CHINA RONGSHENG HEAVY INDUSTRIES GROUP HOLDINGS LIMITED
中 國 熔 盛 重 工 集 團 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01101)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "**Board**") of China Rongsheng Heavy Industries Group Holdings Limited (the "**Company**") hereby announces the consolidated financial statements of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2013 (the "**Period**") with comparative figures. The audit committee of the Company (the "**Audit Committee**") has reviewed the results and the consolidated financial statements of the Group for the year ended 31 December 2013.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2013 but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee of the Company and has been agreed by the Group's external auditors, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong to the Group's consolidated financial statements. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers in this announcement.

	For the year ended 31 December	
	2013	2012
	(RMB'000)	*(RMB'000)*
Revenue	**1,343,566**	7,956,347
Loss attributable to Equity holders of the Company for the year	**(8,683,689)**	(572,577)
including		
Loss before total provisions, impairments and write-offs	**(2,952,600)**	(215,918)
Total provisions, impairments and write-offs	**(5,731,089)**	(356,659)
Total borrowings and finance lease liabilities	**22,407,265**	25,124,533
Short term borrowings and finance lease liabilities	**13,713,406**	15,648,567

Shipbuilding orders

	2013	2012
New orders by contract value *(USD mn)*	**726.0**	55.6
Orderbook by contract value *(USD mn)*	**4,592.0**	5,022.4
New orders by DWT *('000 DWT)*	**2,262.0**	152.0
Orderbook by DWT *('000 DWT)*	**12,113.0**	12,991.0

BOARD'S CONSIDERATION – MITIGATION MEASURES

The Board has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(i) negotiating with principal banks for the renewal and extension of loans and banking facilities with extended repayment terms and reduced interest rates. In particular, the Group has entered into "Jiangsu Rongsheng Heavy Industries Co., Ltd. Debt Optimization Framework Agreement" (《江蘇熔盛重工有限公司債務優化銀團框架協議》) in March 2014 with more than 10 PRC financial institutions, led by Bank of China, The Export-Import Bank of China and China Minsheng Bank in the Jiangsu province to extend the repayment and renewal terms of credit facilities granted to the Group by the 10 PRC financial institutions to the end of the year of 2015. The credit facilities cover but are not limited to the following facilities: letters of credit, project financing, trading financing, working capital loans, medium-term loans, trust and factoring arrangements;

(ii) obtaining financial support from an existing substantial shareholder via security-free and interest-free revolving facilities of up to RMB3,000,000,000, for use by the Group for working capital purposes;

(iii) pursuing alternative sources of financing, including issuance of convertible bonds to strategic investors. The Group has completed the issuance of convertible bonds amounting to HK$1,000,000,000 in January 2014. The Group is expected to issue another convertible bonds amounting to HK$1,000,000,000 in April 2014 pursuant to the subscription agreements entered into with two subscribers in February 2014;

(iv) controlling administrative costs through various channels, including: human resources optimization, reduction of executive directors' remuneration by 50%, reduction of middle to senior level management's remuneration by 30-50% and suppressing capital expenditures;

(v) negotiating for better payment terms and revising up prices of certain existing shipbuilding orders;

(vi) re-designing operation flow and controlling costs for existing shipbuilding orders;

(vii) maximizing sales efforts, securing additional shipbuilding orders in bulk carriers which are of higher prices and better payment terms, and obtaining the appropriate project-based financing; and

(viii) establishing strategic cooperation with key suppliers with a view to reducing costs of supplies.

MANAGEMENT DISCUSSION & ANALYSIS

The following discussion should be read in conjunction with the consolidated financial statements of the Group, including the related notes, as set forth in this announcement.

BUSINESS REVIEW

For the Period, revenue of the Company was RMB1,343.6 million, a decrease of 83.1% from RMB7,956.3 million for the year ended 31 December 2012 (the "**Comparative Period**"). Losses attributable to the equity holders of the Company were RMB8,683.7 million, while losses attributable to the equity holders of the Company were RMB572.6 million for the Comparative Period. In 2013, the unfavourable operating environment for ship owners persisted amid the unsatisfying performance of the global shipping market in spite of the tepid recovery from 2012. As a result, ship owners requested shipyards to postpone the delivery of new vessels. Delays in constructions and deliveries of the

Company's orders on hand in the core shipbuilding segment led to a significant decline of our revenue. In addition, the results of the Period were directly dented by the increase in the provision for receivables due to collection difficulties and provision for impairments of property, plant and equipment and intangible assets.

Shipbuilding

Shipbuilding was our major business and also our primary revenue source. Revenue from our shipbuilding segment decreased 84.2% year-on-year to RMB1,195.7 million for the Period, representing 89.0% of the total revenue. The significant decrease in revenue was primarily attributable to the downturn in the shipbuilding industry.

New orders and orders on hand

In 2013, the overcapacity in the global shipping market was not curbed, with shipping enterprises stuck in the loss-making position, exacerbating the overcapacity in shipbuilding industry and leaving the prices for new vessels low. In response to the adverse market environment, we adopted a defensive sales strategy and abandoned some extremely low price orders. For the period, we entered into new shipbuilding contracts of 23 vessels, involving 3 types of bulk carriers with a total volume of 2.3 million DWT and a contract value of USD726.0 million.

Our total orders on hand as at 31 December 2013 consisted of 94 vessels, representing a total volume of approximately 12.1 million DWT with a total contract value of approximately USD4.59 billion. It included 18 64,000 DWT bulk carriers, 28 Panamax bulk carriers, 2 Capesize bulk carriers, 13 very large ore carriers ("**VLOCs**"), 1 Panamax crude oil tanker, 23 Suezmax crude oil tankers, 2 very large crude oil carriers ("**VLCCs**"), 1 6,500 twenty-foot equivalent unit ("**TEU**") containerships and 6 7,000-TEU containerships. All the vessels in our order book are scheduled to be delivered within the period from 2014 to 2016 as stated in the contracts.

For the Period, we delivered 9 vessels, amounting to 2.3 million DWT. Including the 5 VLOCs that we delivered for the Period, our total number of VLOCs delivered as at the end of 2013 increased to 12, and all the remaining 4 were scheduled to be delivered in 2014.

Offshore Engineering

For the Period, there was no revenue contribution from the offshore engineering segment. We continued to strive to implement our "Transformation and Advancement" strategy in 2013 to transform ourselves into an integrated heavy industry conglomerate serving the energy industry, and seek to upgrade our product structure. We planned to design products that cover the whole energy industry chain, including drilling rigs, Floating Production Storage and Offloading Units ("**FPSOs**"), liquefied natural gas ("**LNG**") carriers and pipe-laying vessels, ultimately providing clients with a comprehensive solution in respect of project engineering, procurement and construction.

Marine Engine Building

For the Period, revenue from our marine engine building segment was RMB131.1 million, a decrease of 30.3% from RMB188.0 million for the Comparative Period. Including inter-segment sales, the revenue was RMB232.4 million for the Period. The decrease in revenue was affected by the depressed shipbuilding industry. For the Period, we completed and delivered 7 diesel engines, involving varied models, such as 6S46ME-B, 7RT-flex82T, 5S60ME-C8, 5RT-flex58T-D, 6S70ME-C and 6RT-flex50-D, and contracted 1 diesel engine. As at 31 December 2013, our marine engine building segment had orders on hand for a total of 34 engines with a total capacity of 699,547 horsepower.

Engineering Machinery

For the Period, primarily due to the slowdown of China's economy and tightening control of infrastructure investment, revenue from the engineering machinery segment was RMB16.8 million, depriving mainly from the sales of 191 excavators, which decreased by 92.0% from RMB209.8 million for the same period last year.

In 2013, the engineering machinery industry stabilized for the moment after experiencing wild swings, showing a faint sign of recovery across the industry. However, the global engineering machinery industry is still under a transitional period characterized by the shrinking market demand.

FINANCIAL REVIEW

Revenue

For the Period, our revenue was RMB1,343.6 million as compared to RMB7,956.3 million for the Comparative Period, representing year-on-year decrease of approximately 83.1%. The significant decrease in revenue was primarily attributable to the downturn of the shipbuilding and the engineering machinery industries, and due to the fact that we responded to market correction. In addition, revenue of RMB431.2 million was debited to the consolidated statement of comprehensive income during the Period, as a result of the change in accounting estimates for the purposes of calculation of the percentage-of-completion method for our active shipbuilding orders.

Cost of sales

For the Period, our cost of sales decreased by approximately 59.3% to RMB2,776.5 million (for the Comparative Period: RMB6,815.7 million), in line with the significant decrease in revenue.

Selling and marketing expenses

For the Period, our selling and marketing expenses decreased by approximately 77.9% to RMB20.3 million (for the Comparative Period: RMB91.7 million). We have thoroughly implemented cost control measures while maintaining marketing activities.

General and administrative expenses

For the Period, our general and administrative expenses increased by approximately 28.8% to RMB1,371.7 million (for the Comparative Period: RMB1,065.0 million). This increase is mainly the result of the writing off of certain trade receivables.

Provisions for impairments and delayed penalties

For the Period, our provisions for impairments and delayed penalties increased by approximately 1416.0% to RMB5,107.0 million (for the Comparative Period: RMB336.9 million). This increase is mainly the result of the provisions for impairments of trade receivables, other receivables and prepayment, amounts due from customers for contract works, property, plant and equipment and intangible assets which amounted to RMB2,083.5 million, RMB892.4 million, RMB275.6 million, RMB944.1 million and RMB503.6 million, respectively, and provision for delayed penalties of RMB407.9 million for the Period. The increase in receivable provisions is mainly due to the increase in default in payment by our customers under current market downturn.

Research and development expenses

For the Period, our research and development expenses decreased by approximately 57.8% to RMB61.9 million (for the Comparative Period: RMB146.6 million), mainly because of the decreased investment in research and development of the new shipbuilding and offshore engineering products.

Finance income and finance costs Net

Our finance income for the Period, which mainly relate to an interest income of RMB72.4 million, decreased by approximately 19.8% to RMB153.4 million (for the Comparative Period: RMB191.3 million). Our finance costs for the Period decreased by approximately 0.8% to RMB981.4 million (for the Comparative Period: RMB989.2 million) mainly due to the decrease in capitalization of borrowing costs to offset against the finance cost for the Period.

Gross loss

During the Period, we recorded a gross loss of RMB1,432.9 million (gross profit for the Comparative Period: RMB1,140.7 million). This is due to the low prices of shipbuilding orders in depressed market conditions, in contrast to rigid cost such as raw materials and labour costs. With diminishing profitability of the conventional shipbuilding business, an operating loss was incurred as a result of decreased production scale yet considerable fixed production cost.

Total comprehensive loss for the Period

During the Period, we recorded total comprehensive loss of RMB8,951.9 million, of which loss attributable to equity holders of the Company is RMB8,683.7 million (for the Comparative Period: RMB572.6 million). Loss attributable to the equity holders of the Company is the result of gross loss and the considerable fixed administrative cost and provisions as discussed in provisions for impairments and delayed penalties above. Other comprehensive income for the Period is RMB1.5 million (for the Comparative Period: nil) which is mainly contributed from the fair value gain on available-for-sale financial asset.

Liquidity and going concern

During the year ended 31 December 2013, the Group has incurred a loss of approximately RMB8,953.4 million and had a net operating cash outflow of approximately RMB3,203.3 million due to market downturn and financial difficulties of the Group's customers. As at 31 December 2013, the Group's current liabilities exceeded its current assets by RMB6,683.1 million. Its total borrowings and finance lease liabilities amounted to RMB22,407.3 million, out of which RMB13,713.4 million will be due within 12 months. The cash and cash equivalents of the Group amounted to RMB117.0 million as at 31 December 2013. Included in the Group's borrowings were certain current borrowings of RMB127.0 million, which were overdue and have not been renewed or repaid subsequent to year end. However, a series of remedial measures to mitigate the liquidity pressure have been taken to improve its financial and liquidity position of the Group as a whole, details of which are set out in the section headed "Board's Consideration – Mitigation Measures" above. Please also refer to the details regarding uncertainties on the going concerns of the Group as stipulated in the section headed "Going Concern Basis" in note 2(a) to the consolidated financial statements.

Inventories

As a result of the utilisation of inventories and provision for inventories amounting to RMB360.8 million during the Period, our inventories as at 31 December 2013 decreased by RMB711.5 million to RMB1,577.5 million (as at 31 December 2012: RMB2,289.0 million). The inventory turnover days increased from 136 days as at 31 December 2012 to 254 days as at 31 December 2013.

Amounts due from/to customers for contract works

As at 31 December 2013, the amounts due from customers for contract works decreased by RMB892.5 million to RMB7,407.3 million (as at 31 December 2012: RMB8,299.8 million). As at 31 December 2013, amounts due to customers for contract works decreased by RMB9.8 million to RMB321.8 million (as at 31 December 2012: RMB331.6 million). The decrease in amounts due to and from customers for contract works were the results of reduction in production scale. For the Period, RMB2,083.5 million of accounts receivable and RMB275.6 million of amounts due from customers for contract works was impaired and provided for after the management's assessment on the recoverability of individual customers.

Borrowings and finance lease liabilities

Our short-term borrowings and finance lease liabilities decreased by RMB1,935.2 million from RMB15,648.6 million as at 31 December 2012 to RMB13,713.4 million as at 31 December 2013. Our long-term borrowings and finance lease liabilities decreased by RMB782.1 million to RMB8,693.9 million as at 31 December 2013 from RMB9,476.0 million as at 31 December 2012.

As at 31 December 2013, our total borrowings and finance lease liabilities were RMB22,407.3 million (as at 31 December 2012: RMB25,124.5 million), of which RMB20,025.1 million (89.4%) was denominated in RMB and the remaining RMB2,382.2 million (10.6%) was denominated in other currencies such as US dollars ("**USD**") and HK dollars. Certain of the borrowings were secured by our land-use rights, buildings, construction contracts, pledged deposits and guarantees from related parties and companies within our Group. The majority of our bank borrowings are at floating interest rates.

Foreign exchange risks

Our shipbuilding business recorded revenue from contract prices mainly denominated in USD while about 30% of the production costs were denominated in USD. The cash flows of unmatched currencies are subject to foreign exchange risks. Management continuously assesses the foreign exchange risks, with an aim to minimize the impact of foreign exchange fluctuations on our business operations. Management has adopted measures to manage our foreign exchange exposure. The Group incurred net foreign exchange losses of RMB189.3 million due to the appreciation of RMB against USD during the Period which caused exchange losses on certain USD denominated assets, including accounts receivables and pledged deposits of the Group.

Capital expenditure

For the Period, our capital expenditure was approximately RMB694.0 million (for the Comparative Period: RMB3,457.0 million), which was mainly used in acquisition of land use rights, acquiring facilities and equipment for our constructed plants.

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 equity) increased from 62.5% as at 31 December 2012 to 78.4% as at 31 December 2013 mainly because the total equity decreased from RMB15,088.2 million as at 31 December 2012 to RMB6,169.1 million as at 31 December 2013, which is mainly affected by the accumulated losses RMB6,043.9 million for the Period (retained earnings for the Comparative Period: RMB2,641.3 million).

Contingent liabilities

As at 31 December 2013, we had contingent liabilities of RMB7,413.0 million (as at 31 December 2012: RMB9,792.7 million), which mainly resulted from the agreements entered between our Group and over ten banks in China, respectively, in relation to the grant of letter of guarantee to us and also some disputes in relation to some of our shipbuilding customers and suppliers.

Credit assessment and risk management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged deposits, as well as credit exposures to outstanding trade, bills and other receivables and amounts due from customers for contract works. As at 31 December 2013, all the Group's cash and bank balances, short term bank deposits and pledged deposits were placed in reputable banks 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.

As at 31 December 2013, trade receivables of RMB2,195.3 million (as at 31 December 2012: RMB168.5 million) and RMB270.4 million (as at 31 December 2012: RMB213.7 million) related to certain customers of the shipbuilding segment and engineering machinery segment were impaired and provided for respectively, as a result of the management's assessment on the recoverability of the balances.

Human resources

As at 31 December 2013, we had 4,738 employees (as at 31 December 2012: 6,594). The decrease in number of employees was mainly in relation to the market downturn. In spite of this, we endeavour to cultivate a culture of learning and sharing, focusing on individual training and development, and nurturing the concept of teamwork. The primary goal of our policy for remuneration package is to ensure employees are fairly rewarded and they receive appropriate incentives to maintain high standards of performance. To control administrative cost, we implement human resource optimization and consolidate business units. Furthermore, remuneration package of our senior and middle management of the Group was reduced by 30-50%.

MARKET ANALYSIS

Faced with a lackluster global shipping industry amid the sluggish economy in 2013, the shipbuilding industry was further dragged down by the tightening interbank liquidity, and an increasing hindrance against the shipbuilders seeking loans from banks and other financial institutions. Nevertheless, the shipbuilding market became more buoyant and saw a steady growth of new orders transaction on the back of increasing demand from ship owners. In 2013, according to the China Association of the National Shipbuilding Industry, the new shipbuilding orders in China surged by 242% year-on-year to 69.84 million DWT. The shipbuilding orders on hand increased by 22.5% year-on-year to 131 million DWT as at the end of December 2013. We expect the recession of the shipbuilding market has come to an end.

In 2013, the Chinese government continued to support structural adjustment and promoted transformation and upgrading of the shipbuilding industry. Priorities including mitigating the serious overcapacity and advancing structural adjustment have been defined in the initiatives such as the "Implementation Plan for Accelerating Structural Adjustment of the Shipbuilding Industry to Promote Transformation and Upgrading (2013 to 2015)" and the "Guidance on Mitigating Serious Overcapacity" issued by the State Council. To advance corporate merger and reorganisation, transformation and upgrade of the development growth model, 12 ministries and commissions including the Ministry of Industry and Information Technology ("MIIT") jointly promulgated the "Guidance on Accelerating Merger and Reorganisation of Enterprises in Key Industries". Four ministries and commissions including the Ministry of Transport issued the "Implementation Plan for Early Retirement and Replacement of Obsolete Carriers and Single-hull Tankers", defining the policies and scope for dismantling and replacement of obsolete vessels. Furthermore, MIIT issued the "Norms on Shipbuilding Industry" which required strengthening the administration over the shipbuilding industry. Amidst a structural adjustment cycle in the global shipbuilding industry, international competitions are increasingly dependent on technology, production efficiency and other soft strengths. In this context, major shipbuilders with leading technologies and sound facilities will be better positioned to leverage on preferential governmental policies and funding from financial institutions to fuel their development.

PROSPECTS

Looking forward to 2014, in view of our current state of operation, we are closely monitoring the future liquidity, sources of financing, and performance of the Company. We are actively utilizing alternative sources of financing, including issuance of convertible bonds and obtaining financial support from major shareholders, which have been executed accordingly and proved effective. Meanwhile, we have signed a framework agreement with over ten principal banks to establish a debt optimization syndicate, for the purpose of ensuring our stability of operations and improving our state of liquidity. Furthermore, we are implementing a comprehensive and rigid cost control mechanism through a variety of measures, including human resources optimization, management remuneration reduction, establishing strategic cooperation with key suppliers with a view to reducing costs, and re-designing and implementing a cost-oriented operational flow. In consideration of the recovering shipbuilding market, we are maximizing sales effort, arriving at better payment terms and revising up price of certain existing shipbuilding orders.

We believe that the global shipbuilding industry has bottomed out. The current excessive shipping capacity is expected to be absorbed by the growing trade volume in the course of global economic recovery. Against the backdrop of the recovering shipping demand versus the shrinking shipbuilding capacity, we expect an increasing demand for bulk carriers and large containerships with a steadily rising pricing index in the coming years. The major leading shipbuilders will capitalise on their strengths in scale, cost and technologies to better profit from the recovery, with further aid of the preferential government policies on industry restructuring. We will be ideally placed to benefit from these opportunities by our excellent ship product quality, which have won numerous recognitions and awards across the industry since inception of the Company.

Responding to current market conditions, we will continue to implement our "Transformation and Advancement" strategy. The coming years will see even stronger demand for large LNG and liquefied petroleum gas (“**LPG**”) carriers, as driven by the increasing market of new energy sources to fuel the global economic recovery in a cleaner, more eco-efficient and sustainable way. Meanwhile, the strong demand for offshore exploration and production engineering equipment will be maintained, sustaining the orders for offshore engineering equipment at a high level. Drawing upon our strengths in domestic manufacturing and competitive costs, we will make full use of the preferential industry policies to actively yet prudently promote the development of the offshore engineering business, one of our strategic moves towards transformation and advancement.

Due to the ongoing releases of new emission standards by the IMO, the ship owners adapting to new fuel-efficient and environment-friendly marine engines will be more advantageously positioned in market competition. We are working closely with licensors to develop and manufacture innovative LNG-driven and dual-fuel environment-friendly marine engines as well as medium-speed diesel engines, to capture the innovation opportunities to expand our market share. Meanwhile, as the shipbuilding industry is to recover, the demand for marine diesel engines should gradually pick up the momentum. We will strengthen management to enhance competitiveness of the marine engine building segment, aiming to not only provide solid support for our shipbuilding segment but also capture external market share.

We have adjusted our business strategy in accordance to the current state of operation. We are taking a variety of measures to improve financial position and cash flow position, which have been responded positively from relevant stakeholders. We will carry out risk management with more prudence and establish a conservative financial management system to turn around the financial position. The market recovery of our business segments, on top of continuous support from relevant stakeholders, has created a favourable atmosphere for our development, and we have full confidence in the prospects of the Company. Taking 2014 as a new starting point, we are prepared for our next advancement tempered by market instability.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Board and management of the Company strictly adhere to the principles of good corporate governance, which is vital to prudent management and the enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

During the year ended 31 December 2013, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviations as described below:

Code provision A.1.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting to give all Directors an opportunity to attend. During the year ended 31 December 2013, less than 14 days' notice was given for three Board meetings (other than regular meetings) to suit the tight and busy schedules of the participants.

Code provision A.2.1 of the Code stipulates that the roles of the chairman of the board (the "**Chairman**") and the chief executive officer should be separate and should not be performed by the same individual. Mr. Chen Qiang has performed both the roles of Chairman and chief executive officer of the Company in deviation from code provision A.2.1 of the Code. The Company believes that it is more efficient and effective for the Company to develop its long term strategies and in execution of its business plans if Mr. Chen Qiang serves as both the Chairman and the chief executive officer of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rule (the "**Model Code**"). Having made specific enquiry of the Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2013.

AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2013 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2013.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2013:

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As set out in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB8,953,000,000 and had a net operating cash outflow of approximately RMB3,203,000,000 during the year ended 31 December 2013. As of the same date, the Group's current liabilities exceeded its current assets by RMB6,683,000,000. In addition, as at the same date and up to the date of the approval of the consolidated financial statements, certain loan principal repayments and interest payments were overdue and the Group also failed to comply with certain restrictive financial covenants of certain borrowings. These conditions, together with others described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) availability of financing from banks through successful negotiations for extension or renewal of outstanding bank loans, including those with overdue principal repayments and interest payments, provision of new loans, and waiver from complying with certain restrictive financial covenants of certain borrowings; (ii) availability of other alternative sources of financing, including the availability of the financial support from the major shareholder as needed and the successful issuance of convertible bonds; (iii) whether the bond holders of certain convertible bonds issued and to be issued will exercise their early redemption options to request the Company to redeem the outstanding convertible notes should the market price of the Company's shares falls below a certain level; and (iv) whether the Group is able to generate adequate cash flows from its operations.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

Disclaimer of Opinion

Because of the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

DISCLOSABLE TRANSACTION

On 26 April 2011, Jiangsu Rongsheng Heavy Industries Co., Ltd. ("**Rongsheng Heavy Industries**") , a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with The People's Government of Quanjiao County, Anhui Province (the "**Vendor**"), pursuant to which Rongsheng Heavy Industries conditionally agreed to acquire, after the Agreement has taken effect, the entire equity interest in Anhui Quanchai Group Corp. from the Vendor for an aggregate consideration of RMB2,148,870,000 (the "**Transaction**"). In accordance with applicable PRC laws and regulations, the Transaction required Rongsheng Heavy Industries to make a general offer (the "**General Offer**") for all of the outstanding equity interest of Anhui Quanchai Engine Co., Ltd. ("**Quanchai Engine**"), whose shares are listed on the Shanghai Stock Exchange and the equity interest of which was owned by the Vendor as to 44.39% as of the date of the Agreement.

After consultation with the Vendor, an application was made on 17 August 2012 by Rongsheng Heavy Industries to the China Securities Regulatory Commission ("**CSRC**") for the withdrawal of its application for the approval by the CSRC of the Transaction. The materials submitted to the CSRC in respect of the application for approval for the General Offer were returned to Rongsheng Heavy Industries on 20 August 2012 and Rongsheng Heavy Industries will not proceed with the General Offer; and Rongsheng Heavy Industries will not conduct any acquisition of equity interest in Quanchai Engine within 12 months from 21 August 2012. The amount of RMB523,890,000, being the deposit previously paid to China Securities Depositary and Clearing Corp. Ltd. Shanghai Branch in respect of the General Offer, together with interest, was returned to Rongsheng Heavy Industries. Consultations between Rongsheng Heavy Industries and the Vendor will continue to be conducted with respect to the consequential matters relating to the Transaction.

On 11 July 2013, the Company received a written notification from the Anhui Province Higher People's Court that it has accepted the litigation proceedings (the "**Proceedings**") initiated by Rongsheng Heavy Industries against Anhui Province Property Rights Exchange Co., Ltd. for the return of the payment of RMB630,000,000 made by Rongsheng Heavy Industries as security deposit for bidding of the equity interest in respect of the Transaction, together with the relevant interest. On 10 September 2013, Rongsheng Heavy Industries requested that the Vendor be joined as a co-defendant in the Proceedings. On 19 November 2013, Rongsheng Heavy Industries received a notification from Anhui Province Higher People's Court on the initiation of a counter-claim by the Vendor seeking an order for the return of the deposit to Vendor and the payment by Rongsheng Heavy Industries of the amount of RMB427,182,520 for alleged breach of contract, interest on delay in payment and compensation for loss to Vendor.

Details of the update on the Transaction were disclosed in the announcements of the Company dated 26 April 2011, 1 June 2012, 5 June 2012, 17 July 2012, 17 August 2012, 21 August 2012, 2 December 2012, 11 July 2013 and 21 November 2013 respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

PUBLIC FLOAT

As far as the Company is aware, as at the date of this announcement, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

ANNUAL GENERAL MEETING

The 2014 annual general meeting of the Company (the "**2014 AGM**") will be held on 21 May 2014 and the notice will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the period:

from Friday, 16 May 2014 to Wednesday, 21 May 2014, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2014 AGM. In order to be eligible to attend and vote at the 2014 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 15 May 2014.

ANNUAL REPORT

The 2013 Annual Report containing the applicable information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Group (www.rshi.cn) in due course. Printed copies will be dispatched to shareholders in due course.

I, on behalf of the Board, would like to take this opportunity to express its sincere gratitude to all our staff for their hard work and cooperation and to all our shareholders for their patience and support.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Qiang (Chairman), Mr. WU Zhen Guo, Mr. HONG Liang, Mr. Sean S J WANG, Mr. WANG Tao, Mr. WEI A Ning and Ms. ZHU Wen Hua; and the independent non-executive directors are Mr. TSANG Hing Lun, Mr. XIA Da Wei, Mr. HU Wei Ping and Mr. WANG Jin Lian.

On Behalf of the Board
CHEN Qiang
Chairman

Hong Kong, 28 March 2014

CHINA RONGSHENG HEAVY INDUSTRIES GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	*RMB'000*	*RMB'000*
Revenue	*1*	**1,343,566**	7,956,347
Cost of sales	*2*	**(2,776,491)**	(6,815,650)
Gross (loss)/profit		**(1,432,925)**	1,140,697
Selling and marketing expenses	*2*	**(20,341)**	(91,741)
General and administrative expenses	*2*	**(1,371,716)**	(1,064,999)
Research and development expenses	*2*	**(61,853)**	(146,552)
Provisions for impairments and delayed penalties	*2*	**(5,107,036)**	(336,869)
Other income	*3*	**40,613**	668,878
Other (losses)/gains – net	*4*	**(277,284)**	56,242
Operating (loss)/profit		**(8,230,542)**	225,656
Finance income		**153,357**	191,288
Finance costs		**(981,392)**	(989,166)
Finance costs – net		**(828,035)**	(797,878)
Loss before income tax		**(9,058,577)**	(572,222)
Income tax credit	*5*	**105,142**	10,187
Loss for the year		**(8,953,435)**	(562,035)
Other comprehensive income for the year:			
Items that may be reclassified to profit or loss			
-Fair value gain on available-for-sale financial asset		**1,547**	–
Total comprehensive loss for the year		**(8,951,888)**	(562,035)
Loss attributable to:			
Equity holders of the Company		**(8,683,689)**	(572,577)
Non-controlling interests		**(268,199)**	10,542
		(8,951,888)	(562,035)
Losses per share for loss attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	*6*	**(1.24)**	(0.08)
Dividend (expressed in RMB per share)	*7*	**–**	–

CHINA RONGSHENG HEAVY INDUSTRIES GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**4,045,028**	875,666
Property, plant and equipment		**17,471,432**	18,616,499
Intangible assets		**–**	468,589
Long-term deposits		**149,430**	153,343
Prepayments for non-current assets		**82,459**	1,868,540
Deferred tax assets		**–**	168,052
Available-for-sale financial asset		**41,547**	40,000
		21,789,896	22,190,689
Current assets			
Inventories		**1,577,495**	2,288,978
Amounts due from customers for contract works		**7,407,254**	8,299,806
Trade and bills receivables	*8*	**1,318,923**	3,811,363
Other receivables, prepayments and deposits		**2,632,931**	7,497,132
Pledged deposits		**1,131,225**	3,937,081
Cash and cash equivalents		**117,020**	2,143,788
		14,184,848	27,978,148
Total assets		**35,974,744**	50,168,837
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**599,526**	599,526
Share premium		**7,490,812**	7,490,812
Other reserves		**3,514,818**	3,480,596
(Accumulated losses)/retained earnings		**(6,043,870)**	2,641,306
		5,561,286	14,212,240
Non-controlling interests		**607,766**	875,965
Total equity		**6,169,052**	15,088,205

CHINA RONGSHENG HEAVY INDUSTRIES GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**7,979,016**	8,788,822
Finance lease liabilities – non-current		**714,843**	687,144
Advances from a related party		**243,838**	-
Deferred tax liabilities		**–**	4,191
		8,937,697	9,480,157
Current liabilities			
Amounts due to customers for contract works		**321,778**	331,616
Trade and other payables	*9*	**6,243,083**	9,278,474
Borrowings		**13,615,249**	15,282,755
Derivative financial instruments		**482,997**	5,094
Provision for warranty		**106,731**	146,655
Finance lease liabilities – current		**98,157**	365,812
Current income tax liabilities		**–**	190,069
		20,867,995	25,600,475
Total liabilities		**29,805,692**	35,080,632
Total equity and liabilities		**35,974,744**	50,168,837
Net current (liabilities)/assets		**(6,683,147)**	2,377,673
Total assets less current liabilities		**15,106,749**	24,568,362

NOTES:

1. CORPORATE INFORMATION

China Rongsheng Heavy Industries Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KYI – 1111, Cayman Islands. On 19 November 2010, the shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), pursuant to which 7,000,000,000 new shares of HK$0.1 each were issued by the Company.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except as modified by the accounting policies stated below.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Going Concern Basis

During the year ended 31 December 2013, the Group had incurred a loss of approximately RMB8,953,000,000 and had a net operating cash outflow of approximately RMB3,203,000,000 due to market downturn and financial difficulties of the Group's customers. As at the same date, the Group's current liabilities exceeded its current assets by RMB6,683,000,000. Its total borrowings and finance lease liabilities amounted to RMB22,407,000,000, out of which RMB13,713,000,000 will be due within 12 months. The cash and cash equivalents of the Group amounted to RMB117,000,000 as at 31 December 2013.

Included in the Group's borrowings were certain current bank loans of RMB127,000,000, which were overdue and have not been renewed or repaid subsequent to year end. In addition, the Group failed to comply with certain restrictive financial covenants of certain current bank borrowings totaling RMB687,000,000 and non-current bank borrowings totaling RMB1,004,000,000 as at 31 December 2013. Subsequent to year end, certain loan principal repayments and interest payments were overdue which may cause the relevant current and non-current bank loans totaling RMB4,039,000,000 and RMB1,004,000,000 respectively as at 31 December 2013 to become immediately repayable should the banks enforce their rights under the loan agreements. As of the date of the approval of these consolidated financial statements, these banks have not taken any action against the Group.

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

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

a) taking active measures to expedite collections of outstanding receivables from shipbuilding customers, control administrative costs through various channels including human resources optimization and management remuneration adjustment and contain capital expenditures;

b) arriving at better payment terms and revising up prices of certain existing shipbuilding orders;

c) re-designing its operation flow and control costs for its existing shipbuilding orders;

d) maximizing sales efforts, including securing additional shipbuilding orders, in particular in bulk carrier which are of high prices and better conditions compared with before, and obtaining the appropriate project-based financing;

e) establishing strategic cooperation with key suppliers with a view to reducing costs of supplies;

f) in relation to those bank loans for which the Group breached the relevant loan covenants or did not repay on time, the Group (1) obtained waiver from the lender from complying with the relevant covenant in March 2014 in relation to an outstanding current bank loan of RMB607,000,000; and (2) is in the process of negotiating with the relevant banks to either extend the repayment terms or obtain waivers from complying with the relevant covenants.

g) The Group has been actively negotiating with a number of commercial banks for renewal and extension of loans and banking facilities with extended repayment terms and reduced interest rates, or securing new loans or facilities. In particular, the Group has signed a framework agreement with a group of PRC banks in the Jiangsu province, with which the Group had total outstanding current and non-current loans amounting to RMB9,203,000,000 and RMB1,140,000,000 respectively, to extend the repayment and renewal terms to the end of the year 2015. The Group is actively negotiating with these banks on the final terms and conditions of the extension of repayment under loan agreements, which have not yet been fixed and determined. For the remaining current bank loans not covered in the above framework agreement, the directors expect that they will either be restructured, renewed or repaid in the year 2014 upon expiry. Subsequent to the year end, loans in the aggregate principal amount of RMB2,412,000,000 were successfully renewed, at a weighted average interest rate of 6.84% and repayable from April 2014 to March 2015.

h) Other than bank borrowings, the Group is actively seeking alternative sources of financing. In January 2014, the Group successfully issued a convertible bond with principal amount of HK$1 billion (equivalent to approximately RMB786,000,000) which is scheduled for repayment in July 2016 if no conversion occurs. In addition, the Group has entered into subscription agreements with two subscribers pursuant to which the Group expects to issue further convertible bond amounting to HK$1 billion (equivalent to approximately RMB786,000,000) in April 2014, which is scheduled for repayment in October 2016 if no conversion occurs. Furthermore, in December 2013, Mr. Zhang Zhi Rong, an existing major shareholder of the Company, has agreed to provide security-free and interest-free revolving facility up to March 2015 to the Group for an amount up to RMB3 billion. Up to the date of approval of these consolidated financial statements, Mr. Zhang has provided interest-free loans to the Group totaling approximately RMB1,283,000,000, of which RMB593,000,000 were provided subsequent to 31 December 2013. These loans are repayable beyond twelve months from the date of approval of these consolidated financial statements.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the balance sheet date. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when the fall due within the next twelve months from the date of the balance sheet. 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) securing the final borrowing arrangements with a group of PRC banks in Jiangsu province under the signed framework agreement, at terms and conditions that are acceptable to the Group, so that the Group would be able to extend the repayment terms of the related current and non-current loans amounting to RMB9,203,000,000 and RMB1,140,000,000 respectively to the end of year 2015;

(ii) seeking alternative sources of financing with other banks not covered in the framework arrangement mentioned in (i) above for the renewal, extension, or obtaining additional new financing to repay the remaining current bank loans upon expiry;

(iii) negotiation with the relevant banks to extend the repayment terms or obtain waivers on those outstanding current and non-current bank loans totaling RMB4,773,000,000 and RMB1,004,000,000 respectively, which (1) the Group has failed to comply with certain financial covenants; and/or (2) were overdue but have not been renewed or repaid by the Group;

(iv) obtaining additional financial supports from Mr. Zhang Zhi Rong as needed;

(v) issuance of convertible bond of HK$1 billion in April 2014;

(vi) requesting the convertible bond holders not to exercise their redemption options to require the Company to redeem the outstanding convertible bond issued in August 2013 of HK$1.4 billion (which is currently a current borrowing as the bond holders have the unconditional right to request for redemption starting from August 2014), the convertible bond of HK$1 billion issued in January 2014 (scheduled to be repayable in July 2014); and the convertible bond of HK$1 billion to be issued in April 2014 (scheduled to be repayable in October 2014), as all these convertible bonds contain terms that allow the bondholders to early redeem the whole or any part of the principal amount outstanding when the market price of the Company's shares falls below a certain level; and

(vii) implementation of its operations plan described above to control costs and generate adequate cash flows.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(b) 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 2013:

- IAS 1 (Amendment) – Presentation of Items of Other Comprehensive Income
- IAS 19 (Amendment) – Employee Benefits
- IAS 27 (revised 2011) – Separate Financial Statements
- IAS 28 (revised 2011) – Investments in Associates and Joint Ventures
- IFRS 1 (Amendment) – Government Loans
- IFRS 7 (Amendment) – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 10, IFRS 11 and IFRS 12 (Amendments) – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- IFRS 13 – Fair Value Measurements
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
- Annual improvements 2011 – Improvements to IAS and IFRS

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.

(c) New standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2013 and have not been early adopted

- IAS 19 (Amendment) – Employee Benefits – Defined Benefits Plans[2]
- IAS 32 (Amendment) – Financial Instruments: Presentation[1]
- IAS 36 (Amendment) – Recoverable Amount Disclosures for Non-financial Assets[1]
- IAS 39 (Amendment) – Novation of derivatives[1]
- IFRS 7 and IFRS 9 (Amendments) – Mandatory Effective Date and Transition Disclosures[3]
- IFRS 9 – Financial Instruments[3]
- IFRS 10, IFRS 12 and IAS 27 (2011) (Amendments) – Investment Entities[1]
- IFRIC 21 – Levies[1]
- Annual improvements project (2012 – 2013 cycle) – Improvements to IAS and IFRS[2]

[1] Changes effective for annual periods beginning on or after 1 January 2014

[2] Changes effective for annual periods beginning on or after 1 July 2014

[3] Changes effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations to the existing standards, but is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on its results of operation and finance position.

(d) Changes in accounting policies

In previous years, the Group's buildings, including buildings under construction, were carried at historical cost less accumulated depreciation and impairment losses. Management reassessed the appropriateness of this accounting policy during the period and concluded that using the revaluation model under IAS 16 "Property, Plant and Equipment" would result in the consolidated financial information providing more appropriate and relevant information about the underlying value of the Group's assets employed for its operation and the return thereon.

Consequently, the Group changed its accounting policy on buildings, including buildings under construction, to follow the revaluation model under IAS 16 with effect from 1 January 2013. The change from a cost model to a revaluation model of buildings, including buildings under construction, has been accounted for prospectively, which is in accordance with IAS 16 and specifically exempted from retrospective application under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

1. SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as these consolidated financial statements.

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business from both a geographic and product perspective. The Shipbuilding segment derives its revenue primarily from the construction of vessels, and the Offshore Engineering segment derives its revenue from the construction of vessels for marine projects. The Engineering Machinery segment derives its revenue from manufacturing of excavators and crawler cranes while the Marine Engine Building segment derives its revenue from building marine engines. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. Segment results are calculated by offsetting segment revenue from external customers with segment cost of sales. The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2013 is as follows:

	Shipbuilding Year ended 31 December		**Offshore Engineering Year ended 31 December**		**Engineering Machinery Year ended 31 December**		**Marine Engine Building Year ended 31 December**		**Total Year ended 31 December**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**1,195,727**	7,558,567	**–**	–	**18,350**	301,855	**232,361**	740,526	**1,446,438**	8,600,948
Inter-segment revenue	**–**	–	**–**	–	**(1,573)**	(92,104)	**(101,299)**	(552,497)	**(102,872)**	(644,601)
Revenue from external customers	**1,195,727**	7,558,567	**–**	–	**16,777**	209,751	**131,062**	188,029	**1,343,566**	7,956,347
Segment results	**(1,033,387)**	1,108,047	**–**	–	**(322,189)**	49,272	**(77,349)**	(16,622)	**(1,432,925)**	1,140,697
Selling and marketing expenses									**(20,341)**	(91,741)
General and administrative expenses									**(1,371,716)**	(1,064,999)
Research and development expenses									**(61,853)**	(146,552)
Other income									**40,613**	668,878
Other (losses)/gains, net									**(277,284)**	56,242
Provisions for impairments and delayed penalties									**(5,107,036)**	(336,869)
Finance costs, net									**(828,035)**	(797,878)
Loss before income tax									**(9,058,577)**	(572,222)

1. SEGMENTAL INFORMATION (CONTINUED)

	Shipbuilding Year ended 31 December		Offshore Engineering Year ended 31 December		Engineering Machinery Year ended 31 December		Marine Engine Building Year ended 31 December		Total Year ended 31 December	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**7, 526,873**	11,185,400	**1,076,649**	1,136,265	**745,578**	1,773,632	**3,706,833**	4,573,595	**13,055,933**	18,668,892
Unallocated									**22,918,811**	31,499,945
Total assets									**35,974,744**	50,168,837

	Shipbuilding Year ended 31 December		Offshore Engineering Year ended 31 December		Engineering Machinery Year ended 31 December		Marine Engine Building Year ended 31 December		Total Year ended 31 December	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment liabilities	**202,176**	331,616	**192,722**	105,367	**548,379**	1,142,624	**4,643,575**	4,188,012	**5,586,852**	5,767,619
Unallocated									**24,218,840**	29,313,013
Total liabilities									**29,805,692**	35,080,632

Segment assets are measured in accordance with IFRSs and the unallocated items mainly included prepayments and deposits and cash and cash equivalents. Unallocated assets also included inventories and property, plant and equipment jointly used by the Shipbuilding and Offshore Engineering segments.

Unallocated liabilities mainly included trade and other payables and borrowings, which are jointly shared by the Shipbuilding and Offshore Engineering segments.

No revenue was derived from the Offshore Engineering segment for the year ended 31 December 2013.

The Group's revenue by country is analysed as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
China	**573,396**	1,654,648
Greece	**252,661**	2,083,127
Israel	**212,095**	337,704
India	**160,171**	701,165
Turkey	**96,813**	568,722
Norway	**83,549**	177,782
Germany	**(812)**	13,911
Brazil	**(34,371)**	2,133,094
Oman	**–**	273,132
Others	**64**	13,062
	1,343,566	7,956,347

2. EXPENSES BY NATURE

	2013	2012
	RMB'000	*RMB'000*
Raw materials and consumable used	**1,052,221**	5,166,753
Amortisation of land use rights	**64,005**	16,083
Depreciation of property, plant and equipment	**469,467**	439,319
Amortisation of intangible assets	**110,141**	29,504
Employee benefit expenses	**541,598**	655,495
Operating lease payments	**126,420**	77,497
Auditors' remunerations	**11,268**	13,049
Outsourcing and processing costs	**626,534**	797,353
Commission expense	**55,138**	72,926
Design fees	**3,875**	68,234
Agency fees	**15**	27,815
Consultancy and professional fees	**95,650**	60,859
Bank charges (include refund guarantee charges)	**61,729**	75,445
Reversal of warranty	**(37,910)**	(40,479)
Office expenses and utilities	**124,239**	262,609
Donations and sponsoring expenses	**–**	26,600
Inspection fees	**18,359**	49,252
Insurance premiums	**16,090**	21,553
Storage and handling charges	**36,699**	55,109
Advertising, promotion and marketing expenses	**101,556**	82,912
Royalty expenses	**22,108**	39,485
Trade receivables written off	**263,250**	–
Provision for delayed penalties	**407,883**	–
Provision for inventories	**360,803**	19,790
Impairment provision of		
- trade receivables	**2,083,467**	336,869
- other receivables and prepayment	**892,381**	–
- amounts due from customers for contract works	**275,590**	–
- property, plant and equipment	**944,139**	–
- intangible assets	**503,576**	–
Miscellaneous expenses	**107,146**	101,779
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses and provisions	**9,337,437**	8,455,811

3. OTHER INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Government grants	**26,464**	88,036
Compensation income	**–**	239,689
Others	**14,149**	341,153
Total	**40,613**	668,878

4. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fair value loss of derivative instruments – forward contracts	**–**	(9,729)
Fair value gains/(losses) on derivative instruments – interest rate swap	**3,557**	(2,079)
Fair value losses on derivative instruments – embedded derivative in a convertible bond	**(91,518)**	-
Net foreign exchange (losses)/gains	**(189,323)**	68,050
Total	**(277,284)**	56,242

5. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax:		
– PRC Enterprise Income Tax ("EIT")	**–**	85,371
– Overprovision in prior year	**(271,782)**	-
Deferred income tax	**166,640**	(95,558)
Total income tax (credit)/ expense	**(105,142)**	(10,187)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law, the EIT rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

A PRC subsidiary is eligible for EIT exemption for two years commencing from the first taxable year, followed by a 50% reduction in the EIT rate for the next three years. The first taxable year of this subsidiary eligible for EIT exemption was 2008.

6. LOSSES PER SHARE

(a) Basic

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Losses attributable to equity holders of the Company *(RMB'000)*	**8,683,689**	572,577
Weighted average number of ordinary shares in issue	**7,000,000,000**	7,000,000,000
Basic losses per share *(RMB per share)*	**1.24**	0.08

(b) Diluted losses per share

Diluted losses per share is the same as basic losses per share as there were no potential dilutive ordinary shares outstanding during the year (2012: same).

7. DIVIDENDS

The Board has resolved not to declare for the payment of final dividend for the year 2013 (2012: nil).

8. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**3,784,629**	4,187,652
Less: Provision for doubtful receivables	**(2,465,706)**	(382,239)
Bills receivables	**–**	5,950
	1,318,923	3,811,363

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Undue	**36,020**	266,369
Past due 1-180 days	**55,071**	359,746
Past due 181-360 days	**60,431**	1,956,856
Past due over 361 days	**1,167,401**	1,228,392
	1,318,923	3,811,363

As at 31 December 2013, trade receivables of RMB270,402,000 (2012: RMB213,694,000) and RMB2,195,304,000 (2012: 168,545,000) related to certain customers of the Engineering Machinery segment and the Shipbuilding segment were impaired and provided for respectively.

Movements on the provision for doubtful receivables are as follows:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**382,239**	45,370
Provision for the year	**2,115,652**	338,304
Reversal during the year	**(32,185)**	(1,435)
At 31 December	**2,465,706**	382,239

The creation and release of provision for doubtful receivables have been included within provisions for impairments and delayed penalties in the consolidated statement of comprehensive income.

As at 31 December 2013, trade receivables of RMB1,282,903,000 (2012: RMB3,544,994,000) were past due but not impaired. The ageing analysis of these trade receivables by due dates is listed above.

As at 31 December 2013, trade receivables amounting to RMB206,107,000 (2012: RMB359,441,000) were secured by guarantees issued by the banks or related companies of certain customers. The maximum exposure to credit risk at the reporting date is the fair value of RMB1,318,923,000 less the secured trade receivables.

During the year ended 31 December 2013, the Group assigned trade receivables amounted to RMB487,752,000 to a bank (2012: RMB502,840,000). Such arrangement is secured by deposits of RMB243,876,000. These pledged deposits will be released upon the earlier of the termination of the arrangement on 28 June 2014 or settlement of the assigned trade receivables to the bank from customers.

The credit term granted to customers of the Group are generally ranged from 30 days to 90 days, accordingly, balances are past due if not settled within the credit period.

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**1,734,475**	2,815,079
Bills payables		
– Third parties	**574,610**	3,686,309
– Related parties	**52,190**	2,950
Other payables for purchase of property, plant and equipment		
– Third parties	**482,360**	370,889
– Related parties	**175,659**	904,420
Other payables		
– Third parties	**1,335,149**	234,686
– Related parties	**271,840**	102
Receipt in advance	**147,742**	158,822
Accrued expenses		
– Payroll and welfare	**116,118**	90,810
– Design fees	**68,407**	88,560
– Utilities	**30,475**	7,369
– Outsourcing and processing fee	**558,573**	466,005
– Provisions for delayed penalties	**407,883**	–
– Others	**365,024**	336,732
Litigation	**149,402**	–
VAT payable	**1,344**	5,841
Other tax-related payables	**15,670**	109,900
	6,486,921	9,278,474
Less: non-current other payables	**(243,838)**	–
Current payables	**6,243,083**	9,278,474

Ageing analysis of trade and bills payables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
0-30 days	**154,312**	2,007,458
31-60 days	**88,836**	1,047,057
61-90 days	**39,596**	588,370
Over 90 days	**2,078,531**	2,861,453
	2,361,275	6,504,338