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 2011

The board of directors (the "**Board**") of China Rongsheng Heavy Industries Group Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2011 (the "**Period**") with comparative figures. The Audit Committee of the Company has reviewed the results and the consolidated financial statements of the Group for the year ended 31 December 2011.

KEY FINANCIAL INDICATORS

	2011	2010	**Change**
Revenue *(RMB'000)*	**15,904,585**	12,665,479	25.6%
Earnings attributable to the equity holders of the Company *(RMB'000)*	**1,720,675**	1,718,704	0.1%
Gearing ratio (Total borrowing/(Total borrowing plus total equity))	**61.8%**	54.6%	7.2pp
Total dividend per share *(RMB cents)*	**7.4***	6.8	8.8%
Total dividend per share *(HKD cents)*	**9.0**	8.1	11.1%

* Including interim dividend of RMB5.2 cents and proposed final dividend of RMB2.2 cents

MANAGEMENT DISCUSSION & ANALYSIS

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

BUSINESS REVIEW

For the Period, our revenue was RMB15,904.6 million, representing a growth rate of 25.6% from RMB12,665.5 million for the year ended 31 December 2010 (the "**Comparative Period**"). Earnings attributable to the equity holders of the Company were RMB1,720.7 million, representing an increase of 0.1% as compared with RMB1,718.7 million in the Comparative Period.

Revenue and segment information:

	For the year ended 31 December			
	2011		2010	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Shipbuilding	**15,373,924**	**96.7%**	11,841,980	93.5%
Offshore Engineering	**31,295**	**0.2%**	465,393	3.7%
Marine Engine Building	**93,024**	**0.6%**	30,841	0.2%
Engineering Machinery	**406,342**	**2.5%**	327,265	2.6%
Total	**15,904,585**	**100%**	12,665,479	100%

Shipbuilding

For the Period, shipbuilding was our major business segment and also our major revenue source. Revenue from our shipbuilding segment was RMB15,373.9 million, representing 96.7% of total revenue.

Order Book and New Orders

In 2011, we demonstrated strong marketing capability by securing new shipbuilding orders for 39 vessels of 4.6 million Dead Weight Tonnes ("DWT") with a total contract value of USD1,809.7 million, despite a 54.6% decline in global new orders and a 58.3% decline in China's new orders amid a complex and volatile world marketplace. According to Clarkson Research, our new shipbuilding orders represented 15.6% of China's and 7.2% of the world's new shipbuilding orders in 2011, representing increases of 7.5 percentage points and 3.1 percentage points respectively. Thus we were ranked first in China and third in the world in terms of new shipbuilding orders measured by DWT.

We endeavored to move upwards along the industry value chain. We continued to expand our domestic ship-owners customer base, enrich our product variety and build an order book with more high-value vessel types. In 2011, we actively pursued containerships orders, which accounted for 14.6% of our total new orders. Meanwhile, we continued to develop advanced vessel types with eco-friendly features, in full appreciation of current market requirements regarding fuel efficiency and low emission standards.

The following table sets forth the information relating to our new orders of shipbuilding segment for the Period and the Comparative Period, respectively.

	For the year ended 31 December					
	2011			2010		
	DWT *('000)*	**Contract value** *(USD mm)*	**No. of vessels**	DWT *('000)*	Contract value *(USD mm)*	No. of vessels
Bulk carriers and VLOCs	**2,597.6**	**908.1**	**24**	2,052.0	922.6	27
Crude oil tankers and VLCCs	**1,645.0**	**637.0**	**11**	3629.0	1,342.2	19
Containerships	**319.4**	**264.6**	**4**	—	—	—
Total	**4,562.0**	**1,809.7**	**39**	5,681.0	2,264.8	46

Note: the contract values were all translated (where applicable) into US dollars on the respective balance sheet dates at the rates of USD1.00 = RMB6.3009 as at 31 December 2011 and USD1.00 = RMB6.6229 as at 31 December 2010. In addition, the figures do not include orders that had been cancelled as of the balance sheet dates of each year.

As at 31 December 2011, our order book included 111 vessels, representing a total of 16.8 million DWT and a total contract value of USD6,623.8 million, including 52 Panamax bulk carriers, 3 Capesize bulk carriers, 21 very large ore carriers ("**VLOC**"), 24 Suezmax crude oil tankers, 1 Panamax oil tanker, 2 Very Large Crude Oil Carriers ("**VLCC**"), 4 6,500-TEU containerships and 4 7,000-TEU containerships.

The following table sets forth the information relating to our orders on hand as at 31 December 2011 and 31 December 2010, respectively.

	As at 31 December 2011			As at 31 December 2010		
	DWT *('000)*	**Contract value** *(USD mm)*	**No. of vessels**	DWT *('000)*	Contract value *(USD mm)*	No. of vessels
Bulk carriers and VLOCs	**11,709.6**	**4,222.7**	**76**	10,644.0	3,943.0	60
Crude oil tankers and VLCCs	**4,476.0**	**1,724.7**	**27**	4,877.0	1,917.7	27
Containerships	**658.0**	**676.4**	**8**	338.6	411.8	4
Total	**16,843.6**	**6,623.8**	**111**	15,859.6	6,272.5	91

Note: our order book, as of the dates indicated above, represents the total nominal contract value of the orders that had not been completed, including the portion of revenue in respect of those orders that had been recognised as of such dates, all as translated (where applicable) into US dollars on the respective balance sheet dates at the rates of USD1.00 = RMB6.3009 as at 31 December 2011 and USD1.00 = RMB6.6229 as at 31 December 2010. In addition, the figures do not include the orders that had been cancelled as at the balance sheet dates of each year.

For the Period, we successfully delivered our first VLOC. This model is currently the world's biggest dry bulk carrier with the largest cargo capacity and features state-of-the-art technologies for mega-sized bulk carriers. The main engine of the vessel was also built by the Group, being the first Wärtsilä low-speed marine diesel engine with maximum power built in China.

At the Seatrade Asia Award Ceremony held in June 2011, we were presented the Shipbuilding Award yet again, underscoring international recognition for our proactive efforts in combating the financial crisis and remarkable achievements in making major strides in business development against adverse market conditions.

Offshore Engineering

Our revenue from offshore engineering segment for the Period, which arose from the construction of the 3,000-meter deepwater pipe-laying crane vessel ("**DPV**"), was RMB31.3 million. The DPV had contributed revenue since 2008 and was completed in the Period.

Marine Engine Building

Our revenue from the marine engine building segment for the Period was RMB1,130.2 million (before group consolidation), an increase of 257.6% from the Comparative Period. After excluding inter-segments sales, the marine engine building segment contributed RMB93.0 million, an increase of 201.6% from the Comparative Period. We secured new orders for 37 low-speed marine diesel engines (of which 14 were external orders) in 2011, representing a total capacity of 683,663 horsepower and a total contract value of RMB1,190.1 million. The Group's total orders on hand as at 31 December 2011 were 56 engines (of which 26 were external orders), representing a total capacity of 1,144,868 horsepower and a total contract value of RMB1,936.9 million. During the Period, we delivered 34 diesel engines with a total capacity of 650,233 horsepower.

The Group successfully delivered the first 5S60ME-C diesel engine manufactured in China during the Period. This low-emission and fuel-efficient model meets stringent emission regulations imposed by maritime organizations and fulfills the growing demand for fuel efficient vessels.

Engineering Machinery

For the Period, our revenue from the engineering machinery segment was RMB680.9 million (before group consolidation), an increase of 108.1% from the Comparative Period. After excluding inter-segment sales, this segment contributed revenue of RMB406.3 million, representing a year-on-year increase of 24.2%.

Following the official commissioning of phase one of our new plant on 28 June 2011, with a site area of 850 *mu*, our production capacity has been further enhanced. The project was a part of the "861 Action Plan" of Anhui Province and has been designated as a key implementation project under the "Twelfth Five-Year Plan" of the Hefei Municipal Government. Currently, we are focusing on the production of 16 types of hydraulic excavators and 2 types of crawler cranes. In a change of marketing model from ex-provincial direct marketing to agency sales, 23 sales agents were appointed in 2011. Meanwhile, we have also enhanced cooperation with financial institutions in all respects, while adjusting our product mix and sales models to address market changes, with a view to fostering core competitive strengths.

FINANCIAL REVIEW

With our business expansion, our inventories as at 31 December 2011 increased by RMB1,052.7 million to RMB2,610.0 million (as at 31 December 2010: RMB1,557.3 million). Our inventory turnover days increased from 60 days as at 31 December 2010 to 73 days as at 31 December 2011.

As at 31 December 2011, the amounts due from customers for contract works increased by RMB3,108.0 million to RMB7,199.0 million (as at 31 December 2010: RMB4,091.0 million). Amounts due to customers for contract works decreased by RMB3,685.0 million to RMB1,168.3 million (as at 31 December 2010: RMB4,853.3 million). The increase in amounts due from customers for contract works was due to our closer strategic cooperation with shipowners and acceleration of shipbuilding in response to the uncertainties and risks in the markets. Also, we were committed to maintaining the number of our orders steady and continuously develop our potential markets. The decrease in amounts due to customers for contract works was due to increases in number of commencement of construction as well as vessels under construction. As at 31 December 2011, trade and bill receivables increased by RMB3,272.4 million to RMB3,600.2 million (as at 31 December 2010: RMB327.8 million). Turnover days of trade and bill receivables increased from 9 days to 45 days during the Period, primarily as a result of the significant increase in number of vessels under construction during the Period, and further contagion of the European debt crisis dragging the global shipping market into recession, which had a ripple effect on the shipbuilding industry. After taking into consideration our long-term cooperation with shipowners as well as the fact that main body of related vessels were finished, we consider there is minimal risk for collecting these receivables of shipbuilding segment. Therefore, no provision for impairment was recorded by the Group.

Driven by working capital requirements arising from our business expansion during the Period, our short-term borrowings and long-term borrowings increased to RMB15,409.1 million (as at 31 December 2010: RMB9,462.1 million) and RMB10,017.6 million (as at 31 December 2010: RMB8,173.3 million) respectively as at 31 December 2011, representing an increase of RMB5,947.0 million and RMB1,844.3 million, respectively.

Profit attributable to the equity holders of the Company was RMB1,720.7 million for the Period, representing an increase of 0.1% as compared with RMB1,718.7 million for the Comparative Period.

Revenue

Our revenue for the Period was RMB15,904.6 million as compared to RMB12,665.5 million for the Comparative Period, representing a year-on-year growth of 25.6%. The significant revenue growth was primarily attributable to the expansion of our shipbuilding business and engineering machinery business.

Cost of sales

Our cost of sales for the Period increased by 29.3% to RMB12,710.9 million (during the Comparative Period: RMB9,834.0 million), in line with the significant increase in revenue.

Selling and marketing expenses

Our selling and marketing expenses for the Period decreased by 4.4% to RMB60.9 million (during the Comparative Period: RMB63.7 million). Such decrease was primarily due to moderate reduction in expenses of advertising, promotion and marketing for promoting our brand in the Period. On the other hand, we incurred additional marketing costs for the product agencies and sales labor costs in our engineering machinery business.

General and administrative expenses

Our general and administrative expenses for the Period increased by 25.4% to RMB1,200.7 million (during the Comparative Period: RMB957.7 million), mainly due to increases in labor costs, office expenses and depreciation expenses.

Finance income and finance costs — net

Our finance income for the Period increased by 12.5% to RMB197.1 million (during the Comparative Period: RMB175.2 million), mainly due to interest income increased to RMB109.1 million. Our finance costs for the Period decreased by RMB54.8 million to RMB110.6 million (during the Comparative Period: RMB165.4 million), mainly due to a large proportion of our borrowings, which were used for supporting the construction of infrastructures and vessels were capitalized.

Liquidity and financial resources

All the Group's cash and bank balances, short term bank deposits and pledged deposits are placed in reputable banks located in the PRC which the management believes are of high credit quality and without significant credit risk.

As at 31 December 2011, our cash and cash equivalents balance was RMB6,255.1 million (as at 31 December 2010: RMB10,413.0 million).

As at 31 December 2011, our pledged deposits were RMB4,961.5 million (as at 31 December 2010: RMB4,009.8 million), which was primarily attributable to the increase in the number of vessels under construction.

Loans

As at 31 December 2011, our total loans were RMB25,426.7 million (as at 31 December 2010: RMB17,635.4 million), of which RMB22,118.2 million (87.0%) was denominated in RMB and the remaining RMB3,308.5 million (13.0%) was denominated in foreign currencies such as USD. Certain of our borrowings were secured by our land use rights, buildings, construction contracts, pledged deposits, steel plates and guarantees of the Group.

Gearing Ratio

Our gearing ratio (measured by total borrowing divided by the sum of total borrowing and total equity) increased from 54.6% as at 31 December 2010 to 61.8% as at 31 December 2011 mainly due to that total borrowing increased from RMB17,635.4 million as at 31 December 2010 to RMB25,426.7 million as at 31 December 2011.

Foreign exchange risks

Our shipbuilding business recorded revenue from contracts mainly denominated in USD, while about 70% of the production costs were denominated in RMB. The cash flows of unmatched currencies are subject to foreign exchange risks. Management continuously assesses the foreign exchange risks, with an aim to minimizing the impact of foreign exchange fluctuations on our business operations. Management has adopted measures, including forward derivatives, to manage our foreign exchange exposure. These forward derivatives are not designated for hedge accounting, and as such, any changes in fair values will be recognized in the consolidated statement of comprehensive income in the Period in which such changes occur.

Capital expenditure

For the Period, our capital expenditure was RMB5,210.6 million (during the Comparative Period: RMB4,146.4 million), which was mainly used in the acquisition of land use rights, plants construction and facilities and equipment procurement.

Contingent liabilities

As at 31 December 2011, we had contingent liabilities of RMB12,764.2 million (as at 31 December 2010: RMB9,719.8 million), which mainly resulted from the agreements entered into between our Group and more than 10 banks in the PRC in relation to the grant of credit facilities to us.

Human resources

As at 31 December 2011, we had 7,046 employees (as at 31 December 2010: 5,782). We recruited new employees to cater for the business expansion in the Period. We offer competitive remuneration packages to employees. Moreover, discretionary bonuses are granted to qualified employees by reference to the performance of individuals and our Group as a whole. As our success hinges on the concerted effort from all departments formed by skilled employees with high morale, we endeavor to cultivate a culture of learning and sharing, focusing on individual training and development, and nurture the concept of teamwork.

MARKET ANALYSIS

In 2011, the global economic recovery trembled with winds of uncertainty. The prospects of the Eurozone appeared gloomy with an escalated and spread of debt crisis. The US economic recovery appeared fragile. Emerging markets such as China, troubled by inflation, tightened their monetary policies and slowed down the growth of investments. The current downturn of the global shipping market has brought a major challenge to the highly correlated shipbuilding industry.

In 2011, the shipbuilding industry in China reported a steady growth in output. According to Clarkson Research, total completion volume for 2011 amounted to 65.6 million DWT, representing a 16.9% year-on-year growth. Nevertheless, affected by the depressed shipping market, China's new orders decreased significantly to 29.3 million DWT, representing a 58.3% year-on-year decline. The new orders were mostly shifted towards high-tech and high-value vessels. However, according to China Association of the National Shipbuilding Industry, the lack of advanced technology prevented over one-third of the Chinese shipyards from receiving any new order in 2011 and their backlogs continued to drop. Under intensive competition, the market was in favor of the leading shipyards with advanced construction technology and superior product quality. Our new orders for the Period totaled 4.6 million DWT, constituting 15.6% of new orders of China and 7.2% of global market.

As it is highly correlated with shipbuilding industry, the marine equipment industry in China faced challenges as well. Benefiting from economies of scale, overseas marine diesel engine manufacturers expanded sales aggressively in China with their low-priced products, breaking the territorial restrictions as stated in the license agreement. It hindered the development of the local marine equipment industry in China. As a result, only 50% of China's marine equipment was produced domestically, while the rate reached over 90% in Korea and Japan.

Global demand for offshore equipment remained steady. Korean shipyards secured a majority share of new orders as a result of its leading technology standards. In an attempt to nourishing the offshore engineering industry, China published a series of plans including "Mid-to-Long-term Development Plan of Offshore Equipment Manufacturing Industry" and "Innovative Development Strategy of Offshore Equipment Manufacturing Industry 2011 to 2020". To increase their presences in the domestic market, Chinese manufacturers have been accelerating research and development, and actively seeking breakthroughs in critical technology barriers.

With the PRC central government's continuous macro-controls in the real estate sector and slowdown of high-speed railway investments, the engineering machinery market in China experienced setback in sales after the rebound in early 2011. The domestic sales volume of hydraulic excavators recorded month-on-month decrease since May 2011, although the robust sales for the first four months helped pushing up the annual sales to approximately 178,000 units, representing a year-on-year increase of 6.9%. Chinese-branded excavators continued to capture more domestic market share, reaching 44.9% as at 31 December 2011, representing a remarkable 11.4 percentage points increase from 33.5% as at 31 December 2010.

PROSPECTS

Global economic outlook for 2012 heavily depends on whether Eurozone authorities could deliver a comprehensive and long-term resolution to the ongoing Eurozone sovereign debt crisis. In early 2012, the Baltic Dry Index (BDI) dropped to historic low due to economic uncertainties and seasonal factors, implying a possible delay in the recovery of the shipping market. We expect the shipbuilding industry to remain weak in 2012 as the imbalance between supply and demand is unlikely to be resolved shortly. New orders of the three traditional types of vessels will encounter difficulty. However, sales of high value vessels such as very large containerships with capacities of over 10,000 TEU are expected to remain steady. The current market will lead the Chinese shipbuilding industry into a period of restructuring and polarization. This tendency will inevitably further widen the gap between leading shipyards and greenfield shipyards, particularly those with a weak order book. In the long-run, adjustment and restructuring will relieve oversupply and help to restore market equilibrium.

In this time of uncertainty, we will enhance our strategic cooperation with ship-owners and rely on our solid order backlog to get through the current downturn. Meanwhile, we will actively upgrade and restructure of our product offerings, with a focus on high-end vessels and cost-efficient eco-friendly vessels. To take advantage of the falling steel price, we will reinforce cost management, enhance production efficiency and profitability by benchmarking ourselves against leading Korean and Japanese shipyards.

Hindered by the aggressive sales of our Korean peers in China, the marine equipment manufacturers will still experience difficulties in short-term. In the "Twelfth Five-year Plan for Shipbuilding Industry Development" published by the Ministry of Industry and Information Technology of China, marine equipment manufacturing was designated as a key industry and assigned a specific focus to "boost its comprehensive building capability and adaptability". Additionally, the China Association of National Shipbuilding Industry has been promoting independent innovation among domestic suppliers and encouraging ship-owners to use domestic marine equipment. Our marine diesel engine production base in Anhui Province is the only private sector manufacturer with an annual production capacity of up to 5 million horsepower approved by National Development and Reform Commission. It will not only serve our own shipbuilding orders but also orders from external parties. Furthermore, overall corporate competitiveness can be boosted by enhancing management with a focus on cost efficiency and production efficiency.

The domestic onshore oil and gas production in China has become insufficient to support the rapid development of its economic growth. The development of offshore oil and gas capacity will become an important way to ensure safe levels of China's oil and energy supplies. During the "Twelfth Five-Year" period, China will develop an offshore production capacity of 50 million tones and total investment in this sector will reach RMB250 to 300 billion. With substantial investments in marine exploration in recent years, it is expected that by 2012. China will enter into the new phase of offshore oil field development with a substantial increase in new orders to marine producers. Driven by the ever-increasing global demand for offshore energy resources, offshore equipment manufacturing is entering into a rapid growth period. With our experience in offshore engineering and technology standard, we will accelerate our development and design of offshore equipments. We will actively pursue the domestic market, with a focus on high value products such as LNG carriers.

Supported by the growing national welfare housing program and water conservancy program, the engineering machinery market is expected to remain steady despite a slowdown in growth. Domestic excavator manufacturers will continue the trend of increasing market share in China. We will consolidate our production capability and enhance production efficiency to actively pursue the domestic market.

In 2012, we will cautiously evaluate the market situation and closely track the market trend, and also will strengthen our execution to address risk. We will enhance our strategic cooperation with financial institutions and optimize cash flow management. We will control our capital expenditure by limiting both investment scale and frequency. The current market downturn offers us opportunities and initiative to undergo transformation and promotion. We believe that 2012 is a new stating point and we will continue to strive for being a world-class and competitive heavy industries enterprise.

CODE ON CORPORATE GOVERNANCE PRACTICES

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. Set out below are those principles of corporate governance as adopted by the Company.

During the Period, the Company complied with the applicable provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, save for the deviations below:

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. During the Period, less than 14 days' notice was given for three regular Board meetings to suit the tight and busy schedules of the participants.

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company ("**AGM**"). The Chairman of the Board did not attend the AGM of the Company held on 28 April 2011 due to other business engagements. Mr. Chen Qiang, an executive director and chief executive officer of Company attended and chaired and AGM and answered shareholders' questions.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rule (the "**Model Code**"). On specific enquiry made, all Directors confirmed that they complied with the required standard as set out in the Model Code regarding directors' securities transactions for the year ended 31 December 2011.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods during which no transfers will be registered:

- from Friday, 18 May 2012 to Wednesday, 23 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM ("**2012 AGM**") to be held on 23 May 2012. In order to be eligible to attend and vote at the 2012 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 ("**Hong Kong Share Registrar**") 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, 17 May 2012; and

- from Wednesday, 30 May 2012 to Friday, 1 June 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Share Registrar at the address as set out above not later than 4:30 p.m. on Tuesday, 29 May 2012.

FINAL DIVIDEND

The Board has resolved to declare a final dividend of RMB2.2 cents per share for 2011 (2010: RMB6.8 cents), subject to the approval of the shareholders at the 2012 AGM. The exchange rate adopted for conversion is the average closing exchange rate published by The People's Bank of China during the period of five business days in Hong Kong prior to the declaration of dividends (i.e. 13 March 2012 to 19 March 2012) (RMB1 = HK$1.227159). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK$0.026997 per share. The final dividend of the Company will be distributed on or around 14 June 2012.

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.

ANNUAL GENERAL MEETING

The 2012 AGM of the Company will be held on Wednesday, 23 May 2012 and the notice will be published and issued to shareholders of the Company in due course.

ANNUAL REPORT

The annual report for 2011 containing all the applicable information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the respective websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.rshi.cn) in due course. Printed copies will be despatched to shareholders in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the non-executive director of the Company is Mr. ZHANG Zhi Rong (Chairman); the executive directors of the Company are Mr. CHEN Qiang, Mr. ZHANG De Huang, Mr. WU Zhen Guo, Mr. LUAN Xiao Ming, Mr. DENG Hui, Mr. HONG Liang, Mr. Sean S J WANG and Mr. WANG Tao; and the independent non-executive directors of the Company are Mr. CHEN Gang, Mr. TSANG Hing Lun and Mr. ZHANG Xu Sheng.

On Behalf of the Board
ZHANG Zhi Rong
Chairman

Hong Kong, 20 March 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**15,904,585**	12,665,479
Cost of sales	*4*	**(12,710,885)**	(9,833,975)
Gross profit		**3,193,700**	2,831,504
Selling and marketing expenses	*4*	**(60,907)**	(63,728)
General and administrative expenses	*4*	**(1,200,717)**	(957,707)
Other income	*5*	**316,527**	205,736
Other (losses)/gains — net	*6*	**(227,633)**	17,958
Operating profit		**2,020,970**	2,033,763
Finance income		**197,090**	175,161
Finance costs		**(110,638)**	(165,400)
Finance income — net		**86,452**	9,761
Profit before income tax		**2,107,422**	2,043,524
Income tax expense	*7*	**(297,699)**	(263,479)
Profit for the year		**1,809,723**	1,780,045
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**1,809,723**	1,780,045
Attributable to:			
Equity holders of the Company		**1,720,675**	1,718,704
Non-controlling interests		**89,048**	61,341
		1,809,723	1,780,045
Earnings per share for earnings attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— Basic and diluted	*8*	**0.25**	0.30
Dividend (expressed in RMB per share):	*9*	**0.074**	0.068

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**643,565**	657,206
Property, plant and equipment		**16,188,645**	12,123,885
Intangible assets		**185,125**	108,896
Long-term deposits		**97,131**	138,109
Prepayment for non-current assets		**2,798,282**	—
Deferred tax assets		**73,849**	13,692
		19,986,597	13,041,788
Current assets			
Inventories		**2,609,958**	1,557,306
Amounts due from customers for contract works		**7,199,036**	4,090,993
Trade and bills receivables	*10*	**3,600,151**	327,758
Other receivables, prepayments and deposits		**6,638,493**	7,555,390
Derivative financial instruments		**9,729**	—
Pledged deposits		**4,961,514**	4,009,762
Cash and cash equivalents		**6,255,138**	10,412,974
		31,274,019	27,954,183
Total assets		**51,260,616**	40,995,971
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**599,526**	599,526
Share premium		**7,644,812**	8,484,812
Other reserves		**3,340,517**	3,043,068
Retained earnings		**3,241,578**	1,731,360
		14,826,433	13,858,766
Non-controlling interests		**865,423**	776,375
Total equity		**15,691,856**	14,635,141

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**9,465,808**	7,766,846
Finance lease liabilities — non-current		**551,773**	406,416
Deferred tax liabilities		**5,546**	6,391
		10,023,127	8,179,653
Current liabilities			
Amounts due to customers for contract works		**1,168,319**	4,853,326
Advances received from customers for contract works		**133,220**	432,473
Trade and other payables	*11*	**8,493,043**	3,125,500
Current income tax liabilities		**149,068**	73,096
Borrowings		**15,155,494**	9,149,294
Derivative financial instruments		**3,015**	6,022
Provision for warranty		**189,867**	228,654
Finance lease liabilities — current		**253,607**	312,812
		25,545,633	18,181,177
Total liabilities		**35,568,760**	26,360,830
Total equity and liabilities		**51,260,616**	40,995,971
Net current assets		**5,728,386**	9,773,006
Total assets less current liabilities		**25,714,983**	22,814,794

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, KY1-1111, 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 1,400,000,000 new shares of HK$0.1 each were issued by the Company .

2. BASIS OF PREPARATION

During the year ended 31 December 2011, the Group has reported net operating cash outflow of RMB3,748,468,000 and the Group's cash and cash equivalents has reduced by RMB4,157,836,000 to RMB6,255,138,000 as at 31 December 2011. The significant cash outflows during the year ended 31 December 2011 were primarily due to the significant working capital requirements to fund the construction of vessels by the Shipbuilding segment, capital expenditures to increase the production capacity of the Engineering and Machinery segment and payments for other investing activities.

The directors monitor closely the Group's liquidity position and plan to implement initiatives to improve the Group's cash flows, including, measures to control and contain capital expenditure and corporate overheads, and working closely with shipbuilding customers to reduce the trade receivable turnover days. Further, management is looking at options to obtain long-term financing to improve the Group's current ratio and liquidity position.

Management has prepared cash flow projections of the Group. Based on the directors' review of the Group's cash flow projections, taking into account the anticipated cash flows from operations, the reasonably possible changes in the operational performance and the availability of unused borrowing facilities, the directors considered that there are sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligation as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The accounting policies and methods of computation used in preparing the consolidated financial information of the Company and its subsidiaries (together as the "Group") as extracted from the Group's consolidated financial statements are consistent with those followed in preparing the annual financial statements of the Group for the year ended 31 December 2010, except for the adoption of the following new standards and amendments that are mandatory for the first time for the financial year beginning 1 January 2011 and did not have a material impact on the Group's consolidated financial information:

IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendment)	Classification of Rights Issues
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRIC - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IFRIC - Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	Third annual improvements projects (2010) published in May 2010

The preparation of the Group's consolidated financial information in accordance with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. Details of the critical accounting judgements and estimates applied to prepare the Group's consolidated financial information are set out in the Group's consolidated financial statements to be included in the 2011 annual report.

3. SEGMENTAL INFORMATION

	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**15,373,924**	11,841,980	**31,295**	465,393	**680,938**	327,265	**1,130,217**	316,022	**17,216,374**	12,950,660
Inter-segment revenue	**—**	—	**—**	—	**(274,596)**	—	**(1,037,193)**	(285,181)	**(1,311,789)**	(285,181)
Revenue from external customers	**15,373,924**	11,841,980	**31,295**	465,393	**406,342**	327,265	**93,024**	30,841	**15,904,585**	12,665,479
Segment results	**3,219,050**	2,570,039	**(88,495)**	183,325	**74,927**	83,955	**(11,782)**	(5,815)	**3,193,700**	2,831,504
Selling and marketing expenses									**(60,907)**	(63,728)
General and administrative expenses									**(1,200,717)**	(957,707)
Other income									**316,527**	205,736
Other (losses)/gains, net									**(227,633)**	17,958
Finance income, net									**86,452**	9,761
Profit before income tax									**2,107,422**	2,043,524

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
China	**5,770,768**	2,533,153
Brazil	**5,094,710**	2,554,805
Oman	**1,888,075**	846,817
Germany	**1,449,051**	2,079,430
Greece	**1,265,772**	1,785,951
Norway	**255,709**	204,552
Turkey	**137,854**	1,880,949
Russia	**17,949**	170,940
Cyprus	**—**	601,289
Others	**24,697**	7,593
Total	**15,904,585**	12,665,479

4. PROFIT BEFORE INCOME TAX

Profit before income tax has been recorded after deducting the following items:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Raw materials and consumable used	**10,488,040**	7,922,484
Amortisation of land use rights	**13,641**	14,446
Depreciation of property, plant and equipment	**440,868**	367,411
Amortisation of intangible assets	**12,164**	8,768
Employee benefit expenses	**576,113**	395,612
Operating lease payments	**76,014**	55,031
Auditors' remunerations (note b)	**10,178**	5,789
Outsourcing and processing costs	**1,074,451**	865,508
Commission expense	**154,589**	216,772
Design fees	**61,657**	104,312
Agency fees	**25,658**	97,658
Consultancy fees	**52,824**	38,664
Other tax-related expenses and customs duties	**60,824**	78,096
Bank charges (include refund guarantee charges)	**142,543**	102,234
(Reversal of)/provision for warranty	**(33,302)**	99,841
Office expenses and utilities	**353,963**	238,629
Donations and sponsoring expenses	**13,286**	16,539
Reversal of impairment loss on inventory	**—**	(1,960)
Provision for trade and other receivables	**28,486**	2,833

note (a) During the year ended 31 December 2011, the Group received subsidies from the Jiangsu Government authorities to compensate costs which the Group incurred for the research and development of shipbuilding processes, designs and the related people development. The subsidy has been recognised and relevant costs deducted in the consolidated profit and loss for the year ended 31 December 2011.

note (b) Including remunerations for the Company's auditor and remunerations for auditors of the Company's subsidiaries in the People's Republic of China.

5. OTHER INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Compensation penalty received for cancelled shipbuilding contracts	**—**	3,778
Government grants	**38,177**	32,743
Scrap sales	**262,444**	164,925
Others	**15,906**	4,290
Total	**316,527**	205,736

6. OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Fair value gains/(losses) on derivative instruments-forward contracts	**15,751**	(6,022)
Fair value losses on derivative instruments – interest rate swap	**(3,015)**	—
Net foreign exchange (losses)/gains	**(240,369)**	23,980
Total	**(227,633)**	17,958

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current income tax:		
— PRC Enterprise Income Tax ("EIT")	**358,701**	263,572
Deferred income tax	**(61,002)**	(93)
Total income tax expense	**297,699**	263,479

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 is 2008.

8. EARNINGS PER SHARE

(a) Basic

Basic earnings 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 year.

	Year ended 31 December	
	2011	2010
Earnings attributable to equity holders of the Company *(RMB'000)*	**1,720,675**	1,718,704
Weighted average number of ordinary shares in issue	**7,000,000,000**	5,761,095,890
Basic earnings per share *(RMB per share)*	**0.25**	0.30

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2010: nil)

9. DIVIDEND

The directors recommend the payment of 2011 final dividend of RMB2.2 cents per ordinary share, totaling RMB154,000,000. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting.

During the Period, a final dividend of RMB0.068 per share for the year ended 31 December 2010 amounting to RMB476,000,000 was paid in May 2011 and an interim dividend of RMB0.052 per share for the year ended 31 December 2011 amounting to RMB364,000,000 was paid in September 2011. No dividend was paid in 2010.

10. TRADE AND BILL RECEIVABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**3,618,755**	304,852
Less: Provision for doubtful receivables	**(45,370)**	(16,884)
Bills receivables	**26,766**	39,790
Total	**3,600,151**	327,758

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Undue	**337,173**	172,672
Past due 1–180 days	**2,483,669**	89,191
Past due 181–360 days	**761,498**	65,895
Past due over 360 days	**17,811**	—
Total	**3,600,151**	327,758

As at 31 December 2011, trade receivables of RMB3,262,978,000 (2010: RMB155,086,000) were past due but not impaired. The ageing analysis of these trade receivables by due dates is listed above. Among which, RMB2,272,584,000 is due from the three largest debtors. Based on the Group's review of the credit risk exposure at year end, the Group has determined that no provision for doubtful receivable is required in respect of the receivables from these debtors.

As at 31 December 2011, trade receivables of RMB45,370,000 (2010: RMB16,884,000) relate to certain customers of the Engineering Machinery segment were impaired and provided for. The impaired trade receivables have been past due for over twelve months as at 31 December 2011.

The maximum exposure to credit risk at the reporting date is the fair value. The Group does not hold any collateral as security.

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

Certain customers of the Engineering Machinery segment are granted credit terms of up to 365 days. There is no credit term granted to customers of all other segments and all remaining trade receivables are due upon issuance of billings, accordingly, balances are past due if not settled within one month.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**2,839,805**	1,168,825
Bills payables		
— Third parties	**2,741,654**	623,307
— Related parties	**81,432**	—
Other payables for purchase of property, plant and equipment		
— Third parties	**662,577**	198,152
— Related parties	**762,722**	199,924
Other payables		
— Third parties	**503,078**	428,436
— Related parties	**470**	228
Receipt in advance	**99,463**	60,657
Accrued expenses	**601,189**	240,679
VAT payable	**27,570**	38,297
Other tax-related payables	**173,083**	166,995
Total	**8,493,043**	3,125,500

Aging analysis of trade and bills payables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
0–30 days	**2,588,939**	1,201,796
31–60 days	**1,279,997**	263,798
61–90 days	**669,909**	159,823
Over 90 days	**1,124,046**	166,715
Total	**5,662,891**	1,792,132