unpaid interest.

Conversion price of all the convertible bonds will be subject to adjustment for consolidation or subdivision, capitalisation of profits or reserves, capital distribution, right issues, debt equity swap and other dilutive events which may have impacts on the rights of the bondholders.

The conversion feature of the above convertible bonds fails the fixed-for-fixed requirement for equity classification. The conversion option, together with all other options, are therefore regarded as a single embedded derivative with changes in fair value through profit or loss in accordance with IAS 39. For details, please refer to Note 16.

The fair value of the 7th and 8th convertible bonds was determined by an independent qualified valuer based on the COX, Ross and Rubinstein Binomial Model (the "**Binomial Model**"). The fair value of the liability component on initial recognition was valued as the proceeds of the convertible redeemable bond (net of transaction cost) minus the fair value of the embedded derivative. The fair value of the embedded derivative was valued by estimating the value of the whole bond with and without the conversion feature. The difference in value reflects the value of the embedded derivatives and changes in fair value would be recognised in the interim consolidated statement of comprehensive income. During the six months ended 30 June 2017, the Group recognised a gain on fair value of the embedded derivatives amounted to RMB1,129,000 (for the six months ended 30 June 2016: a gain of RMB213,913,000).

All of the convertible bonds are guaranteed by Mr. Zhang, the Company's single largest shareholder (before taking into account full conversion of the convertible bonds and exercise of the share options issued by the Company).

The movements of convertible bonds recognised in the interim consolidated statement of financial position are shown as follows:

	RMB'000
For the six months ended 30 June 2017	
Opening amount as at 1 January 2017	**77,071**
Issuance of convertible bonds	**537,480**
Interest expenses (Note 21)	**18,558**
Exchange difference	**(11,192)**
Closing amount as at 30 June 2017	**621,917**

15 Borrowings (Continued)

Convertible bonds (Continued)

	RMB'000
For the six months ended 30 June 2016	
Opening amount as at 1 January 2016	1,722,708
Interest expenses (Note 21)	535,718
Interest paid	(168,974)
Fully settled and discharged	(521,349)
Exchange difference	40,387
Closing amount as at 30 June 2016	1,608,490

The fair value of the liability component of the convertible bonds as at 30 June 2017 amounted to RMB612,835,000 (31 December 2016: RMB77,215,000). The fair value is calculated using the market price of the convertible bonds on the date of the statement of financial position (or the nearest day of trading).

Promissory notes

	RMB'000
For the six months ended 30 June 2017	
Opening amount as at 1 January 2017	**3,011,988**
Discharge by convertible bonds	**(615,396)**
Exchange difference	**(71,241)**
Closing amount as at 30 June 2017	**2,325,351**
For the six months ended 30 June 2016	
Opening amount as at 1 January 2016	115,837
Issue of promissory notes	640,170
Repayment of promissory notes	(3,419)
Exchange difference	2,336
Closing amount as at 30 June 2016	754,924

15 Borrowings (Continued)

Promissory notes (Continued)

During the six months ended 30 June 2017, promissory notes with an aggregate principal amount of HKD3,367,193,000 (equivalent to approximately RMB2,922,454,000) matured. The Group issued a new convertible bond with a principal amount of HKD745,060,000 (equivalent to approximately RMB646,652,000) maturing in May 2019 which serves to extend the maturity of certain of its existing indebtedness and interest accrued thereon.

As at 30 June 2017, all the outstanding promissory notes amounting to HKD2,679,223,000 (equivalent to approximately RMB2,325,351,000) were not renewed nor repaid upon the scheduled repayment dates and thus became overdue. Subsequent to 30 June 2017, promissory notes with an aggregate principal amount of HKD947,462,000 (equivalent to approximately RMB822,321,000) were replaced and extended to November 2017; the Group proposed to issue convertible bonds amounting up to HKD1,037,240,000 (equivalent to approximately RMB900,241,000) due in 2019 in exchange for these promissory notes and interest accrued thereon. For the remaining promissory notes amounting to HKD1,731,761,000 (equivalent to approximately RMB1,503,030,000), the Company is in the process of negotiating with these promissory note holders to extend the due dates ranging from August 2017 to September 2017.

16 Derivative financial instruments

	As at 30 June 2017		As at 31 December 2016	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Embedded derivatives in convertible bonds	**–**	**133,203**	–	17,045

The fair value of the embedded derivatives in the convertible bonds as at 30 June 2017 is determined using the Binomial Model. The table below shows the significant inputs into the Binomial Model:

As at 31 December 2016

Guaranteed convertible bonds	**Principal as at 31 December 2016**	**Issuance date**	**Stock price as at 31 December 2016 of the underlying shares** (HKD)	**Exercise price** (HKD)	**Expected option life** (years)	**Risk-free interest rate** (%)	**Expected dividend yield** (%)	**Expected volatility** (%)
7th	HKD103,500,000	31 October 2016	0.445	1.05	1.83	1.6851	0	80

16 Derivative financial instruments (Continued)

As at 30 June 2017

Guaranteed convertible bonds	Principal as at 30 June 2017	Issuance date	Stock price as at 30 June 2017 of the underlying shares (HKD)	Exercise price (HKD)	Expected option life (years)	Risk-free interest rate (%)	Expected dividend yield (%)	Expected volatility (%)
7th	HKD103,500,000	31 October 2016	0.335	0.50	1.3	1.1316	0	38.35
8th	HKD745,060,000	19 May 2017	0.335	0.50	1.9	1.2514	0	38.35

The volatility measured is based on the daily share price volatility of the Company for an observation period calculated by the difference between the valuation date and the maturity date and adjusted by the difference of Hang Seng Index historical and implied volatility as of the valuation dates.

17 Provision for warranty

The Group provides a one-year warranty from the date of delivery of the vessel on shipbuilding products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of the reporting period for expected warranty claims for repairs and returns based on management estimates and industry practice.

Movements in provision for warranty for the Group are as follows:

	As at 30 June 2017 RMB'000	As at 30 June 2016 RMB'000
At 1 January	**3,049**	26,214
Provision for the period		
– Reversal during the period upon expiring of the warranty period (Note 18)	**–**	(19,484)
At 30 June	**3,049**	6,730

18 Expenses by nature

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Agency fees	**309**	32
Amortisation of land use rights (Note 9)	**40,875**	40,830
Amortisation of intangible assets (Note 8)	**1,045**	1,145
Auditors' remuneration	**960**	861
Bank charges (include refund guarantee charges)	**53**	62
Reversal of cost of sales related to the cancellation of the construction contracts (Note 6)	**–**	(3,037,086)
Cost of vessels and inventories	**58,195**	554,356
Depreciation of property, plant and equipment (Note 7)	**188,437**	190,622
Employee benefit expenses	**51,097**	110,091
Legal and consultancy fees	**8,725**	16,930
Miscellaneous expenses	**21,606**	15,015
Operating lease payments	**1,481**	4,415
Outsourcing and processing costs	**7,447**	21,207
Over provision for other tax-related expenses and customs duties	**–**	(40,606)
Provision for inventories	**76,659**	2,972,333
Raw materials and consumables used	**11,925**	5,222
Provision for warranty		
– reversal upon expiring of the warranty period (Note 17)	**–**	(19,484)
(Reversal of)/provision for impairment		
– trade receivables	**(189)**	(1,043,932)
– amounts due from customers for contract works	**–**	(2,239,594)
– other receivables and prepayments	**(202,058)**	1,704
Provision for litigations	**14,909**	287
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses and reversal of impairments and reversal of impairments related to the cancellation of the construction contract	**281,476**	(2,445,590)

19 Other income

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Government grants (Note a)	**–**	100
Rental income (Note b)	**21,875**	3,169
Others	**6,952**	14,909
Total	**28,827**	18,178

Notes:

(a) Government grants represented cash received from Jiangsu Government authority during the six months ended 30 June 2016.

(b) Rental income represented the income from the leasing of property, plant and equipment to third party lessees during the six months ended 30 June 2017 and 2016.

20 Other (losses)/gains – net

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Fair value gain on derivative instruments – embedded derivatives in convertible bonds	**1,129**	213,913
Loss on disposal of land use rights and property, plant and equipment, net	**(65,269)**	(27,548)
Loss on sales of raw materials	**(45,194)**	–
Net foreign exchange gains/(losses)	**15,370**	(17,889)
Total	**(93,964)**	168,476

21 Finance income and costs

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**87**	224
Imputed interest income for interest-free loans	**8,126**	–
Net foreign exchange gains on financing activities	**–**	–
	8,213	224
Finance costs:		
Interest expenses		
– Borrowings and finance lease liabilities	**(644,479)**	(580,481)
– Convertible bonds (Note 15)	**(18,558)**	(535,718)
Net foreign exchange gains/(losses) on financing activities	**105,898**	(66,959)
Less: borrowings costs capitalised	**889**	716
	(556,250)	(1,182,442)
Net finance costs	**(548,037)**	(1,182,218)

22 Income tax expense

No Hong Kong, PRC and Kyrgyzstan profits tax have been provided for during the six months ended 30 June 2017 (for the six months ended 30 June 2016: 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 2017 since it is not expected to have any tax assessable profit (for the six months ended 30 June 2016: same).

23 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	
	2017	2016
	RMB'000	RMB'000
Loss attributable to equity holders of the Company (RMB'000)	**(825,718)**	(1,963,131)
Weighted average number of ordinary shares in issue	**2,171,591,507**	2,171,591,507
Loss per share (RMB per share)	**(0.38)**	(0.90)

(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 2017 and 2016.

24 Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

25 Contingencies

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Contingencies:		
Refund guarantees (Note a)	**51,767**	51,767
Litigation (Note b)	**51,365**	51,365
Financial guarantees (Note c)	**27,235**	27,235
	130,367	130,367

Notes:

(a) **Refund guarantees**

Refund guarantees relate to the guarantees provided by the banks to the Group's customers in respect of advances received from customers. In the event of non-performance, the customers may call upon the refund guarantees and the Group would be liable to the banks in respect of the refund guarantees provided. As at 30 June 2017, refund guarantees are secured by land and buildings, pledged deposits, vessels under constructions, corporate guarantees from the Company and certain of its subsidiaries and personal guarantee from a director of the Group.

(b) **Litigation**

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

As at 30 June 2017, certain subsidiaries of the Group were in dispute with certain of their suppliers in relation to the procurement of inventories, subcontracting services, construction of property, plant and equipment, and certain of banks in relation to the repayment of bills payable and certain of its employees in relation to the employment contracts. The alleged claims against the Group amounted to RMB498,037,000 (31 December 2016: RMB451,834,000). Provision and respective trade and other payables totaling RMB498,037,000 had been provided for in respect of the claims as at 30 June 2017 (31 December 2016: RMB451,834,000) as management has determined, on the basis of legal advice from the Group's internal legal department that it is not probable that these claims would result in an outflow of economic benefits exceeding the provisions made by the Group.

As at 30 June 2017, the Group was in dispute with one of its subcontractors in relation to a shipbuilding contract. The alleged claim against the Group amounted to approximately RMB51,365,000 (31 December 2016: same). No provision has been provided for in respect of this claim as at 30 June 2017 as management has determined, on the basis of legal advice from the Group's internal legal department that it is not probable that this claim would result in an outflow of economic benefits from the Group (31 December 2016: same).

As at 30 June 2017, the Group was in dispute with one of its customers in relation to a shipbuilding contract. The alleged claim against the Group amounted to approximately USD36,675,000, equivalent to approximately RMB248,451,000 (31 December 2016: USD36,675,000, equivalent to approximately RMB248,451,000), plus the interest of the instalments received. A provision of RMB375,396,000 has been provided for in respect of this claim as at 30 June 2017 based on the legal advice from the Group's internal legal department.

(c) **Financial guarantees**

The Group has provided guarantees to certain financial institutions in the PRC in respect of borrowings drawn by certain customers of the Engineering Machinery segment. The borrowings were drawn by the customers of the Engineering Machinery segment to finance the purchase of excavators from the Group. Under the financial guarantee contracts, the Group is required to make payments to the financial institutions should the customers default on the borrowings. As at 30 June 2017, the total value of the guaranteed borrowings outstanding was RMB29,673,000 (31 December 2016: RMB29,673,000) in which the Group had made a provision of RMB2,438,000 (31 December 2016: RMB2,438,000) for borrowings with delinquent payments. Management has determined that no further provision for the remaining contingency of RMB27,235,000 (31 December 2016: RMB27,235,000) is required as the relevant customers have no history of default and it is not probable that the Group would have to make payments to the financial institutions for the guarantees.

26 Commitments

(a) Capital commitments

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**701,965**	755,172
Other capital commitments		
– Contracted but not provided for (Note (i))	**160,000**	160,000

Note:

(i) **Capital commitment for the investment in 農銀無錫股權投資基金企業 (the "Fund")**

On 16 January 2012, the Group entered into an agreement with 6 strategic investors for the Fund, which the Group proposed to invest RMB200,000,000 into the Fund, representing 6.66% of the total capital of the Fund. As at 30 June 2017, the Group had paid the first instalment of RMB40,000,000 to the Fund which is classified as available-for-sale financial asset in the condensed consolidated statement of financial position.

(b) Operating lease commitments – where the Group is the lessee

The Group leases various offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
No later than 1 year	**505**	422

27 Related party transactions

Fine Profit Enterprises Limited ("**Fine Profit**"), a company incorporated in the British Virgin Islands, owned 18.84% of the issued shares of the Company as at 30 June 2017 (31 December 2016: 18.9%). Fine Profit was wholly-owned by Mr. Zhang as at 30 June 2017.

The directors of the Company are of the view that the following companies were related parties that had balances with the Group during the six months ended 30 June 2017:

Name	Relationship with the Group
Shanghai Ditong Construction (Group) Co., Ltd. 上海地通建設(集團)有限公司	Entity controlled by a shareholder/close family member of Mr. Zhang
Smart Frontier Limited	Entity controlled by a close family member of Mr. Zhang
Crystal Mont Limited	Entity ultimately controlled by Mr. Zhang
W&M Shipping Corporation Limited 煌明船務有限公司	Entity ultimately controlled by Mr. Zhang
Rongying Capital Management Limited 熔盈資本管理有限公司	Entity ultimately controlled by Mr. Zhang
Jiangsu Xu Ming Investment Group Co., Ltd. 江蘇旭明投資集團有限公司	Entity ultimately controlled by Mr. Zhang
Nantong Rongsheng Infrastructure Accessories Co., Ltd. 南通熔盛基礎設施配套工程有限公司	Entity ultimately controlled by Mr. Zhang
Jiangsu Rong Tong Marine Mechanical and Electrical Co., Ltd. 江蘇熔通海工機電有限公司	Entity ultimately controlled by Mr. Zhang
Nantong Drawshine Petrochemical Co., Ltd. 南通焯晟石油化工有限公司	Entity controlled by a shareholder/close family member of Mr. Zhang
Dynamic Great Limited	Entity controlled by a close family member of Mr. Zhang
Zhang Jiping 張繼平	Director of a subsidiary

27 Related party transactions (Continued)

(a) Balances with related parties

As at 30 June 2017 and 31 December 2016, the balances are interest-free, unsecured, and repayable on demand. The carrying amounts of these balances approximate their fair values.

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Other payables for property, plant and equipment (Note 14)		
– Entities controlled by Mr. Zhang or a shareholder/close family member of Mr. Zhang	**454,834**	477,761
Other payables – non-trade (Note 14)		
– Entities controlled by Mr. Zhang or a shareholder/close family member of Mr. Zhang	**28,655**	17,800
– Non-controlling interest shareholder of a subsidiary	**24,169**	21,439
	52,824	39,239

(b) Advances from related parties

During the six months ended 30 June 2017, Mr. Zhang, being the single largest shareholder of the Company (before taking into account full conversion of the convertible bonds and exercise of the share options issued by the Company) provides security-free and interest-free revolving facilities up to RMB3,000,000,000 for use by the Group, for working capital purposes. As at 30 June 2017, RMB366,119,000 (31 December 2016: RMB334,303,000) has been drawn down by the Group and is repayable on demand.

(c) Guarantee by a director

As at 30 June 2017, certain bank borrowings are secured by a director of the Group (31 December 2016: same).

(d) Guarantee by the shareholder and related parties

As at 30 June 2017, certain borrowings, promissory notes and convertible bonds are secured by the shareholder and related parties (31 December 2016: same).

27 Related party transactions (Continued)

(e) Borrowings from a director of a subsidiary

During the six months ended 30 June 2017, a director of a subsidiary provided security-free and interest-free facilities up to RMB47,788,000 (31 December 2016: RMB47,650,000) for working capital purposes.

(f) Borrowings from related parties

During the six months ended 30 June 2017, related parties provided security-free and interest-free facilities up to USD5,000,000 and HKD23,698,000 (totaling equivalent to approximately RMB54,440,000) (31 December 2016: RMB58,112,000) for use by the Group for working capital purposes.

28 Subsequent events

On 21 August 2017, the Company as issuer, Mr. Zhang Zhi Rong, a substantial shareholder of the Company, as guarantor entered into four subscription agreements with Partners Kingwin Fund (I), King Success Corporate Consulting Limited, King Wealth Enterprises Limited and Kingwin Victory Investment Limited, as the respective subscribers pursuant to which the Company has conditionally agreed to issue, and subscribers have conditionally agreed to subscribe for, or procure their nominees to subscribe for, the 7% convertible bonds due 2019 in an aggregate principal amount of up to HKD1,037,240,000 (equivalent to approximately RMB900,241,000) (the "**2019 Convertible Bonds**") (the "**Proposed Issue of the 2019 Convertible Bonds**"). The 2019 Convertible Bonds will be issued in exchange for the existing indebtedness of the Company (owing to the holders of promissory note due in November 2017 issued by the Company), subject to and in accordance with the terms and conditions of the respective subscription agreements.

The initial conversion price of the 2019 Convertible Bonds is HKD0.50 per Share of the Company (the "**Shares**") (subject to adjustments in accordance with the terms and conditions of the 2019 Convertible Bonds). Assuming full conversion of the 2019 Convertible Bonds at the initial conversion price of HKD0.50 per share, the 2019 Convertible Bonds will be convertible into up to 2,074,480,000 Shares. The new Shares to be issued upon conversion of the 2019 Convertible Bonds (the "**Conversion Shares**") shall be allotted and issued by the Company pursuant to the specific mandate to be sought and granted to the Directors by the shareholders at an extraordinary general meeting of the Company. The issue of the 2019 Convertible Bonds and the Conversion Shares by the Company are subject to the approval of the shareholders of the Company.

INFORMATION FOR SHAREHOLDERS

Listing Information

Listing : Hong Kong Stock Exchange
Stock Code : 01101

Principal Share Registrar and Transfer Agent

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1 – 1111, Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Tel : (852) 2862-8628
Email : hkinfo@computershare.com.hk

Registered Office

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KY1 – 1111, Cayman Islands

Principal Place of Business and Headquarters

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Wanchai, Hong Kong

Contact Enquiries

Investor Relations
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Website : www.huarongenergy.com.hk

CORPORATE INFORMATION

Executive Directors

CHEN Qiang *(Chairman and Chief Executive Officer)*
HONG Liang
WANG Tao
ZHU Wen Hua
ZHANG Ming

Independent Non-executive Directors

WANG Jin Lian
ZHOU Zhan
LAM Cheung Mau

Audit Committee

ZHOU Zhan *(Chairman)*
WANG Jin Lian
LAM Cheung Mau

Corporate Governance Committee

WANG Jin Lian *(Chairman)*
CHEN Qiang
WANG Tao
ZHANG Ming
LAM Cheung Mau

Nomination Committee

WANG Jin Lian *(Chairman)*
ZHU Wen Hua
ZHOU Zhan

Remuneration Committee

ZHOU Zhan *(Chairman)*
CHEN Qiang
WANG Jin Lian

Finance and Investment Committee

CHEN Qiang *(Chairman)*
HONG Liang
ZHANG Ming
WANG Jin Lian
ZHOU Zhan

Company Secretary

LEE Man Yee

Auditor

PricewaterhouseCoopers

Principal Bankers

China Minsheng Banking Corp., Ltd.
(Shanghai Branch)
China Development Bank
(Jiangsu Province Branch)
Bank of China Limited
(Nantong Gangzha Branch)
Shanghai Pudong Development Bank Limited
(Hefei Branch)

Legal Advisors

Paul Hastings
Commerce & Finance Law Offices

Company Website

http://www.huarongenergy.com.hk

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