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 2014

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 2014 (the "**Period**") with comparative figures.

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, the Group recorded a negative revenue of RMB3,802.4 million, which is attributable to the decrease of revenue from shipbuilding and other contracts and the reversal of revenue from cancellation of shipbuilding contracts, compared to the revenue of RMB1,343.6 million for the year ended 31 December 2013 (the "**Comparative Period**"). Losses attributable to the equity holders of the Company were RMB7,754.9 million, while losses attributable to the equity holders of the Company were RMB8,685.2 million for the Comparative Period. The significant decrease in revenue was primarily attributable to the reversal of revenue from cancellation of the shipbuilding contracts in alignment with the Group's strategic plan to optimize the production and operation of its shipbuilding business.

Shipbuilding

Our shipbuilding segment recorded a negative revenue of RMB3,891.4 million for the Period. For the Period, we delivered 11 vessels with a total volume of 2,059,660 DWT. It included 3 very large ore carriers, 4 Panamax bulk carriers, 1 6500-twentyfoot equivalent unit (TEU) containership and 3 Suezmax crude oil tankers. For the Period, we entered into new shipbuilding contracts for 3 250,000 DWT very large ore carriers and 6 64,000 DWT bulk carriers. However, since the Group has planned to optimise the production and operation of its shipbuilding business as well as sort out the order book of the shipbuilding business, the aforesaid orders have not been made effective.

As at 31 December 2014, our total orders on hand consisted of 35 vessels, representing a total volume of approximately 4,203,700 DWT with a total contract value of approximately USD1,668.4

million. They included 18 Panamax bulk carriers, 1 very large ore carrier, 1 Panamax crude oil tanker, 12 Suezmax crude oil tankers, 1 very large crude oil carrier, and 2 7,000-TEU containerships.

We sorted and optimised our order book by reducing the number of vessels under construction and cancelling some shipbuilding orders. In the Period, we negotiated proactively with ship owners and reached agreement with them on certain orders on hand, resulting in the cancellation, revision and variation of a number of shipbuilding contracts. We believe that this action will reduce our burden on working capital and effectively reduce the credit risk of our order book.

Steel Caisson Project

We utilised existing facilities and technical expertise to construct the No. 28 and No. 29 steel caisson projects of the Shanghai Yangtze River Bridge and successfully delivered them during the Period, demonstrating our ability in building non-vessel steel structures and securing new sources of revenue. The No. 29 steel caisson, weighing approximately 15,000 tons, is the largest steel caisson of its kind in the world.

Offshore Engineering

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

Energy Exploration and Development

On 11 September 2014, we completed the acquisition of 60% interest in the project (the "**Kyrgyzstan Project**") involving four oilfields located in the Fergana Valley of the Republic of Kyrgyzstan, which marked our breakthrough in the energy exploration and development industry. The Kyrgyzstan Project comprises of five oilfield zones namely, Maili-Su IV, Eastern Izbaskent, Izbaskent, Changyrtash and Chigirchik. The first three oilfield zones are located at the northeastern part of the Fergana Valley while the latter two are located at the Southeastern part of Fergana Valley. The total area covered by these five fields is approximately 545 square kilometres. The remaining recoverable reserves are estimated to be around 638 million barrels (MMbbl) of oil. Under the agreements entered into with the national oil company of Kyrgyzstan, КыргызжерНефтегаз ("Kyrgyzjer Neftegaz" Limited Liability Company*), was granted rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfields zones.

From 11 September 2014 to 31 December 2014, we have made satisfactory progress in the project. As at 31 December 2014, we had successfully completed drilling of 10 wells and had produced 16,260 barrels (bbl) of light crude oil, our daily production rate being about 252 bbl of light crude oil. We will continue the process of perforating, testing and fracturing of the new wells to ramp up production. Since the project is still at the initial development stage, the sales of oil has not been reflected as revenue for the Period under relevant accounting treatment.

Marine Engine Building

For the Period, revenue from external customers of our marine engine building segment was RMB65.1million, a decrease of 50.3% from RMB131.1 million for the Comparative Period. Including inter-segment sales, revenue was RMB187.5million for the Period.

For the Period, we completed and delivered 6 diesel engines (including 4 external sales and 2 inter-segment sales), and was contracted to modify 1 diesel engine. As at 31 December 2014, our marine engine building segment had orders on hand for a total of 26 engines with a total capacity of 546,174 horsepower.

Engineering Machinery

For the Period, revenue from the engineering machinery segment was RMB23.9million, an increase of 42.3% from RMB16.8 million for the same period last year. It was primarily attributable to the engineering machinery market picking up a bit since the second half of 2014 as China government had increased its support in investment and financing for infrastructure.

FINANCIAL REVIEW

Revenue

For the Period, we recorded a negative revenue of RMB3,802.4 million as compared to RMB 1,343.6 million for the Comparative Period. It was primarily attributable to the reversal of revenue from cancellation of the construction contracts in alignment with the Group's strategic plan to optimize the production and operation of its shipbuilding business.

Revenue from shipbuilding and other contracts was RMB728.4million as compared to RMB1,343.6 million for the Comparative Period, representing a year-on-year decrease of approximately 45.8%. Revenue reversed from the cancellation of the shipbuilding contacts was RMB4,530.7 million (for the Comparative Period: nil).

Cost of Sales

For the Period, cost of sales decreased by approximately 88.8% to RMB311.7 million (for the Comparative Period: RMB2,776.5 million), in line with the significant decrease in revenue. The significant decrease in cost of sales was primarily attributable to the reversal of cost of sales from cancellation of the shipbuilding contracts and provision of inventories amounted to RMB2,016.4 million.

Selling and Marketing Expenses

For the Period, selling and marketing expenses decreased by approximately 17.2% to RMB16.8 million (for the Comparative Period: RMB20.3 million). We have thoroughly implemented cost control measures while maintaining market activities.

General and Administrative Expenses

For the Period, general and administrative expenses decreased by approximately 18.7% to RMB1,115.8 million (for the Comparative Period: RMB1,371.7 million). This is mainly attributable to the implementation of cost control measures.

Provision for Impairments and Delayed Penalties

For the Period, provision for impairments and delayed penalties decreased by 46.3% to RMB2,742.1 million (for the Comparative Period: RMB5,107.0 million). It is mainly due to the provisions for impairments of trade receivables, other receivables and prepayments, amounts due from customers for contract works and the provision for delayed penalties, which amounted to RMB335.8 million, RMB100.0 million, RMB2,333.5 million and reversal of RMB27.2 million respectively. The provision for impairment of trade receivables for the Period is mainly due to the increase in risk of default in payment by our customers under the current market downturn.

Research and Development Expenses

For the Period, research and development expenses increased by approximately 1.9% to RMB63.1 million (for the Comparative Period: RMB61.9 million). This is mainly because of no capitalisation of research and development expenses as intangible assets during the Period.

Other gains/ (losses) - Net

For the Period, other gains/(losses) - net increased by approximately 753.3% to RMB 1,811.7 million (for the Comparative Period: losses RMB 277.3 million) due to fair value change on the embedded derivatives in convertible bonds.

Finance Income/Finance Costs – Net

Finance income for the Period, which mainly came from interest income, decreased by approximately 91.0% to RMB13.8 million (for the Comparative Period: RMB153.4 million). Finance costs for the Period increased by approximately 108.4% to RMB2,045.4 million (for the Comparative Period: RMB981.4 million). The issuance of HKD4,000 million convertible bonds and reduction in interest capitalisation as a result of reduced production activities contributed principally to this increase.

Gross Loss

During the Period, we recorded a gross loss of RMB4,114.0 million (for the Comparative Period: RMB1,432.9 million). As a result of depressed market conditions and the lower prices of newbuildings, together with the cost of raw materials and labour which did not fall proportionately, the profitability of conventional shipbuilding business has diminished. We cancelled some shipbuilding contracts in response to the market downturn and to mitigate risk. In addition, a gross loss was incurred as a result of a reduction of our production activities while having to maintain a considerable fixed production cost.

Total Comprehensive Loss for the Period

During the Period, we recorded total comprehensive loss of RMB8,091.1 million (for the Comparative Period: RMB8,951.9 million), of which loss attributable to equity holders of the Company was RMB7,756.8 million (for the Comparative Period: RMB8,683.7 million). Loss attributable to the equity holders of the Company is the result of gross loss, and the considerable fixed administrative expenses, and the above-mentioned cancellation of shipbuilding contracts, provision for impairments and delayed penalties.

Liquidity and Going Concern

During the Period, the Group incurred a loss of approximately RMB8,089.2 million and had a net operating cash outflow of approximately RMB2,811.1 million due to the market downturn and financial difficulties of the Group's customers. As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately RMB20,723.3 million. The total borrowings and finance lease liabilities of the Group as at 31 December 2014 were RMB22,614.9 million, of which RMB20,773.7 million would be due within 12 months from 31 December 2014. Our cash and cash equivalents were RMB143.1 million as at 31 December 2014 (as at 31 December 2013: RMB117.0 million). Included in the Group's borrowings were certain current borrowings of RMB528.0 million, which were overdue and have not been renewed or repaid subsequent to year end. However, a series of plans and measures to mitigate liquidity pressure have been taken to improve the financial and liquidity positions of the Group. The Group has also been actively negotiating with the banks regarding the current and non-current borrowings (other than convertible bonds) not covered in the "Jiangsu Rongsheng Heavy Industries Co., Ltd. Debt Optimisation Framework Agreement" (《江蘇熔盛重工有限公司債務優化銀團框架協議》) and "Debt Optimisation Framework Agreement for China Rongsheng's Entities in Hefei" (《中國熔盛系合肥企業債務優化銀團框架協議》) to extend the repayment and renewal terms of these existing current bank loans that had original maturity in 2013 and 2014 to the end of year 2015. Up to the date of approval of consolidated financial statements, none of the lenders or holders of convertible bonds has demanded immediate repayment of loans or indebtedness by the Group. Details regarding uncertainties on the going concerns of the Group are set out in the section headed "Going Concern Basis" in note 2.1(a) to the consolidated financial statements.

Borrowings and Finance Lease Liabilities

Our short-term borrowings and finance lease liabilities increased by RMB7,060.3 million from RMB13,713.4 million as at 31 December 2013 to RMB20,773.7 million as at 31 December 2014. Our long-term borrowings and finance lease liabilities decreased by RMB6,852.7 million to RMB1,841.2 million as at 31 December 2014 from RMB8,693.9 million as at 31 December 2013.

As at 31 December 2014, our total borrowings and finance lease liabilities were RMB22,614.9 million (as at 31 December 2013: RMB22,407.3 million), of which RMB19,877.9 million (87.9%) was denominated in RMB and the remaining RMB2,737.0 million (12.1%) was denominated in other currencies such as US dollars ("**USD**") and HK dollars. Certain of the borrowings were secured by our raw materials, land use rights, buildings, plant and machinery, trade receivables, construction contracts, pledged deposits, available-for-sale financial asset and guarantees from related parties and companies within our Group. The majority of the borrowings were at floating interest rates.

Inventories

As at 31 December 2014, our inventories increased by RMB815.4 million to RMB2,392.9 million (as at 31 December 2013: RMB 1,577.5 million). The inventory turnover days increased from 254 days as at 31 December 2013 to 355 days as at 31 December 2014.

Amounts Due from/to Customers for Contract Works

As at 31 December 2014, the amounts due from customers for contract works decreased by RMB6,241.9 million to RMB1,165.4 million (as at 31 December 2013: RMB7,407.3 million). As at 31 December 2014, amounts due to customers for contract works were nil (as at 31 December 2013: RMB321.8 million). The decrease in amounts due from/to customers for contract works was the result of the reduction in production scale and cancellation of certain construction contracts.

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. The Group incurred net foreign exchange gains of RMB107.6 million due to the depreciation of RMB against USD during the Period, which resulted in slight exchange gains on certain USD denominated assets, including that of accounts receivable and pledged deposits of the Group.

Capital Expenditure

For the Period, our capital expenditure was approximately RMB68.9 million (for the Comparative Period: RMB694.0 million), which was mainly used in the acquisition of 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 78.4% as at 31 December 2013 to 98.6% as at 31 December 2014 mainly because of the decrease in total equity from RMB6,169.1 million as at 31 December 2013 to RMB313.7 million as at 31 December 2014, which is mainly affected by the accumulated losses of RMB13,798.8 million as at 31 December 2014.

Contingent Liabilities

As at 31 December 2014, we had contingent liabilities of RMB2,419.1 million (as at 31 December 2013: RMB7,570.1 million), which resulted mainly from the agreements entered between our Group and several banks in China and also litigation in relation to one shipbuilding customer and some 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 2014, all of the Group's cash and bank balances, short-term and long-term bank deposits and pledged deposits were placed with reputable banks which management believes are of high creditworthiness and without significant credit risk.

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

As at 31 December 2014, trade receivables of RMB2,486.2 million (as at 31 December 2013: RMB2,195.3 million) and RMB322.1 million (as at 31 December 2013: RMB270.4 million) related to certain customers of the shipbuilding segment and engineering machinery segment were provided for respectively, as a result of the management's assessment on the recoverability of the balances.

Human Resources

As at 31 December 2014, we had approximately 3,100 employees (as at 31 December 2013: 4,738). The decrease in the number of employees was mainly in relation to the market downturn and the downsizing of the shipbuilding business of the Group. We implement human resource optimization and consolidate business units to better control administrative expenses. Furthermore, cost control measures which began in the second half of 2013 by way of reduction of remuneration packages of our senior and middle management of the Group is continuing.

MARKET ANALYSIS AND PROSPECTS

Due to the profound impact of the slowdown in global economic growth and surplus shipping capacity, shipbuilders were confronted with numerous challenges in production and operations in 2014. As a result of lower prices for new shipbuilding orders and a significantly lower proportion of prepayment, together with the credit crunch in the industry, shipbuilders experience tight cash flow in their production and operations. At the same time, shipbuilders found it increasingly difficult to sustain profitability given higher fixed costs required to maintain operations. Global economic recovery will remain a challenging course in 2015.Freight fees will remain at lower levels as any fundamental improvements to the situation of surplus capacity in the shipping market will be unlikely. It is well within expectations that the China's shipbuilding industry will generally enter into a stage of structural realignment and rebuilding of strengths.

In September 2014, we obtained the rights to co-operate with the national oil company of Kyrgyzstan in respect of five oilfield zones in Kyrgyzstan by way of the allotment of shares as consideration. Central Asia is a region subject mainly to the influence of Russia, whose export oil prices have not plunged in tandem with international oil prices and have remained apart from the international price level. Local domestic oil prices of Kyrgyzstan have not changed significantly despite the dramatic decline in international oil prices. In view of the low costs and stable local oil prices, we are of the view that, under the current adverse market conditions of the shipbuilding industry, exposure to the energy sector will enable us to diversify our operations and broaden our source of revenue, as well as drive our active transformation from a manufacturer to a supplier in the energy service sector, thereby enhancing contributions to the overall interests of our shareholders.

The directors of the Company are considering a potential sale and purchase transaction involving the related core assets and liabilities of its onshore shipbuilding and offshore engineering business of the Group in the PRC (the "**Potential Transaction**"). On 10 March 2015, the Company and an independent third party (the "**Potential Purchaser**") have entered into a memorandum of understanding (the "**MOU**") in relation to the Potential Transaction. The Potential Transaction shall adjust and optimise the assets and business of the Group, and divest the relevant assets and liabilities of the shipbuilding business and offshore engineering business, which shall help to ease the debt burden of the Group, enhance the flexibility of fund utilisation, better implement the strategy of business transformation and transformation into an energy service provider focusing in the oil and natural gas market.

CORPORATE GOVERNANCE

During the year ended 31 December 2014, 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 2014, less than 14 days' notice was given for five 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 performed both the roles of Chairman and chief executive officer of the Company in deviation from code provision A.2.1 of the Code during the Period. 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 Rules (the "**Model Code**"). Having made specific enquiry of the Directors, all Directors confirmed that they have 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 2014.

AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2014 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 2014.

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 2014:

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in Note 2.1(a) to the consolidated financial statements, the Group incurred a net loss of approximately RMB8,089,228,000 and had a net operating cash outflow of approximately RMB2,811,141,000 during the year ended 31 December 2014. As at the same date, the Group's current liabilities exceeded its current assets by RMB20,723,255,000, and its current borrowings amounted to RMB20,773,695,000 while its cash and cash equivalents amounted to RMB143,101,000 only. In addition, a substantial amount of loan principals and interests were overdue, and based on the financial position of the Group as at 31 December 2014, the Group was not in compliance with certain restrictive financial covenants of certain borrowings. These caused the relevant bank loans to become immediately repayable in accordance with the respective loan agreements. In addition, as a result of the above-mentioned overdue of principal and interest repayments and non-compliance with the loan covenants, current borrowings totaling RMB18,184,012,000 as at 31 December 2014 became immediately repayable pursuant to the cross-default terms under the relevant loan or convertible bond agreements, and certain non-current borrowings have been classified as current liabilities. These conditions, together with others described in Note 2.1(a) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to restructure its businesses which are set out in Note 2.1(a) 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) whether the Group can complete the potential transaction as described in Note 43 (the "Potential Transaction"), which requires executing a definitive agreement with the potential purchaser before the expiry date of 30 June 2015, agreeing the details of the transaction, raising the additional funding required, if any, to complete the Potential Transaction, and obtaining the necessary approvals from regulatory authorities and shareholders; (ii) whether the Group can successfully implement a business plan for the businesses to be excluded from the Potential Transaction as described in (i) above; (iii) the availability of financing from banks through successful negotiations for extension or renewal of outstanding bank loans, including those with overdue principal and interests, and obtaining from the lenders waivers from complying with certain restrictive financial covenants and due payments of loan principal and interests pursuant to the cross-default terms for certain borrowings ; (iv) whether the Group is able to convince the convertible bondholders not to exercise their early redemption options to redeem the outstanding convertible bonds in year 2015; (v) whether the Group is able to implement its operation plan to generate cashflow from its operations; and (vi) availability of additional sources of financing, including those to finance its new energy exploration and development business.

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

Impairment of land use rights and property, plant and equipment and the Company's amounts due from subsidiaries

As at 31 December 2014, the carrying amount of the Group's land use rights and property, plant and equipment amounted to RMB3,955,560,000 and RMB17,192,897,000, respectively. As described in Note 43 to the consolidated financial statements, on 10 March 2015, the Group and a potential purchaser ("Potential Purchaser") have entered into a memorandum of understanding (the "MOU"), pursuant to which the Group intends to sell to the Potential Purchaser, and the Potential Purchaser intends to purchase from the Group, the related core assets and liabilities of the onshore shipbuilding and offshore engineering business of the Group in the PRC. Both parties would further negotiate and expect to enter into a definitive agreement prior to the expiry of the MOU on 30 June 2015 detailing the scope, list of related assets and liabilities to be included and terms and arrangements of the Potential Transaction.

In determining the recoverable amounts of the non-current assets including land use rights and property, plant and equipment under the Shipbuilding and Offshore Engineering segments amounting to RMB17,754,904,000, the directors of the Company consider that these assets will be included in the Potential Transaction as described in Note 43, and therefore has taken into account the estimated consideration of the Potential Transaction when assessing whether any impairment charge is necessary. In determining the recoverable amounts of the non-current assets including land use rights and property, plant and equipment under the Marine Engine Building and the Engineering Machinery segments amounting to RMB3,247,766,000, the Group considers the implementation of a robust business plan which include active marketing of the existing products and development of new revenue streams; therefore such recoverable amounts are determined based on value-in-use calculations.

As the estimated consideration under the Potential Transaction exceeds the carrying value of the non-current assets of the Shipbuilding and Offshore Engineering segments, and that the value-in-use amounts for the Marine Engine Building and the Engineering Machinery segments exceed the carrying values of the corresponding non-current assets, the directors of the Company are of the opinion that there was no impairment of non-current assets amounting to RMB21,002,670,000 as at 31 December 2014.

However, with respect to the non-current assets of the Shipbuilding and Offshore Engineering segments, the Potential Transaction is subject to, amongst others, the execution of a definitive transaction agreement, the final terms and conditions of which are still under further negotiations and agreement by both parties, and the necessary approvals by the regulatory authorities and shareholders. With respect to the non-current assets of the Marine Engine Building and the Engineering Machinery segments, the business plan to be implemented involves certain assumptions, the reasonableness of which cannot be ascertained based on historical data nor industry trends in the future. We were unable to obtain sufficient appropriate audit evidence we consider necessary to assess the recoverable amount of these non-current assets. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of these land use rights of RMB3,955,560,000 and property, plant and equipment of RMB17,047,110,000, totaling RMB21,002,670,000; and whether any impairment charge should be made. Any impairment provision for these non-current assets found to be necessary would affect the Group's net assets as at 31 December 2014, the Group's loss for the year then ended and the related note disclosures to the consolidated financial statements. In addition, as these assets were held by various material subsidiaries, any impairment provision for these assets found to be necessary would also affect the recoverable amount of the Company's amounts due from subsidiaries which amounted to RMB11,480,873,000 as at 31 December 2014, the Company's loss for the year then ended and the related disclosures to the consolidated financial statements.

Disclaimer of Opinion

Because we have not been able to obtain sufficient appropriate audit evidence and the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements as 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.

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 2014.

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 2014 (2013:Nil).

ANNUAL GENERAL MEETING

The 2015 annual general meeting of the Company (the "**2015 AGM**") will be held on 1 June 2015 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 from Wednesday, 27 May 2015 to Monday, 1 June 2015, both days inclusive, during which no transfers will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 AGM. In order to be eligible to attend and vote at the 2015 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 Tuesday, 26 May 2015.

ANNUAL REPORT

The 2014 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 in due course. Printed copies will be despatched to shareholders in due course.

GRATITUDE

I, on behalf of the Board, would like to take this opportunity to express its sincere gratitude to all our staff for their dedication 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. XIA Da Wei, Mr. HU Wei Ping, Mr. WANG Jin Lian and Ms. ZHOU Zhan.

** for identification purposes only*

On Behalf of the Board
CHEN Qiang
Chairman

Hong Kong, 30 March 2015

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue			
- Revenue from shipbuilding and other contracts	3	**728,372**	1,343,566
- Revenue related to the cancellation of the construction contracts	4	**(4,530,737)**	-
		(3,802,365)	1,343,566
Cost of sales			
- Cost of shipbuilding and other sales	5	**(2,014,828)**	(2,776,491)
- Cost of sales related to the cancellation of the construction contracts	4,5	**1,703,170**	-
		(311,658)	(2,776,491)
Gross loss		**(4,114,023)**	(1,432,925)
Selling and marketing expenses	5	**(16,773)**	(20,341)
General and administrative expenses	5	**(1,115,843)**	(1,371,716)
Research and development expenses	5	**(63,081)**	(61,853)
Provisions for impairments and delayed penalties	5	**(2,742,109)**	(5,107,036)
Other income -net	6	**182,504**	40,613
Other gains/(losses) - net	7	**1,811,647**	(277,284)
Operating loss		**(6,057,678)**	(8,230,542)
Finance income		**13,840**	153,357
Finance costs		**(2,045,390)**	(981,392)
Finance costs - net		**(2,031,550)**	(828,035)
Loss before income tax		**(8,089,228)**	(9,058,577)
Income tax credit	8	**-**	105,142
Loss for the year		**(8,089,228)**	(8,953,435)
Loss attributable to:			
Equity holders of the Company		**(7,754,928)**	(8,685,175)
Non-controlling interests		**(334,300)**	(268,260)
		(8,089,228)	(8,953,435)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 December	
		2014	2013
		RMB’000	RMB’000
Other comprehensive (loss)/income for the year:			
Items that may be reclassified to profit or loss			
- Fair value (loss)/gain on an available-for-sale financial asset		**(1,947)**	1,547
Other comprehensive (loss)/income for the year, net of tax		**(1,947)**	1,547
Total comprehensive loss for the year		**(8,091,175)**	(8,951,888)
Attributable to:			
Equity holders of the Company		**(7,756,819)**	(8,683,688)
Non-controlling interests		**(334,356)**	(268,200)
		(8,091,175)	(8,951,888)
Loss per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- Basic and diluted	9	**(1.01)**	(1.24)
Dividends			
Dividends (expressed in RMB per share)	10	**-**	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2014** **RMB'000**	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights		**3,955,560**	4,045,028
Property, plant and equipment	11	**17,192,897**	17,471,432
Intangible assets	12	**1,493,345**	-
Long-term deposits		**136,000**	149,430
Prepayments for non-current assets		**63,979**	82,459
Available-for-sale financial asset		**36,374**	41,547
		22,878,155	21,789,896
Current assets			
Inventories		**2,392,920**	1,577,495
Amounts due from customers for contract works		**1,165,371**	7,407,254
Trade and bills receivables	13	**1,036,356**	1,318,923
Other receivables, prepayments and deposits		**2,270,533**	2,632,931
Pledged deposits		**119,820**	1,131,225
Cash and cash equivalents		**143,101**	117,020
		7,128,101	14,184,848
Total assets		**30,006,256**	35,974,744
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**797,296**	599,526
Share premium		**9,512,510**	7,490,812
Other reserves		**3,522,724**	3,514,818
Accumulated losses		**(13,798,797)**	(6,043,869)
		33,733	5,561,287
Non-controlling interests		**279,963**	607,765
Total equity		**313,696**	6,169,052

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**1,436,656**	7,979,016
Finance lease liabilities - non-current		**404,548**	714,843
Advances from a related party - non-current		**-**	243,838
		1,841,204	8,937,697
Current liabilities			
Amounts due to customers for contract works		**-**	321,778
Trade and other payables	14	**6,125,115**	6,243,083
Advances from a related party - current		**381,629**	-
Borrowings		**20,488,142**	13,615,249
Derivative financial instruments		**532,805**	482,997
Provision for warranty		**38,112**	106,731
Finance lease liabilities - current		**285,553**	98,157
		27,851,356	20,867,995
Total liabilities		**29,692,560**	29,805,692
Total equity and liabilities		**30,006,256**	35,974,744
Net current liabilities		**(20,723,255)**	(6,683,147)
Total assets less current liabilities		**2,154,900**	15,106,749

NOTES

1 General 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.

The consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Going concern basis

During the year ended 31 December 2014, the Group continued to be affected by the unsatisfactory performance of the global shipping market. Operation of the Group has been minimal owing to the shortage of funds to complete its existing shipbuilding orders on schedule and the lack of availability of banking facilities required for accepting new orders. Certain shipbuilding contracts were therefore cancelled at the request of shipowners or the Group, which required the Group to refund instalments and pay interest penalties totaling RMB1,840,677,000. Furthermore, although management has already implemented measures to reduce costs, the Group was still experiencing high level of operating expenses as well as finance costs. As a result, the Group has incurred a loss of approximately RMB8,089,228,000 and had a net operating cash outflow of approximately RMB2,811,141,000.

As at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB20,723,255,000, and the cash and cash equivalents of the Group amounted to RMB143,101,000. As at the same date, the Group's total borrowings and finance lease liabilities amounted to RMB22,614,899,000, out of which RMB16,463,804,000 were either overdue or would be due for repayment within 12 months in accordance with the repayment dates of the respective agreements or under existing arrangements. The Group's current borrowings also include convertible bonds with outstanding principal totaling HKD4,304,000,000 (equivalent to approximately RMB3,395,296,000) as of 31 December 2014 which are redeemable in year 2015.

Although the Group has been actively re-negotiating the terms and conditions of its existing borrowings with the respective banks and has successfully deferred part of the principal and interests, certain loan principal repayments and interest payments totaling RMB606,645,000 were still overdue as at 31 December 2014. The non-payment of loan principal and interests in accordance with the scheduled repayment dates caused the relevant bank loans to become immediately repayable pursuant to the respective loan agreements. In this connection, certain non-current borrowings totaling RMB2,347,647,000 have been classified as current liabilities. Subsequent to the year end, additional loan principals and interest payments totaling RMB558,265,000 were not renewed or repaid upon the scheduled payment dates and thus became overdue.

Based on the financial position of the Group as at 31 December 2014, the Group was not in compliance with certain restrictive financial covenants of current bank borrowings amounting to RMB697,523,000 as at 31 December 2014. The Group has obtained waivers for compliance with such financial covenants subsequent to year end. In addition, bank loans of RMB16,981,417,000 and convertible bonds with principal amount of HKD4,304,000,000 (equivalent to approximately RMB3,395,296,000), totaling RMB20,376,713,000 contain cross-default terms in their respective financing agreements. As a result of the above-mentioned overdue of principal and interest repayments and non-compliance with loan covenants, current borrowings totaling RMB18,184,012,000 as at 31 December 2014 became immediately repayable pursuant to the cross-default terms under the relevant loans and convertible bond agreements; and in this connection, certain non-current borrowings totaling RMB105,959,000 have been classified as current liabilities. As at the date of the approval of these consolidated financial statements, the Group has not obtained waivers from the relevant banks and bondholders on these cross-default clauses; nor have these banks and bondholders have taken any action against the Group to demand immediate repayment.

The Group has issued six convertible bonds with original principal amounts totaling HKD5,400,000,000 (equivalent to approximately RMB4,259,898,000) up to 31 December 2014. According to the bond agreements, the bondholders have early redemption options to request the Company to redeem the outstanding convertible bonds should the market price of the Company's shares fall below a certain level or when the respective convertible bonds reach the one-year non-redemption period. The first convertible bond with outstanding principal totaling HKD1,400,000,000 (equivalent to approximately RMB1,104,418,000) issued in August 2013 already reached its one-year non-redemption period in August 2014 and the remaining bonds will reach their one-year non-redemption period from January to June 2015. The share price level has not reached the redemption level, nor have any of the convertible bonders requested for redemption up to the date of approval of these consolidated financial statements.

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

In view of such circumstances, the directors of the Company have during the year ended and up to the date of the approval of these consolidated financial statements taken the following measures to mitigate the liquidity pressure and to improve financial position of the Group, and to restructure its businesses:

i) The Group intends to diversify its operation through investing into the energy exploration and development business. In September 2014, the Group acquired 60% interests in a Kyrgyzstan oil extraction project with a view to diversifying its operations, broadening its source of revenue, and promoting its transformation into a comprehensive heavy industry player in the energy sector. The acquisition was made through the issuance of 1,400,000,000 ordinary shares at HKD1.36 each (see Note 38 for details). Management expects to realise an increase of oil output through upgrade and consolidation of the existing exploration technology and thereby to generate steady operating cash flows;

ii) On 10 March 2015, the Group and an independent third party (the "Potential Purchaser") entered into a memorandum of understanding (the "MOU"), pursuant to which the Group intends to sell to the Potential Purchaser, and the Potential Purchaser intends to purchase from the Group, the related core assets and liabilities of the onshore shipbuilding and offshore engineering business of the Group in the PRC (the "Potential Transaction"). The MOU remains in effect until 30 June 2015 (Note 43). Prior to the expiry of the MOU, the Group expects to enter into an definitive agreement with the Potential Purchaser, detailing the arrangements and completion conditions of the Potential Transaction, including but not limited to, the assets and liabilities to be included, the consideration of the transaction, funding required from the Group, if any, for the completion of the Potential Transaction, which are yet to be finalised. The directors considered that the Potential Transaction would adjust and optimise the assets and business of the Group, divest the relevant assets and liabilities of the shipbuilding business and offshore engineering business, and help ease the debt burden of the Group and enhance the flexibilities of fund utilisation;

iii) The Company successfully issued five convertible bonds in year 2014 with terms and conditions similar to the bonds issued by the Company in August 2013. The net proceeds from these convertible bonds were HKD3,985,000,000 (equivalent to approximately RMB3,156,860,000) in aggregate. During the year, convertible bonds with total principal amounts of HKD1,096,000,000 (equivalent to approximately RMB868,832,000) were converted into 1,090,195,000 ordinary shares of the Company. As at 31 December 2014, convertible bonds with principal amounts of HKD4,304,000,000 (equivalent to approximately RMB3,395,296,000) remain outstanding and are redeemable in the coming twelve months. The Group is in discussion with the bondholders and has requested them not to exercise their redemption options in year 2015;

iv) In March 2014, the Group entered into a "Jiangsu Rongsheng Heavy Industries Co., Ltd. Debt Optimisation Framework Agreement" (《江蘇熔盛重工有限公司債務優化銀團框架協議》) (the "Jiangsu Framework Agreement") with a group of banks in the Jiangsu Province of the People's Republic of China ("PRC") to extend the repayment of and renewal terms of the existing bank loans that had original maturity in 2014 to the end of year 2015. During the year, pursuant to this framework agreement, the Group has successfully extended the repayment dates and renewed certain loans, totaling RMB8,674,030,000 (inclusive of principal amount of RMB8,438,817,000 and interest amount of RMB235,213,000), which will be due before the end of 2015. As at 31 December 2014, the Group's total outstanding current and non-current borrowings with respect to this Jiangsu Framework Agreement amounted to RMB10,300,766,000 and RMB404,548,000 respectively, of which RMB 32,000,000 have been overdue since 2014. The Group is planning to further negotiate with these banks for renewal and extension of these outstanding bank loans as and when they fall due during the year 2015;

v) In October 2014, the Group entered into a "Debt Optimisation Framework Agreement for China Rongsheng's Entities in Hefei" (《中國熔盛系合肥企業債務優化銀團框架協議》) (the "Hefei Framework Agreement") with a group of banks in Hefei, Anhui Province of the PRC to extend the repayment and renewal terms of the existing bank loans that had original maturity in 2014 to the end of year 2015. During the year, pursuant to this framework agreement, the Group has successfully extended the repayment dates of and renewed certain loans amounting to RMB214,004,000, (inclusive of principal amount of RMB209,590,000 and interest amount of RMB4,414,000), which will be due before the end of 2015. As at 31 December 2014, the Group had total outstanding current borrowings amounting to RMB1,418,911,000 with respect to this Hefei Framework Agreement, of which RMB228,291,000 have been overdue since 2014. The Group is planning to further negotiate with these banks for renewal and extension of these outstanding bank loans as and when they fall due during the year 2015;

vi) The Group has also been actively negotiating with the banks regarding the current and non-current borrowings (other than convertible bonds) of RMB7,197,734,000 and RMB1,436,656,000 respectively not covered in the above Jiangsu Framework Agreement and Hefei Framework Agreement (together with "Framework Agreements") to extend the repayment and renewal terms of these existing current bank loans that had original maturity in 2013 and 2014 to the end of year 2015. The Group has during the year successfully extended the repayment dates of and renewed certain loans amounting to RMB852,254,000 (inclusive of principal amount of RMB758,589,000 and interest amount of RMB93,665,000), so that these loans are now repayable before the end of 2015. Out of the renewed amounts during the year, an amount of RMB50,000,000 represented bank loans that were overdue as of 31 December 2013. As at 31 December 2014, total current bank loans from these banks amounted to RMB7,197,734,000, of which RMB59,000,000 have been overdue since 2013 and 2014. The Group is now actively negotiating with the remaining banks on the terms and conditions of the extension and renewal of borrowings which are either overdue or will fall due in 2015. Subsequent to the year end, loans of RMB710,000,000 were successfully extended and will be repayable in year 2016.;

vii) Subsequent to the year end, the Group obtained waivers for compliance with the financial covenants of certain current borrowings amounting to RMB697,523,000;

viii) Subsequent to the year end, the Group obtained a new bank loan of RMB2,000,000,000 in March 2015, which will be repayable in December 2015. Such bank loan has been used to refinance the medium term note of RMB1,982,000,000, which was due on 29 March 2015. The Group is planning to further negotiate with this bank for renewal and extension of this new bank loan as and when they fall due during the year 2015 ;

ix) During the year, the Group successfully obtained project-based loans totalling RMB602,439,000 for completing certain of the Group's existing shipbuilding contracts. The Group is continuing its negotiation with banks to obtain further project-based financing;

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

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

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the reporting 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 they fall due within the next twelve months from the date of the statement of financial position. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

i) executing a definitive agreement with the Potential Purchaser and completing the Potential Transaction for selling the core assets and liabilities of the onshore shipbuilding and offshore engineering business of the Group in the PRC. This would include, prior to the MOU expiry date of 30 June 2015, entering into a definitive agreement for agreeing the details and completion conditions of the Potential Transaction, including the scope, the assets and liabilities to be included and the consideration of the transaction obtaining the necessary approvals from regulatory authorities and shareholders in order to complete the Potential Transaction, and raising the additional funding required, if any, for the completion of the Potential Transaction and for the settlement of any borrowings or liabilities not included in the Potential Transaction;

ii) segregating the assets and liabilities to be excluded from the Potential Transaction from the ones included, and successfully implementing a business plan for those businesses;

iii) convincing the convertible bondholders not to exercise their redemption options to request the Company to redeem the outstanding convertible bonds as at 31 December 2014;

iv) negotiating with the relevant banks for the renewal or extension for a repayments beyond year 2015 for those loans that (i) are scheduled for repayment (either based on the original agreement or the existing arrangements) in year 2015; (ii) were overdue at 31 December 2014 because the Group failed to repay on or before the scheduled repayment dates; and (iii) became or might become overdue in year 2015;

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

vi) obtaining additional project-based loans for completing the Group's outstanding shipbuilding orders and implementing its operations plan described above to control costs and generate adequate cash flows; and

vii) obtaining additional sources of financing other than those above-mentioned, including those to finance the Group's new energy exploration and production business.

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

(b) Statement of compliance

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.

(c) New and amended standards adopted by the Group:

During the year ended 31 December 2014, the Group has adopted the following new standards, amendments and interpretations to standards which are mandatory for accounting periods beginning on 1 January 2014:

IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Investment Entities
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendment)	Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
IFRIC 21	Levies

The adoption of these new standards, amendments and interpretations to standards does not have significant impact to the Group's results of operation and financial position.

(d) New standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2014 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016

IAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016

The Group will adopt the above new standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3 Segmental information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. These reports are prepared on the same basis as 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 and the Energy Exploration and Development segment will derives its revenue from sales of crude oil. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. Segment results are calculated by offsetting segment revenue from external customers with segment cost of sales. The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2014 is as follows:

3 Segmental information (Continued)

	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Energy Exploration and Development		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from shipbuilding and other contracts	**639,293**	1,195,727	**-**	-	**27,646**	18,350	**187,543**	232,361	**-**	-	**854,482**	1,446,438
Reversal of revenue related to the cancellation of the shipbuilding contracts	**(4,530,737)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(4,530,737)**	-
Segment revenue	**(3,891,444)**	1,195,727	**-**	-	**27,646**	18,350	**187,543**	232,361	**-**	-	**(3,676,255)**	1,446,438
Inter-segment revenue	**-**	-	**-**	-	**(3,701)**	(1,573)	**(122,409)**	(101,299)	**-**	-	**(126,110)**	(102,872)
Revenue from external customers	**(3,891,444)**	1,195,727	**-**	-	**23,945**	16,777	**65,134**	131,062	**-**	-	**(3,802,365)**	1,343,566
Segment results	**(3,888,607)**	(1,033,387)	**-**	-	**(42,738)**	(322,189)	**(182,678)**	(77,349)	**-**	-	**(4,114,023)**	(1,432,925)
Selling and marketing expenses											**(16,773)**	(20,341)
General and administrative expenses											**(1,115,843)**	(1,371,716)
Research and development expenses											**(63,081)**	(61,853)
Other income-net											**182,504**	40,613
Other gains/(losses)-net											**1,811,647**	(277,284)
Provisions for impairments and delayed penalties											**(2,742,109)**	(5,107,036)
Finance costs net											**(2,031,550)**	(828,035)
Loss before income tax											**(8,089,228)**	(9,058,577)

3 Segmental information (Continued)

	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Energy Exploration and Development		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**2,181,991**	7,526,873	**1,102,238**	1,076,649	**510,808**	745,578	**3,343,221**	3,706,833	**1,688,041**	-	**8,826,299**	13,055,933
Unallocated											**21,179,957**	22,918,811
Total assets											**30,006,256**	35,974,744

	Shipbuilding		Offshore Engineering		Engineering Machinery		Marine Engine Building		Energy Exploration and Development		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment liabilities	**-**	202,176	**193,664**	192,722	**279,309**	548,379	**4,414,409**	4,643,575	**105,022**	-	**4,992,404**	5,586,852
Unallocated											**24,700,156**	24,218,840
Total liabilities											**29,692,560**	29,805,692

3 Segmental information (Continued)

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.

Revenue related to the cancellation of the construction contracts was arisen from the cancellation of certain construction contracts with customers from the Shipbuilding segment. Details of revenue related to the cancellation of the construction contracts were set in Note 4.

No revenue was derived from the Offshore Engineering segment and Energy Exploration and Development segment for the year ended 31 December 2014.

The Group's revenue from shipbuilding and other contracts by country is analysed as follows:

	2014	2013
	RMB'000	RMB'000
Greece	**414,441**	252,661
China	**199,569**	573,396
Brazil	**166,182**	(34,371)
Israel	**48,824**	212,095
India	**25,902**	160,171
Germany Note(a)	**(127,529)**	(812)
Turkey	**-**	96,813
Norway	**-**	83,549
Others	**983**	64
	728,372	1,343,566

Note(a): The reduction in revenue from certain customers during the year was mainly due to the change in contract price.

4 Cancellation of the construction contracts

During the year, the Group agreed on a mutual basis with certain customers to terminate 20 shipbuilding contracts and received a cancellation notice from a customer to terminate a shipbuilding contract due to significant delays. According to the agreements and cancellation notice, the Group had to refund to these customers the instalments received from them and to pay interest on these instalments at the interest rate in accordance with the contracts. Furthermore, the Group issued cancellation notice to certain customers to rescind 8 shipbuilding contracts since these customers failed to make payments in accordance with the relevant contractual payment schedules. After the cancellation, two vessels were sold to a third party customer at an aggregate consideration of USD108,000,000 (approximately RMB 660,852,000).

The impact of the above cancelled contract is as follows:

	2014	2013
	RMB'000	RMB'000
Reversal of revenue	**(4,530,737)**	-
Reversal of cost of sales	**3,650,440**	-
Provision for vessels under construction relating to cancelled contracts	**(1,947,270)**	-
Compensation	**(231,928)**	-
Installment confiscated	**124,656**	-
	(2,934,839)	-

5 Expenses by nature

	2014 RMB'000	2013 RMB'000
Raw materials and consumables used	**999,353**	1,052,221
Cost of sales reversed from the cancellation of the construction contracts	**(3,650,440)**	-
Amortisation of land use rights	**81,660**	64,005
Depreciation of property, plant and equipment	**429,351**	469,467
Amortisation of intangible assets	**-**	110,141
Employee benefits expenses	**492,256**	541,598
Operating lease payments	**29,864**	126,420
Auditors' remuneration	**11,019**	11,268
Outsourcing and processing costs	**215,119**	626,534
Commission expenses	**29,792**	55,138
Consultancy and professional fees	**49,094**	95,650
Bank charges (include refund guarantee charges)	**31,032**	61,729
(Reversal of)/provision for warranty		
- charged for the year	**1,010**	11,503
- reversal upon expiring of the warranty period	**(58,104)**	(49,413)
I nspection fees	**16,822**	18,359
Insurance premiums	**12,392**	16,090
Storage and handling charges	**29,538**	36,699
Advertising, promotion and marketing expenses	**5,611**	101,556
Royalty expenses	**14,543**	22,108
Trade receivables written off	**68,475**	263,250
(Reversal of)/provision for delayed penalties	**(27,163)**	407,883
Provision for inventories	**2,016,421**	360,803
Impairment provisions of		
- trade receivables, net	**335,811**	2,083,467
- other receivables and prepayments	**99,920**	892,381
- amounts due from customers for contract works	**2,333,541**	275,590
- property, plant and equipment	**-**	944,139
- intangible assets	**-**	503,576
Provision and compensation for litigations	**242,619**	149,403
Compensation to ship owners for cancellation of contracts	**231,928**	-
Miscellaneous expenses	**208,000**	85,872
Total cost of sales, selling and marketing expenses, general and administrative expenses, research and development expenses	**4,249,464**	9,337,437

6 Other income -net

	2014	2013
	RMB'000	RMB'000
Government grants	**12,371**	26,464
Installment confiscated	**124,656**	-
Others	**45,477**	14,149
	182,504	40,613

7 Other gains/(losses) - net

	2014	2013
	RMB'000	RMB'000
Fair value change on derivative instruments - interest rate swap	**-**	3,557
Fair value change on derivative instruments- embedded derivative in convertible bond	**1,883,476**	(91,518)
Loss on sales of scrapped parts	**(179,445)**	-
Net foreign exchange gains/(losses)	**107,616**	(189,323)
Total	**1,811,647**	(277,284)

8 Income tax credit

	2014	2013
	RMB'000	RMB'000
Current income tax:		
- PRC Enterprise Income Tax ("**EIT**")	**-**	-
- Overprovision in prior year	**-**	(271,782)
Deferred income tax	**-**	166,640
Total income tax credit	**-**	(105,142)

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.

8 Income tax credit (Continued)

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. As at 31 December 2014, the EIT exemption and the 50% reduction in the EIT rate of the PRC subsidiary have expired and all the PRC subsidiaries are subject to EIT rate of 25%.

9 Loss per share

Basic

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

	2014	2013
Loss attributable to equity holders of the Company (RMB’000)	**7,756,819**	8,683,688
Weighted average number of ordinary shares in issue	**7,659,911,810**	7,000,000,000
Basic loss per share (RMB per share)	**1.01**	1.24

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year (2013: same).

10 Dividends

The Board has resolved not to declare for the payment of final dividend for the year 2014 (2013: nil).

11 Property, plant and equipment

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Computer equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2013							
Opening net book amount	6,758,110	9,155,313	2,616,080	18,234	36,369	32,393	18,616,499
Additions	354,057	1,082	11,067	845	580	1,278	368,909
Disposal	(9,727)	(78,856)	(4,614)	(385)	(351)	(6,437)	(100,370)
Transfer	(269,414)	128,924	140,490	-	-	-	-
Impairment loss	(408,323)	(368,467)	(161,668)	(1,295)	(1,922)	(2,464)	(944,139)
Depreciation	-	(187,476)	(261,304)	(8,568)	(9,652)	(2,467)	(469,467)
Closing net book amount	6,424,703	8,650,520	2,340,051	8,831	25,024	22,303	17,471,432
Year ended 31 December 2013							
Cost or valuation	6,424,703	8,650,520	3,537,817	48,841	61,143	46,757	18,769,781
Accumulated depreciation and impairment loss	-	-	(1,197,766)	(40,010)	(36,119)	(24,454)	(1,298,349)
Net book amount	6,424,703	8,650,520	2,340,051	8,831	25,024	22,303	17,471,432
At 31 December 2013							
At Valuation	4,842,723	8,650,520	-	-	-	-	13,493,243
At Cost	1,581,980	-	2,340,051	8,831	25,024	22,303	3,978,189

11 Property, plant and equipment (Continued)

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Computer equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2014							
Opening net book amount	6,424,703	8,650,520	2,340,051	8,831	25,024	22,303	17,471,432
Acquisition of subsidiaries (Note 15)	25,924	-	-	-	20	205	26,149
Additions	188,231	2,068	25,870	63	947	180	217,359
Disposals	(4,863)	(80,874)	(5,412)	(229)	(533)	(73)	(91,984)
Transfer	(1,956,961)	1,926,161	30,800	-	-	-	-
Depreciation	-	(196,497)	(215,161)	(5,147)	(8,098)	(4,448)	(429,351)
Exchange difference	(705)	-	-	-	(1)	(2)	(708)
Closing net book amount	4,676,329	10,301,378	2,176,148	3,518	17,359	18,165	17,192,897
At 31 December 2014							
Cost or valuation	4,676,329	10,301,378	3,588,706	48,447	62,072	47,068	18,724,000
Accumulated depreciation and impairment loss	-	-	(1,412,558)	(44,929)	(44,713)	(28,903)	(1,531,103)
Net book amount	4,676,329	10,301,378	2,176,148	3,518	17,359	18,165	17,192,897
At 31 December 2014							
At Valuation	4,531,064	10,301,378	-	-	-	-	14,832,442
At Cost	145,265	-	2,176,148	3,518	17,359	18,165	2,360,455

Had the Group's buildings, including buildings under constructions been carried at historical cost less accumulated depreciation and impairment loss, their net book amount would have been the same as to the revalued amounts.

12 Intangible assets

	As at 31 December											
	2014						2013					
	Goodwill RMB'000	Co-operation Rights RMB'000	Patents RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000	Goodwill RMB'000	Co-operation Rights RMB'000	Patents RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
At 1 January costs	55,139	-	21,644	77,517	514,191	668,491	55,139	-	21,644	74,768	371,812	523,363
Accumulated impairment	(55,139)	-	(3,535)	(35,122)	(409,780)	(503,576)	-	-	-	-	-	-
Accumulated amortisation	-	-	(18,109)	(42,395)	(104,411)	(164,915)	-	-	(13,469)	(26,756)	(14,549)	(54,774)
Net book amount	-	-	-	-	-	-	55,139	-	8,175	48,012	357,263	468,589
Movement during the year												
Opening net book amount	-	-	-	-	-	-	55,139	-	8,175	48,012	357,263	468,589
Additions	-	1,504,498	-	-	-	1,504,498	-	-	-	2,749	142,379	145,128
Impairment	-	-	-	-	-	-	(55,139)	-	(3,535)	(35,122)	(409,780)	(503,576)
Amortisation charge	-	-	-	-	-	-	-	-	(4,640)	(15,639)	(89,862)	(110,141)
Exchange difference	-	(11,153)	-	-	-	(11,153)	-	-	-	-	-	-
Closing net book amount	-	1,493,345	-	-	-	1,493,345	-	-	-	-	-	-
At 31 December costs	55,139	1,493,345	21,644	77,517	514,191	2,161,836	55,139		21,644	77,517	514,191	668,491
Accumulated impairment	(55,139)	-	(3,535)	(35,122)	(409,780)	(503,576)	(55,139)	-	(3,535)	(35,122)	(409,780)	(503,576)
Accumulated amortisation	-	-	(18,109)	(42,395)	(104,411)	(164,915)	-	-	(18,109)	(42,395)	(104,411)	(164,915)
Closing net book amount	-	1,493,345	-	-	-	1,493,345	-	-	-	-	-	-

13 Trade and bills receivables

	31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**3,844,053**	3,784,629
Less: Provision for doubtful receivables	**(2,808,297)**	(2,465,706)
Bills receivables	**600**	-
	1,036,356	1,318,923

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

	31 December	
	2014	2013
	RMB'000	RMB'000
Undue	**4,657**	36,020
Past due 1-180 days	**27,050**	55,071
Past due 181- 360 days	**12,332**	60,431
Over 361 days	**992,317**	1,167,401
	1,036,356	1,318,923

Movements on the provision for doubtful receivables are as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**2,465,706**	382,239
Provision for the year	**347,326**	2,115,652
Reversal during the year	**(11,515)**	(32,185)
Exchange difference	**6,780**	-
At 31 December	**2,808,297**	2,465,706

The creation and release of provision for doubtful receivables have been included within general and administrative expenses in the consolidated statement of comprehensive income.

As at 31 December 2014, trade receivables of RMB2,486,179,000 (2013: RMB2,195,304,000) and RMB322,118,000 (2013: RMB270,402,000) related to certain customers of the Shipbuilding segment and the Engineering Machinery segment were impaired and provided for respectively.

As at 31 December 2014, trade receivables of RMB1,031,699,000 (2013: RMB1,282,903,000) were past due but not impaired. The ageing analysis of these trade receivables by due date is listed above.

As at 31 December 2014, no trade receivables were secured by guarantees issued by the banks or related companies of certain customers (2013: RMB206,107,000). The carrying amounts of trade and bills receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of RMB1,129,365,000 (2013: RMB1,318,923,000) less the secured trade receivables.

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

14 Trade and other payables

	31 December 2014 RMB'000	2013 RMB'000
Trade payables	**1,920,660**	1,734,475
Bills payable		
- Third parties	**-**	574,610
- Related parties	**-**	52,190
Other payables for purchase of property, plant and equipment		
- Third parties	**472,736**	482,360
- Related parties	**608,870**	175,659
Other payables		
- Third parties	**1,313,849**	1,335,149
- Related parties	**21,234**	28,002
Receipt in advance	**108,227**	147,742
Accrued expenses		
- Payroll and welfare	**95,134**	116,118
- Design fees	**47,421**	68,407
- Utilities	**8,733**	30,475
- Outsourcing and processing fee	**173,756**	558,573
- Interest	**667,406**	182,027
- Exploration costs	**31,515**	-
- Others	**170,587**	182,997
Provision for litigation cases	**317,917**	149,402
Provision for delayed penalties	**111,274**	407,883
VAT payable	**2,952**	1,344
Other tax-related payables	**52,844**	15,670
Current trade and other payables	**6,125,115**	6,243,083

Ageing analysis of trade and bills payables is as follows:

	31 December 2014 RMB'000	2013 RMB'000
0 - 30 days	**144,382**	154,312
31 - 60 days	**39,259**	88,836
61 - 90 days	**5,013**	39,596
Over 90 days	**1,732,006**	2,078,531
	1,920,660	2,361,275

15 Acquisition of Co-operation Rights and related assets and liabilities

As at 11 September 2014, the Group has successfully acquired 60% interest in Central Point Worldwide Inc. ("Central Point") and its subsidiaries which was granted rights to cooperate with the national oil company of Kyrgyzstan in the operation of the five oilfields zones namely, Maili-Su IV, Eastern Izbaskent, Izbaskent, Changyrtash and Chigirchik.

The Company believes that the acquisition offers the Group a great opportunity to enter into the energy sector. Given the relatively adverse market conditions for shipbuilding industry for the time being, the acquisition can assist the Group in diversifying operations and broadening its source of revenue, and promoting the Group's transformation to a comprehensive heavy industry player in the energy industry, in order to make a larger contribution to the interests of the Company and its shareholders as a whole.

With reference to the share price of the Company's share on 11 September 2014, the fair value of the consideration was HKD1,904,000,000 (equivalent to approximately RMB1,514,410,000). Management regards such transaction as acquisition of assets instead of business combination since Central Point and its subsidiaries were still at the initial development stage and did not own material assets other than the Co-operation Rights as at 11 September 2014. As a result, no goodwill or discount on acquisition has been recognised during the year.

	RMB'000
Issue shares for acquisition of Central Point Worldwide Inc. and its subsidiaries	1,514,411
Assets acquired and liabilities assumed	
Intangible assets ("Co-operation Rights")	1,504,498
Property, plant and equipment	26,149
Prepayments for non-current assets	17,128
Prepayments, deposit and other receivables	9,358
Cash and cash equivalents	648
Amounts due to related parties	(21,003)
Other payables	(2,813)
Short term borrowing	(13,000)
	1,520,965
Non-controlling interest	(6,554)
	1,514,411