熔盛重工
RONGSHENG

China Rongsheng Heavy Industries Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

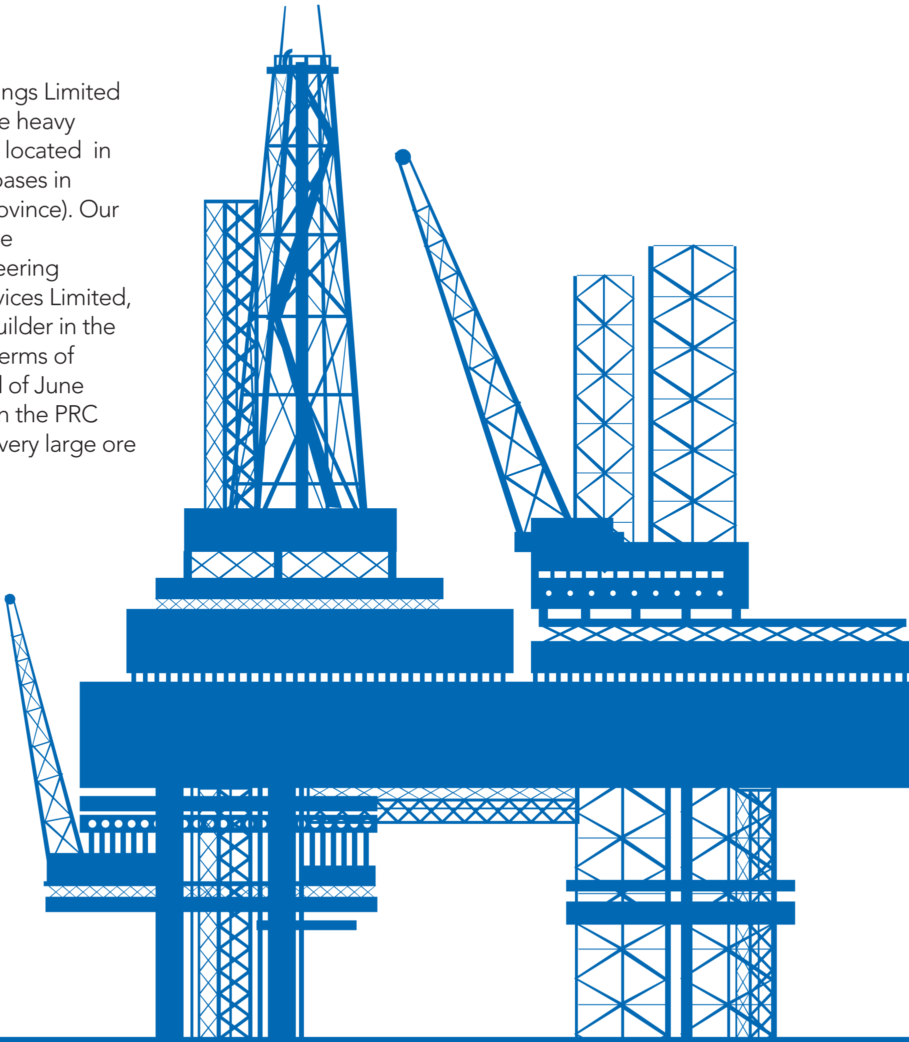
Stock Code: 01101

Interim Report 2012

Passion to EXCEL

About CHINA RONGSHENG

China Rongsheng Heavy Industries Group Holdings Limited and its subsidiaries are a leading diversified large heavy industries group in China. Our headquarters are located in Shanghai and Hong Kong, with manufacturing bases in Nantong (Jiangsu Province) and Hefei (Anhui Province). Our business segments include shipbuilding, offshore engineering, marine engine building and engineering machinery. According to Clarkson Research Services Limited, China Rongsheng was the second largest shipbuilder in the world and the largest shipbuilder in the PRC in terms of orders on hand measured by DWT as at the end of June 2012. The Group operates the largest shipyard in the PRC and is a global leader in the manufacture of the very large ore carriers (**VLOCs**).



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China Rongsheng

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BUSINESS REVIEW

For the six months ended 30 June 2012 (the "**Period**"), the revenue of China Rongsheng Heavy Industries Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") was RMB5,462.7 million, a decrease of 37.2% from RMB8,703.5 million for the six months ended 30 June 2011 (the "**Comparative Period**"). Earnings attributable to equity holders of the Company were RMB215.8 million, a decrease of 82.3% as compared with RMB1,216.7 million in the Comparative Period.

The following table sets forth the revenue and segment information for the Period and the Comparative Period, respectively.

	For 6 months ended 30 June 2012		For 6 months ended 30 June 2011	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
Shipbuilding	**5,205,853**	**95.3%**	8,436,172	96.9%
Offshore Engineering	**—**	**—**	31,295	0.4%
Marine Engine Building	**64,355**	**1.2%**	—	—
Engineering Machinery	**192,533**	**3.5%**	235,999	2.7%
Total	**5,462,741**	**100.0%**	8,703,466	100.0%

Shipbuilding

Shipbuilding was our primary business segment and also our major revenue source. For the Period, our revenue from the shipbuilding segment was RMB5,205.9 million, represented 95.3% of our total revenue and a decrease of 38.3% from RMB8,436.2 million in the Comparative Period.

New Orders and Orders on Hand

In the first half of 2012, the global economic downturn and weak international trading activities continued to exert pressure on the shipping industry, which has been struggling since the second half of 2011. The imbalance between supply and demand of the shipping industry further worsened, leading to a reduced overall shipbuilding demand and new orders plunged significantly. According to the latest Clarkson Research Services Limited ("**Clarkson Research**") report, global new orders decreased 46.0% year-on-year for the Period measured in deadweight tonnage ("**DWT**"), while new shipbuilding orders in China fell 49.0% year-on-year in the same period. In this adverse market environment, we adopted a defensive sales strategy by avoiding low-price orders or orders with unfavorable payment terms and moving towards the higher end of the value chain. We received new orders for 2 vessels for the Period, represented a total volume of 152,000 DWT with a total contract value of USD55.6 million.

Management Discussion and Analysis

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

	For 6 months ended 30 June 2012			For 6 months ended 30 June 2011		
	DWT ('000)	Contract value (USD mm)	No. of vessels	DWT ('000)	Contract value (USD mm)	No. of vessels
Bulk carriers and VLOCs	152.0	55.6	2	2,294.0	814.5	20
Crude oil tankers and VLCCs	—	—	—	—	—	—
Containerships	—	—	—	319.4	270.0	4
Total	152.0	55.6	2	2,613.4	1,084.5	24

Note: The contract values were all translated (where applicable) into US dollars at the rate of USD1 = RMB6.4716 as at 30 June 2011 and USD1 = RMB6.3249 as at 30 June 2012. In addition, the figures do not include cancelled orders as at the balance sheet date of each period.

Total orders on hand of the Group as at 30 June 2012 consisted of 101 vessels, represented a total volume of 15.1 million DWT with a total contract value of USD5,884.9 million. It included 48 Panamax bulk carriers, 19 VLOCs 23 Suezmax crude oil tankers, 1 Panamax crude oil tanker, 2 very large crude oil carriers ("**VLCCs**"), 4 6,500-twenty-foot equivalent unit ("**TEU**") containerships and 4 7,000-TEU containerships. All the vessels in our order book will be delivered within the period from 2012 to 2015 as stated in the contracts.

The following table sets forth the information related to our orders on hand from the shipbuilding segment as at 30 June 2012 and 31 December 2011, respectively.

	As at 30 June 2012			As at 31 December 2011		
	DWT ('000)	Contract value (USD mm)	No. of vessels	DWT ('000)	Contract value (USD mm)	No. of vessels
Bulk carriers and VLOCs	10,077.6	3,573.1	67	11,709.6	4,222.7	76
Crude oil tankers and VLCCs	4,320.0	1,649.4	26	4,476.0	1,724.7	27
Containerships	658.0	662.4	8	658.0	676.4	8
Total	15,055.6	5,884.9	101	16,843.6	6,623.8	111

Note: Our order book, as at 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 at such dates, all as translated (where applicable) into USD on the respective balance sheet dates at the rate of USD1 = RMB6.3009 as at 31 December 2011 and USD1 = RMB6.3249 as at 30 June 2012. In addition, the figures do not include the cancelled orders as at the balance sheet date of each period.

For the Period, we delivered 11 vessels, represented a total volume of 1.9 million DWT and increased 44.7% year-on-year. Including 2 VLOCs that we delivered for the Period, we have increased the number of VLOCs delivery to 3 so far. These vessels are currently the world's biggest dry bulk carriers with the largest cargo capacity, featuring state-of-the-art technologies for the mega-sized bulk carriers.

Management Discussion and Analysis

The following table sets forth the information related to our delivery record from the shipbuilding segment for the Period and the Comparative Period, respectively.

	For 6 months ended 30 June 2012		For 6 months ended 30 June 2011	
	DWT ('000)	No. of vessels	DWT ('000)	No. of vessels
Bulk carriers and VLOCs	1,708.0	10	352.0	2
Crude oil tankers and VLCCs	156.0	1	936.0	6
Containerships	—	—	—	—
Total	1,864.0	11	1,288.0	8

Offshore Engineering

For the Period, there was no revenue contribution from the offshore engineering segment as the construction of the deepwater pipe-laying vessel was completed in 2011 and successfully delivered in early 2012. We followed our business strategy to actively upgrade our products structure. Through increasing efforts in research and development, recruiting offshore engineering talents and forming specialized offshore engineering research and development task groups, we are strengthened to explore the offshore engineering market. For the Period, we obtained two non-binding orders of intent to build a drilling barge and a drilling rig for a Singaporean client, but the contracts have not yet taken effect. Moreover, we are actively following high-end offshore projects including the construction of heavy lift vessels, drilling platforms, floating production storage and offloading units, and liquefied natural gas ("**LNG**") carriers in Malaysia, China, Europe and the US. We are in the bidding process for several projects and are waiting for customers' feedback.

Marine Engine Building

For the Period, our revenue from the marine engine building segment was RMB434.1 million (including inter-segment sales), a decrease of 5.2% from RMB457.9 million in the Comparative Period. Excluding inter-segment sales, the marine engine building segment recorded a revenue of RMB64.4 million. There was no revenue contribution in external sales in the Comparative Period.

With the support of our shipbuilding orders and breakthroughs in the external sales, our marine engine building segment has been developing steadily. For the Period, we secured new orders for 11 engines, represented a total capacity of 242,622 horsepower with a total contract value of RMB445.0 million. The Group's total orders on hand as at 30 June 2012 were 53 engines, represented a total capacity of 1,052,452 horsepower and equivalent to a total contract value of RMB1,844.7 million, of which 18 engines were external orders. For the Period, we delivered 10 engines with a total capacity of 290,104 horsepower.

Engineering Machinery

For the Period, our revenue from the engineering machinery segment was RMB290.7 million (including inter-segment sales), a decrease of 11.9% from RMB330.0 million in the Comparative Period. Excluding inter-segment sales, the engineering machinery segment recorded a revenue of RMB192.5 million, a decrease of 18.4% from RMB236.0 million in the Comparative Period. Our revenue was mainly attributable to the sales of 521 excavators. According to a survey conducted by China Construction Machinery Business Online, 28 major excavator manufacturers in China collectively sold 78,614 excavators for the Period, a year-on-year decrease of 38.4%. However, our sales volume only decreased by 11.5% year-on-year for the same period, significantly lower than the national average.

Management Discussion and Analysis

We improved our marketing initiatives through establishing long-term partnerships with finance lease companies such as China Railway Leasing, China Development Bank Leasing and Wanjiang Finance Lease. To improve our market penetration, we adopted a regional sales regime to optimize distributor management and stabilize excavator sales. This approach has also greatly helped our payment collection.

Meanwhile, we actively enhanced research and development and marketing for our new products such as dynamic compactors and wetland excavators, and achieved breakthroughs in the aforementioned market segments for the Period. We continued to enhance our research and development in new product lines, including the new RS360, RS460, and ZY60 excavator series, which are currently in the industrial assessment or trial production phase. We expect that the new products will help promote sales in the second half of 2012 and thereafter. With China's emphasis on stable economic growth and shift towards a looser monetary policy, we expect the social housing programs and fixed asset investments will provide opportunities for the excavator business.

FINANCIAL REVIEW

With our business expansion, our inventories as at 30 June 2012 increased by RMB728.1 million to RMB3,338.1 million (as at 31 December 2011: RMB2,610.0 million). Our inventory turnover days increased from 73 days as at 31 December 2011 to 169 days as at 30 June 2012.

Amounts due from customers for contract works increased by RMB1,579.8 million to RMB8,778.9 million (as at 31 December 2011: RMB7,199.1 million). Amounts due to customers for contract works decreased by RMB804.6 million to RMB363.7 million (as at 31 December 2011: RMB1,168.3 million). The increase in amounts due from customers for contract works was a result of our closer strategic cooperation with shipowners and the acceleration of shipbuilding in response to the market uncertainties and risks. Also, we were committed to maintaining a stable backlog and a continuous market development. The decrease in amounts due to customers for contract works was a result of an increase of completion percentage of vessels under construction. Trade and bill receivables increased by RMB783.3 million to RMB4,383.5 million (as at 31 December 2011: RMB3,600.2 million). Turnover days of trade and bill receivables increased to 133 days as at 30 June 2012 from 45 days as at 31 December 2011, primarily due to the significant increase of completion proportion of vessels under construction for the Period, the continuing downtrend in the global shipbuilding industry and our agreement to extend credit terms to shipowners considering our long-term cooperation with the shipowners and the substantial completion of the main bodies of the related vessels. Going forward, we are determined to monitor trade receivables closely.

Driven by working capital requirements arising from our business expansion for the Period, our short-term borrowings and long-term borrowings increased to RMB17,619.9 million (as at 31 December 2011: RMB15,409.1 million) and RMB11,044.3 million (as at 31 December 2011: RMB10,017.6 million) respectively as at 30 June 2012, representing an increase of RMB2,210.8 million and RMB1,026.7 million, respectively.

Profit attributable to the equity holders of the Company was RMB215.8 million for the Period, representing a decrease of approximately 82.3% as compared with RMB1,216.7 million for the Comparative Period.

Revenue

Our revenue for the Period was RMB5,462.7 million as compared to RMB8,703.5 million for the Comparative Period, representing a year-on-year decrease of 37.2%. The significant decrease in revenue was primarily attributable to the downturn of the shipbuilding and the engineering machinery industries.

Management Discussion and Analysis

Cost of sales

Our cost of sales for the Period decreased by 32.8% to RMB4,487.9 million (for the Comparative Period: RMB6,683.3 million), in line with the significant decrease in revenue.

Selling and marketing expenses

Our selling and marketing expenses for the Period decreased by approximately 24.6% to RMB26.6 million (for the Comparative Period: RMB35.3 million). Such decrease was primarily due to the fact that we have implemented cost reduction measures while maintaining indispensable marketing expenses, and partly offset by government subsidies for the Period.

General and administrative expenses

Our general and administrative expenses for the Period increased by approximately 28.1% to RMB642.1 million (for the Comparative Period: RMB501.2 million), mainly due to the impairment provision for trade receivables and increase in depreciation charges.

Finance income and finance costs — Net

Our finance income for the Period decreased by approximately 14.7% to RMB94.5 million (for the Comparative Period: RMB110.8 million), mainly due to an interest income of RMB105.6 million, partially offset by a foreign exchange loss from financing activities of RMB11.1 million (for the Comparative Period: foreign exchange income: RMB37.2 million). Our finance costs for the Period increased by approximately RMB472.3 million to RMB567.3 million (for the Comparative Period: RMB95.0 million), mainly due to increases of loans, interest rates and bills discounted.

Liquidity and financial resources

As at 30 June 2012, our cash and cash equivalents balance was RMB4,833.7 million (as at 31 December 2011: RMB6,255.1 million).

As at 30 June 2012, our pledged deposits were RMB5,171.6 million (as at 31 December 2011: RMB4,961.5 million), which were primarily attributable to the increase in the number of vessels under construction.

Borrowings

As at 30 June 2012, our total borrowings were RMB28,664.2 million (as at 31 December 2011: RMB25,426.7 million), of which RMB25,602.9 million (89.3%) were denominated in RMB, and the remaining RMB3,061.3 million (10.7%) were 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 provided by the Group.

Foreign exchange risks

Revenue recorded by our shipbuilding segment was mainly denominated in USD and RMB, while about 70% of the production costs were denominated in RMB. The cash flows of the 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.

Capital expenditure

For the Period, our capital expenditure was approximately RMB1,472.2 million (for the Comparative Period: RMB2,894.6 million), which was mainly used in the acquisition of land, construction of plants and procurement of facilities and equipments.

Contingent liabilities

As at 30 June 2012, we had contingent liabilities of RMB11,203.6 million (as at 31 December 2011: RMB12,764.2 million), which mainly resulted from the refund guarantees provided by the banks to the Group's customers in respect of advances received from customers.

Management Discussion and Analysis

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 30 June 2012, all the Group's cash and bank balances, short term bank deposits and pledged deposits are placed in reputable banks which management believes are of high credit quality and without significant credit risk.

The Group carries out customer credit checks prior to entering into shipbuilding contracts and requests progress payments from customers in accordance with the milestones of the shipbuilding contracts. Such milestone payments received from the customers prior to the delivery of vessels could reduce the Group's credit risk exposure. Further, certain customers have issued irrevocable letters of guarantee from banks and related companies to provide guarantee on the collectability of the receivables from these customers.

For credit exposures to other receivables, management assesses the credit quality of the counterparties, taking into account their financial positions, past experience and other factors. No significant impairment in relation to these receivables has occurred during the six months ended 30 June 2012 (2011: nil).

Human resources

As at 30 June 2012, we had 6,950 employees (2011: 7,046). The slight decrease in number of employees was mainly in relation to the market downturn. We are proactively setting up an employment system of "Survival of the Fittest" and offering competitive remuneration packages to employees. Moreover, discretionary bonuses are granted to qualified employees according to the performance of the individual employee and the 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 nurturing the concept of teamwork.

MARKET ANALYSIS

Compared to the second half of 2011, challenges brought about by the global economy in the first half of 2012 were more severe. The US economy continued its sluggish growth and the Euro-debt crisis has spread from Greece to other countries such as Spain and Italy. Moreover, the Chinese economic growth has shown a significant slowdown. All of the above factors exerted great pressure on worldwide economic and trading activities, and resulted in sustained depressions in shipping and shipbuilding businesses which are highly correlated to the global economic cycle. While the Euro-debt crisis remained the key concern of the worldwide economy in this year, it was increasingly difficult for the European Union to resolve disputes among member nations on reaching possible solutions to the crisis, especially in a busy election year in most European Union nations. The continuous Euro-debt crisis increased uncertainties in the global economic outlook and stalled the recovery of the shipping market. The shipping market remained weak in the first half of 2012 after a brief rebound at the beginning of the year, as the Baltic Dry Index continued the down trend and hit the record low. Affected by the aforesaid market environment and the tightening of financial credit to the shipping industry, demand for new vessels was extremely weak. New shipbuilding orders shrank substantially and prices continued to fall. Weakness prevailed in the global shipbuilding industry.

In a subdued market for new vessels, the shipbuilding industry witnessed an imbalance between supply and demand. According to the latest Clarkson Research report, though the global shipbuilding completion increased 13.7% year-on-year to 87.4 million DWT in the first half of 2012, the global new orders decreased 46.0% year-on-year to 20.9 million DWT. According to the latest report of the China Association of the National Shipbuilding Industry, the shipbuilding completion in China in the first half of 2012 grew 4.2% year-on-year to 32.2 million DWT. However, according to the latest Clarkson Research report, new shipbuilding orders in China fell 49.0% year-on-year to 8.5 million DWT

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for the same period. Market corrections posed serious challenges for shipbuilders who now face prolonged delivery schedules, in particular for those Chinese shipyards relying on low-end vessel products. A restructure of the China shipbuilding industry is expected, and surplus and outdated capacities will either be consolidated or eliminated. In view of lower prices for new vessels and deteriorating payment terms, China shipbuilding sector was in desperate needs to shift towards the development of high-margin products.

Oil and gas prices were extremely volatile for the Period amid economic uncertainties and geo-political developments in the oil production regions. In fact, oil and gas resources demand remained strong in most economies, and there were increasing efforts in the offshore oil and gas exploration and exploitations. Thus it ensured an active offshore engineering market. According to the latest Clarkson Research report, global new offshore engineering orders amounted to USD28 billion for the Period, surpassing new shipbuilding orders for the first time in terms of contract value. Drilling platforms remained popular with new orders amounted to approximately USD11 billion and new floating production platform orders reached the record high at approximately USD11 billion, which were more than that in the whole year 2011. Same as previous years, offshore engineering market remained stable and new orders for the Period was flat compared to the same period last year. Orders for offshore engineering projects were concentrated in a few countries and shipyards, where Korea, Brazil and Singapore achieved outstanding performance. Driven by the new international environmental protection standards and the development of natural gas technologies, LNG was given more prominent roles in energy usage in the Asia-Pacific region, prompting rapid growth for new orders of LNG carriers.

China's marine ancillary equipment industry sustained rapid growth. Its revenue reported a 28.5% year-on-year growth to RMB31.6 billion for the first 4 months in 2012. With the support of government policies, the Chinese low-speed marine diesel engines manufacturers continued to expand their production capabilities and improve their technological standards. While weak sentiments in the shipbuilding industry posed challenges for the Chinese manufactures, they also had to face the price competition from foreign manufacturers, which were attracted by the enormous market potential in China.

For the Period, China's engineering machinery industry was affected by tightened government monetary policies and a slowdown in investments. Overall industry sales declined by close to 20.0% year-on-year. Excavator sales for major manufacturers in China were 78,614 units, a year-on-year decline of 38.4%. Inevitably, the engineering machinery sector was in a tough situation as the Chinese government has revised down the country's economic growth target, together with a slowdown in investment growth due to the economic restructuring and a sharp drop in construction activities in infrastructure projects such as roads and railways. In this highly competitive market, the market share of excavators produced by domestic brands increased 8.1 percentage points year-on-year to 46.1%. However, foreign brands were still the market leaders in the high-end products.

PROSPECTS

Looking ahead to the second half of 2012, the recovery of the global shipping market will continue to be restrained by the uncertainties in the macro-economic landscape such as the Euro-debt crisis. Thus the shipbuilding industry is expected to continue its consolidation and experience further restructuring with elimination of low-end surplus capacities. In response to the current market condition, we will continue to persistently implement strategic transformation and business upgrade. Energy services focused on oil and gas are set for development, as upside expectations for oil and gas prices are well supported by the inelastic demand for oil and gas resources from most countries. We will focus on the oil and gas service

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sector and continue the strategy of launching high-end value-added products. With the on-going releases of new international standards for marine operations, the new-generation and eco-friendly vessels with energy saving features are expected to dominate the mainstream market over time. We speed up our efforts to upgrade our products, and optimize the energy-saving and emission-reducing levels of our vessels to capitalize on the enormous demand for these types of products in the post-recovery period. Meanwhile, to address current market environment, we will enhance utilization of our world-class shipyard facilities by gradually diversifying our business to non-core businesses.

The offshore engineering market will remain robust in the second half of 2012 amid high oil price expectation in mid-to-long term and increase in investments in offshore engineering equipment. As China is increasingly dependent on imported energy amidst its rapid economic growth, the Chinese government is promoting the use of natural gas. Thanks to our foray into offshore engineering back in 2007, we have since been accumulated solid experience in offshore engineering areas, as well as progressively setting up sales networks. We will further improve our research and development following the construction of the LNG carrier mock cabin. We shall also benefit from our soon-to-be-established Singapore offshore team to increase the exposure to international offshore engineering investors.

Demand for marine ancillary equipment will remain strong as Chinese shipbuilders will maintain a high level of vessel completion in the second half of 2012, even though the production capacities of domestic companies are unlikely to be fully utilized as a result of price competition from foreign players. With the signing of the "Memorandum of Understanding on the Operational Procedures for the Sales of MAN Low-speed Marine Diesel Engines in PRC Regions by the Overseas Licensors" and the "Memorandum of Understanding on the E.A. Process Introduced by the Foreign Party," negotiated between the China Association of the National Shipbuilding Industry (on behalf of 11 Chinese marine engine manufacturers), and MAN and Wärtsilä, the two major licensors for main engines, an important breakthrough has been achieved in the protection of rights of domestic marine engine makers, and a fair marketplace for the development of new companies has been fostered. We will capitalize on this opportunity for the vigorous development of the external market, while continuing to enhance our cost control initiatives with a special emphasis on improving risk management during times of market change.

The engineering machinery industry is expected to resume stable growth after corrections, supported by China's on-going urbanization and improvement in demand from housing and infrastructure projects. We will consolidate our existing production capacities and strengthen partnerships with finance lease companies to continually increase our market share in China.

In the second half of 2012, we will continue to implement various costs management initiatives, improve our supply chain, increase localization in procurement and set up strategic suppliers system and bidding system to lower procurement costs. We will also enhance our production management standard to shorten production cycle and reduce production costs. We will implement measures to improve our cash flow including working closely with shipbuilding clients to receive timely settlement for trade receivables according to the contract terms, and negotiating with financial institutions to extend existing borrowings upon their due dates and obtaining new long-term borrowing facilities. To conclude, we will continue to persist in our established corporate development strategy, actively upgrade and transform ourselves into a high-end heavy industry manufacturer focused on customers in the energy supply sector, and actively explore overseas markets in order to establish a solid foundation for industry recovery.

Corporate Governance

CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviation under the code provision E.1.2 which stipulates that the chairman of the Board should attend the annual general meeting ("**AGM**"). The chairman of the Board did not attend the AGM of the Company held on 23 May 2012 due to other business engagements. Mr. Chen Qiang, an executive director and the chief executive officer of the Company attended and chaired the AGM and answered shareholders' questions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "**Directors**"). The Company has confirmed, following specific enquiries being made by the Company, that they have complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee of the Company comprises (the "**Audit Committee**") three independent non-executive Directors, namely, Mr. Tsang Hing Lun (chairman of the Audit Committee), Mr. Chen Gang and Mr. Zhang Xu Sheng. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the Period.

ACQUISITION OF A SUBSIDIARY

On 26 April 2011, Jiangsu Rongsheng Heavy Industries Co., Ltd. ("**Jiangsu Rongsheng Heavy Industries**"), a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with The People's Government of Quanjiao County, Anhui Province, pursuant to which Jiangsu Rongsheng Heavy Industries conditionally agreed to purchase, after the Agreement has taken effect, the entire equity interest in Anhui Quanchai Group Corp. for an aggregate consideration of RMB2,148,870,000. Details of the acquisition were disclosed in the announcements of the Company dated 26 April 2011, 1 June 2012, 5 June 2012, 17 July 2012, 17 August 2012 and 21 August 2012 respectively.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the Directors and chief executive of the Company and their respective associates (as defined in the Listing Rules) had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (the "**Associated Corporations**") (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

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

	Number of Shares				
Name of Director	**Personal interest**	**Corporate interest**	**Equity derivatives (Share options) (Note 3)**	**Total**	**Percentage of issued share capital (Note 4)**
Mr. Zhang Zhi Rong	—	3,342,281,157 (Note 1)	—	3,342,281,157	47.75%
Mr. Chen Qiang	—	606,000,000 (Note 2)	70,000,000	676,000,000	9.66%
Mr. Wu Zhen Guo	—	—	12,000,000	12,000,000	0.17%
Mr. Luan Xiao Ming	—	—	18,375,000	18,375,000	0.26%
Mr. Deng Hui	—	—	11,375,000	11,375,000	0.16%
Mr. Hong Liang	—	—	18,375,000	18,375,000	0.26%
Mr. Sean S J Wang	—	—	9,500,000	9,500,000	0.14%
Mr. Wang Tao	—	—	10,755,000	10,755,000	0.15%

Notes:

As at 30 June 2012,

(1) Mr. Zhang Zhi Rong was deemed to have interests in 3,342,281,157 shares, comprising 3,233,557,157 shares and 108,724,000 shares held by Fine Profit Enterprises Limited and Wealth Consult Limited, respectively, both of which are companies 100 per cent. directly or indirectly beneficially owned by Mr. Zhang Zhi Rong.

(2) Mr. Chen Qiang was deemed to have interests in 186,000,000 shares held by Boom Will Limited, a company 100 per cent. beneficially owned by Mr. Chen Qiang, and 420,000,000 held by Leader World Investments Limited, a company 38.33 per cent. beneficially owned by Mr. Chen Qiang.

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

(4) These percentages have been compiled based on the total number of issued shares of the Company of 7,000,000,000 as at 30 June 2012 and rounded up to two decimal places.

Disclosure of Interests

(B) Long Positions in Associated Corporations

Name of Director	Name of associated corporation	Nature of interest/capacity	Number of shares	Percentage of issued share capital
Mr. Zhang Zhi Rong	Fine Profit Enterprises Limited	Corporate Interest	50,000 (Note 1)	100%
Mr. Chen Qiang	Rongsheng Heavy Industries Holdings Limited	Corporate Interest	15,000 (Note 2)	1.5%

Notes:

As at 30 June 2012,

(1) Fine Profit Enterprises Limited, the controlling shareholder of the Company, was 100 per cent. beneficially owned by Mr. Zhang Zhi Rong.

(2) The 15,000 shares in Rongsheng Heavy Industries Holdings Limited were held by Boom Will Limited, a company 100 per cent. beneficially owned by Mr. Chen Qiang.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company or their associates had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2012, the number of outstanding options granted by the Company to the Directors and chief executive to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, is set out in the section headed "Share Option Schemes" of this interim report.

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

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, the interests of substantial shareholders (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Number of shares	Percentage of issued share Capital (Note 3)
Fine Profit Enterprises Limited (Note 1)	3,342,281,157 (Note 2)	47.75%
Leader World Investments Limited (Note 4)	420,000,000	6.00%

Notes:

(1) Among the 3,342,281,157 shares, 3,233,557,157 shares were directly held by Fine Profit Enterprises Limited and 108,724,000 shares were directly held by Wealth Consult Limited, which is a wholly-owned subsidiary of Fine Profit Enterprises Limited. Both Fine Profit Enterprises Limited and Wealth Consult Limited are 100 per cent. directly or indirectly beneficially owned by Mr. Zhang Zhi Rong.

(2) Represents long position in the shares of the Company.

(3) These percentages have been compiled based on the total number of issued shares of the Company of 7,000,000,000 as at 30 June 2012 and rounded up to two decimal places.

(4) The 420,000,000 shares were directly held by Leader World Investments Limited, a company 38.33 per cent. beneficially owned by Mr. Chen Qiang.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

On 24 October 2010, the Company conditionally approved and adopted the Pre-IPO Share Option Scheme. As at 30 June 2012, the total number of shares in respect of the outstanding options granted under the Pre-IPO Share Option Scheme was 61,500,000 shares, which is equivalent to approximately 0.88% of the total existing issued share capital of the Company. No further options will be offered or granted by the Company pursuant to the Pre-IPO Share Option Scheme.

Disclosure of Interests

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

		Number of Share Options						
Name of Grantee	Date of grant	As at 1 January 2012	Exercised	Cancelled	Lapsed	As at 30 June 2012	Exercise price (HK$)	Exercisable period
Mr. Wu Zhen Guo	24 October 2010	5,000,000	—	—	—	5,000,000	4.00	Note
Mr. Luan Xiao Ming	24 October 2010	4,375,000	—	—	—	4,375,000	4.00	Note
Mr. Deng Hui	24 October 2010	4,375,000	—	—	—	4,375,000	4.00	Note
Mr. Hong Liang	24 October 2010	4,375,000	—	—	—	4,375,000	4.00	Note
Mr. Sean S J Wang	24 October 2010	2,500,000	—	—	—	2,500,000	4.00	Note
Mr. Wang Tao	24 October 2010	4,375,000	—	—	—	4,375,000	4.00	Note
Senior management and other employees (in aggregate)	24 October 2010	36,500,000	—	—	—	36,500,000	4.00	Note
Total		61,500,000	—	—	—	61,500,000		

Note:

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

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

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

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

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

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

Disclosure of Interests

Share Option Scheme

On 24 October 2010, the Company also conditionally approved and adopted the Share Option Scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. During the Period, 348,580,000 share options had been granted under the Share Option Scheme, which is equivalent to approximately 4.98% of the total existing issued share capital of the Company.

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

		Number of Share Options							
Name of Grantee	Date of Grant	As at 1 January 2012	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2012	Exercise price (HK$)	Exercisable Period
Mr. Chen Qiang	30 April 2012	—	70,000,000	—	—	—	70,000,000	1.94	Note
Mr. Wu Zhen Guo	30 April 2012	—	7,000,000	—	—	—	7,000,000	1.94	Note
Mr. Luan Xiao Ming	30 April 2012	—	14,000,000	—	—	—	14,000,000	1.94	Note
Mr. Deng Hui	30 April 2012	—	7,000,000	—	—	—	7,000,000	1.94	Note
Mr. Hong Liang	30 April 2012	—	14,000,000	—	—	—	14,000,000	1.94	Note
Mr. Sean S J Wang	30 April 2012	—	7,000,000	—	—	—	7,000,000	1.94	Note
Mr. Wang Tao	30 April 2012	—	6,380,000	—	—	—	6,380,000	1.94	Note
Senior Management and other employees (in aggregate)	30 April 2012	—	223,200,000	—	—	—	223,200,000	1.94	Note
Total		—	348,580,000	—	—	—	348,580,000		

Note:

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

Other Information

CHANGES OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES — DIRECTORS' EMOLUMENTS

During the Period, the changes of remuneration and directors' fee per annum of the following directors of the Company are as follow:

With effect from 1 April 2012, the director's fee of each of Mr. Chen Gang, Mr. Tsang Hing Lun and Mr. Zhang Xu Sheng, the independent non-executive directors of the Company, has been increased to HK$480,000.00 per annum.

Save as disclosed above, there is no other change in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2011 annual report of the Company.

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.

ISSUANCE OF MEDIUM-TERM NOTES

On 28 March 2012, the Company's subsidiary, Jiangsu Rongsheng Heavy Industries, issued the first tranche of the medium-term notes in the national inter-bank market in the People's Republic of China, with principal amount of RMB2,000,000,000 at the interest rate of 5.95% per annum and with a term of three years. Details of the issuance were disclosed in the announcements of the Company dated 21 March 2012 and 27 April 2012 respectively.

APPOINTMENT OF EXECUTIVE VICE CHAIRMAN

With effect from 21 August 2012, Mr. Chen Qiang, currently an executive director and chief executive officer of the Company, has been appointed as the executive vice chairman of the Board.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the year 2012 (2011: RMB5.2 cents per share).

Interim Condensed Consolidated Statement of Financial Positions

As at 30 June 2012

	Note	Unaudited as at 30 June 2012 RMB'000	Audited as at 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**815,749**	643,565
Property, plant and equipment	7	**16,766,059**	16,188,645
Intangible assets	8	**220,409**	185,125
Long-term deposits	10(b)	**134,713**	97,131
Prepayment for non-current assets	10(b), 24(a)	**3,126,382**	2,798,282
Deferred tax assets		**93,362**	73,849
Available-for-sale financial asset		**40,000**	—
		21,196,674	19,986,597
Current assets			
Inventories		**3,338,133**	2,609,958
Amounts due from customers for contract works	9	**8,778,878**	7,199,036
Trade and bills receivables	10(a)	**4,383,534**	3,600,151
Other receivables, prepayments and deposits	10(b)	**8,104,521**	6,638,493
Derivative financial instruments		**—**	9,729
Pledged deposits		**5,171,579**	4,961,514
Cash and cash equivalents		**4,833,710**	6,255,138
		34,610,355	31,274,019
Total assets		**55,807,029**	51,260,616
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	**599,526**	599,526
Share premium	11	**7,490,812**	7,644,812
Other reserves		**3,380,780**	3,340,517
Retained earnings		**3,457,353**	3,241,578
		14,928,471	14,826,433
Non-controlling interests		**892,832**	865,423
Total equity		**15,821,303**	15,691,856

The notes on pages 23 to 52 are an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Financial Positions

As at 30 June 2012

	Note	Unaudited as at 30 June 2012 RMB'000	Audited as at 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	10,178,957	9,465,808
Finance lease liabilities — non-current	14	865,335	551,773
Deferred tax liabilities		4,837	5,546
		11,049,129	10,023,127
Current liabilities			
Amounts due to customers for contract works	9	363,652	1,168,319
Advances received from customers for contract works	9	1,015	133,220
Trade and other payables	13	10,503,329	8,493,043
Current income tax liabilities		273,292	149,068
Borrowings	14	17,231,448	15,155,494
Derivative financial instruments		5,270	3,015
Provision for warranty	15	170,181	189,867
Finance lease liabilities — current	14	388,410	253,607
		28,936,597	25,545,633
Total liabilities		39,985,726	35,568,760
Total equity and liabilities		55,807,029	51,260,616
Net current assets		5,673,758	5,728,386
Total assets less current liabilities		26,870,432	25,714,983

The notes on pages 23 to 52 are an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Revenue	6	5,462,741	8,703,466
Cost of sales	16	(4,487,939)	(6,683,290)
Gross profit		974,802	2,020,176
Selling and marketing expenses	16	(26,557)	(35,262)
General and administrative expenses	16	(642,108)	(501,164)
Other income	17	479,242	121,180
Other gains/(losses) — net	18	73,868	(107,447)
Operating profit		859,247	1,497,483
Finance income	19	94,474	110,849
Finance costs	19	(567,312)	(94,970)
Finance (costs)/income — net	19	(472,838)	15,879
Profit before income tax		386,409	1,513,362
Income tax expense	20	(143,225)	(208,864)
Profit for the period		243,184	1,304,498
Other comprehensive income for the period		—	—
Total comprehensive income for the period		243,184	1,304,498
Attributable to:			
Equity holders of the Company		215,775	1,216,738
Non-controlling interests		27,409	87,760
		243,184	1,304,498
Earnings per share for earnings attributable to the equity holders of the Company during the period (expressed in RMB per share)			
— Basic and diluted	21	0.03	0.17
Dividends			
Dividend (expressed in RMB per share)	22	—	0.052

The notes on pages 23 to 52 are an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012		599,526	7,644,812	3,340,517	3,241,578	14,826,433	865,423	15,691,856
Total comprehensive income for the period ended 30 June 2012		—	—	—	215,775	215,775	27,409	243,184
Transactions with equity holders in their capacity as owners								
Dividend paid	11	—	(154,000)	—	—	(154,000)	—	(154,000)
Share-based payment reserve	12	—	—	40,263	—	40,263	—	40,263
Transactions with equity holders		—	(154,000)	40,263	—	(113,737)	—	(113,737)
Balance at 30 June 2012		599,526	7,490,812	3,380,780	3,457,353	14,928,471	892,832	15,821,303

The notes on pages 23 to 52 are an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011		599,526	8,484,812	3,043,068	1,731,360	13,858,766	776,375	14,635,141
Total comprehensive income for the period ended 30 June 2011		—	—	—	1,216,738	1,216,738	87,760	1,304,498
Transactions with equity holders in their capacity as owners								
Dividend paid	11	—	(476,000)	—	—	(476,000)	—	(476,000)
Share-based payment reserve	12	—	—	45,054	—	45,054	—	45,054
Transactions with equity holders		—	(476,000)	45,054	—	(430,946)	—	(430,946)
Balance at 30 June 2011		599,526	8,008,812	3,088,122	2,948,098	14,644,558	864,135	15,508,693

The notes on pages 23 to 52 are an integral part of these condensed consolidated interim financial information.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	**(2,997,474)**	(2,120,078)
Net cash used in investing activities	**(1,616,651)**	(4,505,865)
Net cash generated from financing activities	**3,186,565**	2,020,404
Net decrease in cash and cash equivalents	**(1,427,560)**	(4,605,539)
Exchange gain/(loss) on cash and cash equivalents	**6,132**	(59,033)
Cash and cash equivalents at beginning of the period	**6,255,138**	10,412,974
Cash and cash equivalents at end of the period	**4,833,710**	5,748,402

The notes on pages 23 to 52 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

(a) 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and the Company and its subsidiaries (the "Group") are principally engaged in the construction of vessels, manufacturing of excavators and crawler cranes and building of marine engines.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board of directors of the Company on 21 August 2012.

This condensed consolidated interim financial information has not been audited.

(b) Key events

On 28 March 2012, the Company's subsidiary, Jiangsu Rongsheng Heavy Industries Co., Ltd. ("Jiangsu Rongsheng Heavy Industries"), issued the first tranche of the medium-term notes (the "Notes") in the national inter-bank market in the People's Republic of China, with principal amount of RMB2,000,000,000 at the interest rate of 5.95% per annum and with a term of three years.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34, "interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which was prepared in accordance with International Financial Reporting Standards ("IFRS").

2.1 Going concern basis

During the six months ended 30 June 2012, the Group has reported net operating cash outflow of RMB2,997,474,000 and the Group's cash and cash equivalents reduced by RMB1,421,428,000 to RMB4,833,710,000 as at 30 June 2012. The significant cash outflows during the six months ended 30 June 2012 were primarily due to the slower cash collection from customers of the Shipbuilding segment while the Group continued to fund the construction of the vessels using its own financial resources and borrowings which in turn increased the Group's aggregated borrowings to RMB28,664,150,000 as at 30 June 2012.

The board of directors of the Company has reviewed the Group's cash flow projections prepared by management. The projections extend for a period beyond one year from the date of approval of the condensed consolidated interim financial information. The projections make key assumptions, with regard to the anticipated cash flows from each of the operating segments, of the reasonably possible changes in operational performance and availability of future borrowing facilities, including the extension of existing borrowings.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION *(continued)*

2.1 Going concern basis *(continued)*

Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement initiatives to improve the Group's cash flows, including, measures to control and contain capital expenditure and corporate overheads, working closely with shipbuilding customers to timely receive settlement for trade receivables according to the contract terms, and negotiating with financial institutions to extend existing borrowings upon their due dates and obtaining new long-term borrowing facilities. The extent to which the Group can attain the targets of these initiatives is subject to various factors, including its future operational performance, market conditions, the financial capabilities of customers and other factors, many of which are outside of its control and not reasonably predictable.

The directors, after making due enquiries and considering the material uncertainties described above, have a reasonable expectation that there will be 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 condensed consolidated interim financial information on a going concern basis.

3 ACCOUNTING POLICIES

Except for the adoption of new standard and amendment to standard which are mandatory for the first time from 1 January 2012, the accounting policies applied are consistent with those as described in the annual financial statements for the year ended 31 December 2011.

(a) New accounting policy adopted by the Group during the six months ended 30 June 2012

The Group invested in an available-for-sale financial asset during the six months ended 30 June 2012. Available-for-sale financial asset is non-derivative that is either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial asset is initially recognised at fair value plus transaction costs. Available-for-sale financial asset is derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial asset is subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES *(continued)*

(b) Amendments and interpretations to existing standards effective in 2012 but have no significant impact to the Group's results and finance positions

- Amendment to IFRS 7 "Disclosures — transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. This is not relevant to the Group, as it has not made any relevant financial assets transfer transactions.

- Amendment to IFRS 1 "Severe hyperinflation and removal of fixed dates for first-time adopters" beginning on or after 1 July 2011. This is not currently applicable to the Group as it is not operating in hyperinflation region.

- Amendment to IAS 12 "Deferred tax: recovery of underlying assets" beginning on or after 1 January 2012, this is not relevant to the Group as it does not have any investment property.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

- IFRS 9 "Financial instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as IRFS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale investment, for example, will therefore have to be recognised directly in profit or loss.

- IFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 12 "Disclosure of interests in other entities" includes the disclosure requirements for a all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for the use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

- IAS 19 (Amendment) "Employee benefits" eliminate the corridor approach and calculate finance cost on a net funding basis. The Group is yet to assess the amendments to IAS19's impact.

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

(d) Current income tax expenses

Income tax expense is calculated based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the profit before income tax of the interim period.

Notes to the Condensed Consolidated Interim Financial Information

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities may expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011.

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

5.2 Liquidity risk

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances of trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	More than 2 years RMB'000	Total RMB'000
At 30 June 2012				
Borrowings	**18,404,592**	**4,651,815**	**7,200,591**	**30,256,998**
Finance lease liabilities	**464,719**	**405,476**	**527,741**	**1,397,936**
Derivative financial instrument	**5,270**	**—**	**—**	**5,270**
Trade and other payables	**10,193,554**	**—**	**—**	**10,193,554**
At 31 December 2011				
Borrowings	16,223,159	4,633,370	6,363,525	27,220,054
Finance lease liabilities	305,370	250,931	356,704	913,005
Derivative financial instruments	3,015	—	—	3,015
Trade and other payables	8,113,122	—	—	8,113,122

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.3 Credit risk

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 30 June 2012, all the Group's cash and bank balances, short term bank deposits and pledged deposits are placed in reputable banks which management believes are of high credit quality and without significant credit risk.

The Group carries out customer credit checks prior to entering into shipbuilding contracts and requests progress payments from customers in accordance with the milestones of the shipbuilding contracts. Such milestone payments received from the customers prior to the delivery of vessels could reduce the Group's credit risk exposure. Further, certain customers have issued irrevocable letters of guarantee from banks and related companies to provide guarantee on the collectability of the receivables from these customers.

The Group was exposed to concentration of credit risk as the three largest debtors of the Shipbuilding segment represented 64% (as at 31 December 2011: 63%) of the total trade receivables of the Group as at 30 June 2012. Accordingly, the Group's consolidated results would be heavily affected by the financial capability of these debtors to fulfill the obligations under the shipbuilding contracts with the Group. The Group's credit risk monitoring activities relating to these debtors include review of their credit profiles, business prospects, background and the financial capability. As at 30 June 2012, management has determined to record provision for doubtful receivable in the amount of RMB35,509,000 (31 December 2011: nil). As at 30 June 2012, no other customer contributed more than 10% of the trade receivables of the Group.

The Group actively monitors the financial situation of its customers who are affected by the credit crisis and procedures are taken to renegotiate the shipbuilding contract terms as necessary.

For customers of the Engineering Machinery segment, the Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors, before granting credit limits. The Group's trade receivables are due from parties of appropriate credit history. As at 30 June 2012, trade receivables of RMB93,856,000 (31 December 2011: RMB45,370,000) relating to certain customers of the Engineering Machinery segment are impaired and provided for.

For credit exposures to other receivables, management assesses the credit quality of the counterparties, taking into account their financial positions, past experience and other factors. No significant impairment in relation to these receivables has occurred during the six months ended 30 June 2012 (2011: nil).

In relation to the deposits and prepayments for raw materials and production costs, the credit quality of the counterparties is assessed by taking into account their financial position, relationship with the Group, credit history and other factors. Management will also regularly review the realisability of these deposits and prepayments and follow up the disputes or amounts overdue, if any. The directors do not expect any losses from non-performance by these counterparties. For details of these amounts, please refer to note 10(b).

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.4 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The valuation of the share-based payment (Note 12) was determined using the binominal option pricing model. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade, bills and other receivables and the trade and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

As at 30 June 2012, the Group was holding a Level 2 available-for-sale financial asset fair valued at RMB40,000,000 (31 December 2011: nil) and certain Level 2 trading derivative liabilities fair valued at approximately RMB5,270,000 (31 December 2011: RMB 3,015,000), for which inputs that are observable in active market (for example, over the counter derivatives) were used in determining the fair values.

As at 31 December 2011, the Group had certain Level 2 trading derivative assets fair valued of RMB9,729,000, all of which were settled during the six months ended 30 June 2012.

Notes to the Condensed Consolidated Interim Financial Information

6 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 condensed consolidated interim financial information.

The chief operating decision-maker is identified as the Executive Directors of the Company. The Executive Directors consider the business from both a geographic and product perspective. The Shipbuilding segment derives its revenue primarily from the construction of vessels, and the Offshore Engineering segment derives its revenue from the construction of vessels for marine projects. The Engineering Machinery segment derives its revenue from manufacturing of excavators and crawler cranes while the Marine Engine Building segment derives its revenue from building marine engines. The Executive Directors assess the performance of the reportable segments based on a measure of revenue and gross profit. The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2012 is as follows:

	Shipbuilding Six months ended 30 June		Offshore Engineering Six months ended 30 June		Engineering Machinery Six months ended 30 June		Marine Engine Building Six months ended 30 June		Total Six months ended 30 June	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Segment revenue	5,205,853	8,436,172	—	31,295	290,715	330,039	434,065	457,889	5,930,633	9,255,395
Inter-segment revenue	—	—	—	—	(98,182)	(94,040)	(369,710)	(457,889)	(467,892)	(551,929)
Revenue from external customers	5,205,853	8,436,172	—	31,295	192,533	235,999	64,355	—	5,462,741	8,703,466
Segment results	914,883	1,988,796	—	(25,023)	44,006	56,403	15,913	—	974,802	2,020,176
Selling and marketing expenses									(26,557)	(35,262)
General and administrative expenses									(642,108)	(501,164)
Other income									479,242	121,180
Other gains/(losses), net									73,868	(107,447)
Finance (costs)/income, net									(472,838)	15,879
Profit before income tax									386,409	1,513,362

No revenue was derived from the Offshore Engineering segment for the six months ended 30 June 2012. Revenue of the Offshore Engineering segment for the six months ended 30 June 2011 was derived from one customer.

No customers of the Engineering Machinery and Marine Engine Building segments individually accounted for ten percent or more of the Group's consolidated revenue for the six months ended 30 June 2012 (2011: same).

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENTAL INFORMATION *(continued)*

During the six months ended 30 June 2012, revenues from one customer (2011: three) of the Shipbuilding segment amounted to ten per cent or more of the Group's total consolidated revenue for the period. The revenues of these customers of the Shipbuilding segment during the relevant periods are summarised below:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Shipbuilding customer 1	**1,749,634**	3,414,854
Shipbuilding customer 2	**398,523**	905,767
Shipbuilding customer 3	**275,087**	1,520,514

Geographically, management considers the performance of shipbuilding, offshore engineering, engineering machinery and marine engine building segments are all located in the PRC, with revenue derived from different geographical location, which is determined by the country in which the customer is located.

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Brazil	**1,749,634**	3,414,854
Greece	**1,060,038**	441,384
China	**980,295**	2,582,035
Turkey	**446,153**	225,062
India	**432,984**	26,018
Oman	**398,523**	905,767
Israel	**234,098**	—
Norway	**102,076**	1,370
Germany	**55,813**	1,094,182
Cyprus	**1,540**	1,910
Russia	**—**	4,077
Others	**1,587**	6,807
	5,462,741	8,703,466

Geographically, total assets and capital expenditures are allocated based on where the assets are located. Assets are mainly located in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

7 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2011		
Opening net book amount as at 1 January 2011	12,123,885	657,206
Additions	2,551,873	—
Disposals	(3,268)	—
Depreciation and amortisation	(204,628)	(6,559)
Closing net book amount as at 30 June 2011	14,467,862	650,647
Six months ended 30 June 2012		
Opening net book amount as at 1 January 2012	**16,188,645**	**643,565**
Additions	**840,357**	**179,865**
Disposals	**(6,434)**	**—**
Depreciation and amortisation	**(256,509)**	**(7,681)**
Closing net book amount as at 30 June 2012	**16,766,059**	**815,749**

8 INTANGIBLE ASSETS

	RMB'000
Six months ended 30 June 2011	
Opening net book amount as at 1 January 2011	108,896
Additions	7,980
Amortisation	(5,728)
Closing net book amount as at 30 June 2011	111,148
Six months ended 30 June 2012	
Opening net book amount as at 1 January 2012	**185,125**
Additions	**52,745**
Amortisation	**(17,461)**
Closing net book amount as at 30 June 2012	**220,409**

Notes to the Condensed Consolidated Interim Financial Information

9 CONSTRUCTION CONTRACTS

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Aggregate contract costs incurred and recognised profits (less recognised losses) to date	**21,438,908**	41,931,938
Less: Progress billings	**(13,023,682)**	(35,901,221)
Net balance sheet position for ongoing contracts	**8,415,226**	6,030,717
Presented as:		
Amounts due from customers for contract works	**8,778,878**	7,199,036
Amounts due to customers for contract works	**(363,652)**	(1,168,319)
	8,415,226	6,030,717
Advances received from customers for contract works	**1,015**	133,220

Refund guarantees are secured by certain vessels under construction with aggregate contract costs incurred of RMB649,212,000 as at 30 June 2012 (31 December 2011: RMB4,424,768,000).

10 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(a) Trade and bills receivables

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade receivables	**4,510,620**	3,618,755
Less: Provision for doubtful receivables	**(129,365)**	(45,370)
Bills receivables	**2,279**	26,766
	4,383,534	3,600,151

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

(a) Trade and bills receivables *(continued)*

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

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Undue	**402,812**	337,173
Past due		
1 – 180 days	**2,470,143**	2,483,669
181 – 360 days	**816,013**	761,498
Over 360 days	**694,566**	17,811
	3,980,722	3,262,978
	4,383,534	3,600,151

As at 30 June 2012 trade receivables of RMB93,856,000 (31 December 2011: RMB45,370,000) relating to certain customers of the Engineering Machinery segment are impaired and provided for. The impaired trade receivables have been past due for over twelve months as at 30 June 2012.

As at 30 June 2012, trade receivables of RMB3,980,722,000 (31 December 2011: RMB3,262,978,000) were past due but not impaired. The ageing analysis of these trade receivables by due dates is listed above, among which, approximately RMB2,792,890,000 (31 December 2011: RMB2,272,584,000) is due from the three largest debtors. Based on the Group's review of the credit risk exposure, management has determined to record provision for doubtful receivable amounted to RMB35,509,000 (31 December 2011: nil) in respect of the receivables from these debtors.

As at 30 June 2012, trade receivables amounting to RMB587,904,000 (31 December 2011: RMB663,331,000) were secured by guarantees issued by the banks or related companies of certain customers. The maximum exposure to credit risk at the reporting date is the fair value of RMB4,383,534,000 less the secured trade receivables.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

(a) Trade and bills receivables *(continued)*

During the six months ended 30 June 2012, the Group assigned accounts receivable amounted to RMB505,992,000 to a bank (31 December 2011: nil). Such arrangement is secured by deposits of RMB252,996,000. These pledged deposits will be released upon the earlier of the termination of the arrangement on 28 June 2014 or settlement of the assigned accounts receivable from customers.

Certain customers of the Engineering Machinery segment are granted credit terms of up to 365 days. The credit term granted to customers of all other segments are generally ranged from 3 days to 90 days, accordingly, balances are past due if not settled within the credit period.

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

(b) Other receivables, prepayments and deposits

	As at	
	30 June 2012 RMB'000	31 December 2011 RMB'000
Receivables from agents	**564,021**	316,634
Other receivables		
— Third parties	**1,674,754**	442,927
— Related parties (Note 25(iii))	**346,624**	449,721
VAT receivable	**1,269,568**	883,385
Deposits	**192,041**	146,871
Prepayments for intangible assets, property, plant and equipment and land use rights		
— Third parties	**3,218,280**	2,891,282
— Related parties (Note 25(iii))	**43,152**	43,152
Prepayments for raw materials and production costs		
— Third parties	**2,654,093**	2,930,987
— Related parties (Note 25(iii))	**170,846**	170,846
Prepayments — others		
— Third parties	**1,232,237**	1,258,101
	11,365,616	9,533,906
Less: Non-current deposits and prepayments	**(3,261,095)**	(2,895,413)
Current portion	**8,104,521**	6,638,493

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

(b) Other receivables, prepayments and deposits *(continued)*

The non-current deposit is due within five years from the end of the reporting period.

The non-current prepayments as at 30 June 2012 included RMB1,153,890,000 (31 December 2011: RMB1,153,890,000) paid in respect of the proposed acquisition of Anhui Quanchai Group Corp ("Quanchai Group"). (Note 24(a)).

According to the contracts entered with certain suppliers, the Group placed deposits and prepayments to secure the supply or raw materials. As at 30 June 2012, the Group prepaid RMB1,365,993,000 to the five largest suppliers (31 December 2011: RMB1,485,528,000).

As at 30 June 2012, the Group had a deposit of RMB163,044,000 that was paid pursuant to a non-binding memorandum of intent to acquire certain land use right in Beijing. Management has decided not to proceed with the transaction in late 2011 and this deposit became refundable according to the non-binding memorandum. The deposit remained outstanding as at 30 June 2012. Management has been in discussion with the counter-party to recover this deposit and considered its recoverability by evaluating the Group's ability to enforce the corporate guarantees in connection with this outstanding receivable. On the basis of its review of the available evidence, management is of the view that the recoverability of the full amount is reasonably certain and hence no provision for impairment is required as at 30 June 2012. The deposit is classified as other receivables from third parties as presented in the table above (31 December 2011: same).

Finance lease and letters of credit are secured by certain refundable deposits with an aggregate carrying value of RMB154,880,000 as at 30 June 2012 (31 December 2011: RMB85,416,000).

The Group entered into a number of agency contracts with several agency companies. These agency companies assisted the Group to secure the shipbuilding contract and procure the relevant refund guarantees. Pursuant to the agency contracts, the ship buyers agreed to pay the contract price to the agents for which the agents are responsible for payment to the raw materials suppliers according to the progress of the shipbuilding works. As such, the amounts received by the agents from the ship buyers are classified as receivables from agents and the relevant payments made to suppliers by the agents are classified as payables to agents (Note 13).

As at 30 June 2012, no other receivables were past due (31 December 2011: nil).

The carrying amounts of receivables from agents, other receivables and deposits approximate their fair values.

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

Notes to the Condensed Consolidated Interim Financial Information

11 SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary shares of HK$0.1 each	38,000,000,000	3,800,000,000	—	—	—
Issued:					
Ordinary shares of HK$0.1 each at 1 January 2012	7,000,000,000	700,000,000	599,526	7,644,812	8,244,338
Dividend paid (note a)	—	—	—	(154,000)	(154,000)
Ordinary shares of HK$0.1 each at 30 June 2012	7,000,000,000	700,000,000	599,526	7,490,812	8,090,338

Note:

(a) Pursuant to the Annual General Meeting held on 23 May 2012, the proposal for the payment of final dividend of RMB2.2 cents per share to the shareholders of the Company was approved. The payment of dividend has been made against the share premium account.

12 SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company dated 24 October 2010, selected employees are granted a total share option of 62,500,000 shares (the "Pre-IPO Share Option Scheme"). The exercise price per share under the Pre-IPO Share Option Scheme shall be equal to a 50% discount to the Offer Price (i.e. HK$4 per share). Each option under the Pre-IPO Share Option Scheme has a ten year exercisable period, from 19 November 2010 ("Old Grant Date"), and ending on the expiration of the tenth anniversary of the date of acceptance of the grant options, that is 26 October 2020 ("Old Expiry Date").

Commencing from the date on which trading in the shares of the Company first commenced on the Main Board of the Hong Kong Stock Exchange, being 19 November 2010 ("Listing Date"), the expiry of first, second, third, and fourth anniversaries of the Listing Date, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% of the options respectively.

The fair value of the share options granted on 24 October 2010, determined using the binominal model (the "Model"), ranged from HK$4.38 to HK$5.17 per option. The significant inputs into the Model were the share price of HK$8 at the Old Grant Date, the exercise price shown above, expected dividend yield rate of 1.32%, risk-free rate of 2.09%, an expected option life of ten years and expected volatility of 55.0%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operations.

Notes to the Condensed Consolidated Interim Financial Information

12 SHARE OPTION SCHEMES *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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

	Average exercise price in HK$ per share	Number of share options (thousands)
At 1 January 2012	4	61,500
Granted	—	—
Exercised	—	—
At 30 June 2012	4	61,500

Share Option Scheme

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

Pursuant to the written resolutions of the Directors dated 30 April 2012, selected employees are granted a total share option of 348,580,000 shares under the Share Option Scheme. The exercise price per share under the Share Option Scheme is HK$1.94 per share. No Share option is exercisable prior to the first anniversary on 30 April 2012 (the "New Grant Date"). On each of the first, second, third, fourth and fifth anniversaries of the New Grant Date, a further 20% of the share options granted to the selected employees may be exercised, provided that no share option shall be exercised after 30 April 2022.

The fair value of the share options granted on 30 April 2012, determined using the binominal model (the "Model"), ranged from HK$0.63 to HK$0.64 per option. The significant inputs into the Model were the share price of HK$1.94 at the New Grant Date, the exercise price shown above, expected dividend yield rate of 4.66%, risk-free rate of 1.14%, an expected option life of ten years and expected volatility of 54.5%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operations.

The total expense recognised in the interim condensed consolidated statement of comprehensive income for share options granted to directors and employees approximates RMB16,039,000 during the six months ended 30 June 2012 (2011: nil). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Notes to the Condensed Consolidated Interim Financial Information

12 SHARE OPTION SCHEMES *(continued)*

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

	Average exercise price in HK$ per share	Number of share options (thousands)
At 1 January 2012	—	—
Granted	1.94	348,580
Exercised	—	—
At 30 June 2012	1.94	348,580

The total expense recognised in the interim condensed consolidated statement of comprehensive income for share options granted to directors and employees approximates RMB24,224,000 during the six months ended 30 June 2012 (2011: RMB45,054,000). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

13 TRADE AND OTHER PAYABLES

	As at	
	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade payables	**3,045,039**	2,839,805
Bills payables		
— Third parties	**4,365,114**	2,741,654
— Related parties (Note 25(iii))	**101,278**	81,432
Other payables for purchase of property, plant and equipment		
— Third parties	**556,085**	662,577
— Related parties (Note 25(iii))	**585,860**	762,722
Other payables		
— Third parties	**727,039**	503,078
— Related parties (Note 25(iii))	**297**	470
Receipt in advance	**110,175**	99,463
Accrued expenses		
— Payroll and welfare	**71,151**	79,805
— Design fees	**47,834**	55,638
— Utilities	**45,111**	59,610
— Outsourcing and processing fee	**535,503**	254,236
— Others	**184,394**	151,900
VAT payable	**20,303**	27,570
Other tax-related payables	**108,146**	173,083
	10,503,329	8,493,043

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER PAYABLES *(continued)*

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

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
0–30 days	**1,644,243**	2,588,939
31–60 days	**1,023,117**	1,279,997
61–90 days	**1,220,687**	669,909
Over 90 days	**3,623,384**	1,124,046
	7,511,431	5,662,891

14 BORROWINGS

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Non-current		
Bank borrowings	**8,196,957**	9,465,808
The Notes	**1,982,000**	—
Finance lease liabilities	**865,335**	551,773
	11,044,292	10,017,581
Current		
Bank borrowings	**17,231,448**	15,155,494
Finance lease liabilities	**388,410**	253,607
	17,619,858	15,409,101
Total borrowings	**28,664,150**	25,426,682

Notes to the Condensed Consolidated Interim Financial Information

14 BORROWINGS *(continued)*

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	17,635,368
Proceeds from new bank borrowings	9,134,233
Proceeds from finance lease liabilities	—
Repayments of borrowings	(6,508,183)
Repayments of finance lease liabilities	(154,044)
Closing amount as at 30 June 2011	20,107,374
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	**25,426,682**
Proceeds from new bank borrowings	**15,413,764**
Proceeds from the Notes	**2,000,000**
Proceeds from finance lease liabilities	**600,000**
Repayments of borrowings	**(14,624,662)**
Repayments of finance lease liabilities	**(151,634)**
Closing amount as at 30 June 2012	**28,664,150**

At the balance sheet dates, the Group's borrowings were repayable as follows:

	As at	
	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	**17,619,858**	15,409,101
Between 1 and 2 years	**3,317,219**	4,315,956
Between 2 and 5 years	**4,549,328**	3,749,861
Over 5 years	**3,177,745**	1,951,764
	28,664,150	25,426,682

Borrowings amounting to RMB26,682,150,000 as at 30 June 2012 (31 December 2011 RMB25,426,682,000) are secured by the land use rights, buildings, construction contracts, pledged deposits and guarantee of the Group.

Three borrowings of the Group (31 December 2011: two) required the Group to maintain consolidated tangible net worth at any time of not less than RMB13,000,000,000 and the ratio of consolidated net borrowings to the consolidated tangible net worth shall not exceed 1.8 to 1.0. Management has reviewed the financial positions of the Group and noted the covenants are fulfilled.

Notes to the Condensed Consolidated Interim Financial Information

14 BORROWINGS *(continued)*

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

The Group has the following undrawn borrowing facilities:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Expiring within one year	**3,790,145**	5,331,298
Expiring beyond one year	**3,034,346**	2,718,880
	6,824,491	8,050,178

15 PROVISION FOR WARRANTY

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

Movement in provision for warranty for the Group is as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	**189,867**	228,654
Provision for the period		
— Charged to consolidated profit or loss	**23,552**	84,823
— Utilisation during the period	**(1,214)**	(5,133)
— Reversal during the period upon expiring of the warranty period	**(42,024)**	—
At 30 June	**170,181**	308,344

Notes to the Condensed Consolidated Interim Financial Information

16 EXPENSES BY NATURE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Raw materials and consumable used	**3,209,195**	5,340,522
Amortisation of land use rights (Note 7)	**7,681**	6,559
Depreciation of property, plant and equipment (Note 7)	**256,509**	204,628
Amortisation of intangible assets (Note 8)	**17,461**	5,728
Employee benefit expenses	**398,546**	296,845
Operating lease payments	**24,680**	23,917
Auditors' remunerations	**1,989**	2,417
Outsourcing and processing costs	**713,758**	640,426
Commission expense	**30,263**	107,857
Design fees	**7,705**	44,584
Agency fees	**3,938**	11,687
Legal and consultancy fees	**19,263**	14,980
Other tax-related expenses and customs duties (Note a)	**16,807**	32,641
Bank charges (include refund guarantee charges)	**49,695**	66,980
(Reversal of)/provision for warranty (Note 15)	**(18,472)**	84,823
Office expenses and utilities	**199,616**	200,454
Donations and sponsoring expenses	**21,982**	10,400
Impairment loss on inventories	**5,692**	—
Provision for trade receivables	**83,995**	—
Inspection fees	**12,528**	21,634
Insurance premiums	**8,314**	21,782
Storage and handling charges	**29,422**	14,179
Advertising, promotion and marketing expenses	**18,595**	9,627
Royalty expenses	**20,196**	34,054
Miscellaneous expenses	**17,246**	22,992
Total cost of sale, selling and marketing expenses, general and administrative expenses (Note b, c)	**5,156,604**	7,219,716

Note:

(a) Other tax-related expenses comprised of mainly stamp duty, business tax, withholding tax, real estate tax, land use right tax and city maintenance and construction taxes.

(b) Research and development costs are included in the above expenses are as follows:

The Group has incurred employee benefit expenses, depreciation and amortisation of property, plant and equipment and intangible assets for the purpose of research and development. The research and development costs incurred for the six months ended 30 June 2012 was RMB85,424,000 (2011: RMB38,540,000), among which RMB36,159,000 were capitalised as intangible assets (2011: nil).

(c) During the six months ended 30 June 2012, the Group received subsidies of RMB671,758,000 (2011: RMB450,000,000) from various governmental authorities to compensate costs the Group incurred for research and development of shipbuilding processes, designs investments in the heavy industries and the related people development. The subsidies have been recognised in the consolidated profit and loss for the six months ended 30 June 2012. Amount of RMB671,758,000 was deducted against cost of sales of RMB422,132,000 (2011: RMB100,000,000), selling and marketing expenses of RMB12,191,000 (2011: nil), general and administrative expenses of RMB159,114,000 (2011: RMB100,000,000) and finance costs of RMB78,321,000 (2011: RMB250,000,000).

Notes to the Condensed Consolidated Interim Financial Information

17 OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Government grants (Note a)	**71,831**	14,729
Scrap sales (Note b)	**159,268**	93,654
Compensation income (Note c)	**239,689**	—
Others	**8,454**	12,797
Total	**479,242**	121,180

Note:

(a) Government grants represent cash received from Jiangsu and Anhui Government authorities during the six months ended 30 June 2011 and 2012.

(b) The Group recognised scrap sales of RMB159,268,000 during the six months ended 30 June 2012 (2011: RMB93,654,000), as a result of sales of scrapped steel plates materials.

(c) The Group recognised compensation income of RMB239,689,000 (2011:nil) during the six months ended 30 June 2012 from certain suppliers.

18 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Fair value change of derivative instruments — forward contracts	**—**	10,146
Fair value losses on derivative instruments — interest rate swap	**(2,255)**	—
Net foreign exchange gains/(losses)	**76,123**	(117,593)
Total	**73,868**	(107,447)

Notes to the Condensed Consolidated Interim Financial Information

19 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**105,593**	73,604
Net foreign exchange (losses)/gains on financing activities	**(11,119)**	37,245
	94,474	110,849
Finance cost:		
Interest expense		
— Borrowings and finance lease liabilities	**1,097,077**	323,240
Less: borrowing costs capitalised	**(529,765)**	(228,270)
	567,312	94,970
Net finance (costs)/income	**(472,838)**	15,879

The capitalisation rate used to determine the amount of borrowing costs incurred eligible for capitalisation in the six months ended 30 June 2012 was 6.14% (2011: 5.95%).

20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current income tax:		
— PRC Enterprise Income Tax ("EIT")	**163,447**	209,319
Deferred income tax	**(20,222)**	(455)
Total income tax expense	**143,225**	208,864

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

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

No Hong Kong profits tax has been provided during the six months ended 30 June 2012 and 2011, respectively, as the Group had no assessable profit in Hong Kong.

Notes to the Condensed Consolidated Interim Financial Information

21 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 period.

	Six months ended 30 June	
	2012	2011
Earnings attributable to equity holders of the Company (RMB'000)	**215,775**	1,216,738
Weighted average number of ordinary shares in issue	**7,000,000,000**	7,000,000,000
Basic earnings per share (RMB per share)	**0.03**	0.17

(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 six months ended 30 June 2012 (2011: same).

22 DIVIDENDS

Dividends for the year ended 31 December 2011 amounted to RMB154,000,000 and was paid in May 2012 (2011: RMB476,000,000).

The Board has resolved not to declare the payment of an interim dividend for the year 2012 (2011: RMB5.2 cents per share).

Notes to the Condensed Consolidated Interim Financial Information

23 CONTINGENCIES

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Contingencies:		
Refund guarantees (Note a)	**10,908,216**	12,434,396
Litigation (Note b)	**234,407**	326,333
Financial guarantees (Note c)	**61,008**	3,513
	11,203,631	12,764,242

(a) Refund guarantees

Refund guarantees relate to the guarantees provided by the banks to the Group's customers in respect of advances received from customers. In the event of non-performance, the customers may call upon the refund guarantees and the Group would be liable to the banks in respect of the refund guarantees provided. As at 30 June 2012, refund guarantees are secured by land and buildings, pledged deposits, vessels under constructions and corporate guarantees from the Company and certain of its subsidiaries.

(b) Litigation

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

As at 30 June 2012, subsidiaries of the Group were in dispute with certain of its suppliers in relation to the procurement of inventory. The alleged claims against the Group amounted to RMB2,441,000 (31 December 2011: RMB111,956,000). No provision has been made in respect of the claims as at 30 June 2012 (31 December 2011: RMB17,186,000) as management has determined, on the basis of legal advice from the Group's external counsel that it is not probable that these claims would result in an outflow of economic benefits from the Group.

As at 30 June 2012, the Group was in dispute with one of its customers in relation to a shipbuilding contract. The alleged claim against the Group amounted to approximately USD36,675,000, equivalent to approximately RMB231,966,000 (31 December 2011: USD36,675,000, equivalent to approximately RMB231,086,000). No provision has been made in respect of this claim as at 30 June 2012 as management has determined, on the basis of legal advice from the Group's external counsel, that it is not probable that this claim would result in an outflow of economic benefits from the Group.

Notes to the Condensed Consolidated Interim Financial Information

23 CONTINGENCIES *(continued)*

(c) Financial guarantees

The Group has provided guarantees to certain financial institutions in the PRC in respect of borrowings drawn by certain customers of the Engineering Machinery Segment. The borrowings were drawn by the customers of the Engineering Machinery segment to finance the purchase of excavators from the Group. Under the financial guarantee contracts, the Group is required to make payments to the financial institutions should the customers default on the borrowings. As at 30 June 2012, the total value of the guaranteed borrowings outstanding was RMB68,750,000 (31 December 2011: RMB20,228,000) in which the Group has made a provision of RMB7,742,000. (31 December 2011: RMB16,715,000) for borrowings with delinquent payments. Management has determined that no further provision for the remaining contingency of RMB61,008,000 (31 December 2011: RMB3,513,000) is required as the relevant customers have no history of default and it is not probable that the Group would have to make payments to the financial institutions for the guarantees.

24 COMMITMENTS

(a) Capital commitments

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

	As at	
	30 June 2012 RMB'000	31 December 2011 RMB'000
Property, plant and equipment		
— Contracted but not provided for	**1,711,012**	2,951,877
Other capital commitment		
— Contracted but not provided for (note i)	**3,774,417**	3,614,417

Notes to the Condensed Consolidated Interim Financial Information

24 COMMITMENTS *(continued)*

(a) Capital commitments *(continued)*

(i) Commitment for acquisition of Quanchai

On 26 April 2011, Jiangsu Rongsheng Heavy Industries entered into a sale and purchase agreement (the "Agreement") to acquire, after the Agreement has taken effect, 100% equity interest of Quanchai Group from the People's Government of Quanjiao County, Anhui Province (安徽省全椒縣人民政府) (the "Vendor") for cash consideration of RMB2,148,870,000. Up to 30 June 2012, the Group had made a bidding deposit of RMB630,000,000 (31 December 2011: RMB630,000,000) to Anhui Province Property Rights Exchange Co., Ltd. (安徽省產權交易中心有限責任公司) for the proposed acquisition of Quanchai Group. The Group had also paid a general offer deposit in the amount of RMB523,890,000 (31 December 2011:RMB523,890,000) to China Securities Depository and Clearing Corp. Ltd. Shanghai Branch (中國証券登記結算有限責任公司上海分公司) ("CSDCC") in respect of the general offer (the "General Offer") to purchase the outstanding shares of Anhui Quanchai Engine Co., Ltd. (安徽全柴動力股份有限公司) (other than those shares held by Quanchai Group) ("Quanchai Engine"), a 44.39% owned subsidiary of Quanchai Group with its shares listed on the Shanghai Stock Exchange (Stock Code: 600218), that will be triggered by the Group's proposed acquisition of Quanchai Group. The capital commitment as at 30 June 2012 comprised approximately RMB1,518,870,000 to complete the acquisition of Quanchai Group and approximately RMB2,095,547,000 for the General Offer on the basis that all holders of the outstanding Quanchai Engine A-shares accept the offer. The aforesaid capital commitment is computed on the assumption that: (i) the Agreement will take effect after 30 June 2012; and (ii) the General Offer will be conducted after 30 June 2012. Please refer to note 26 for developments of this transaction subsequent to 30 June 2012.

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

The Group leases various offices, residential properties and production facilities under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2012 RMB'000	31 December 2011 RMB'000
No later than 1 year	**93,822**	143,030
Later than 1 year and no later than 5 years	**156,113**	126,148
Over 5 years	**9,162**	—
	259,097	269,178

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Mr. Zhang Zhi Rong ("Mr. Zhang"), who is a non-executive director of the Company, chairman and founder and controlling shareholder of the Group. Fine Profit Enterprises Limited (incorporated in British Virgin Islands) ("Fine Profit"), the immediate and ultimate holding company of the Group, owns 47.75% of the issued shares of the Company as at 30 June 2012. Fine Profit was wholly owned by Mr. Zhang as at 30 June 2012.

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group as at and during the period:

Name	Relationship with the Group
Shanghai Ditong Construction (Group) Co. Ltd. 上海地通建設（集團）有限公司	Entity controlled by a director/ close family member of Mr. Zhang
Nantong Heloifu Shipping Equipment Co. Ltd. 南通和來福船舶配套設備有限公司	Entity ultimately controlled by Mr. Zhang
Jiangsu Rongsheng Investment Group Co. Ltd. 江蘇熔盛投資集團有限公司	Entity ultimately controlled by Mr. Zhang
Nantong Shengshi Building Materials Co. Ltd. 南通晟昰建材有限公司	Entity ultimately controlled by Mr. Zhang
Shanghai Yi Wang Enterprise Development Co. Ltd. 上海弋泓企業發展有限公司	Entity controlled by a close family member of Mr. Zhang
Jiangsu Rong Tong Marine Mechanical and Electrical Co. Ltd. 江蘇熔通海工機電有限公司	Entity ultimately controlled by Mr. Zhang
Rugao Ru Gang New City Development and Investment Co. Ltd. 如臯市如港新城開發投資有限公司	Entity ultimately controlled by Mr. Zhang
Nantong Drawshine Petrochemical Co. Ltd. 南通焯晟石油化工有限公司	Entity controlled by a director/ close family member of Mr. Zhang
Glorious Wangjiarui (Wuxi) Co. Ltd. 恒盛旺佳瑞(無錫)有限公司	Entity ultimately controlled by Mr. Zhang
Shanghai Chuang Meng International Architectural Design Co. Ltd. 上海創盟國際建築設計有限公司	Entity ultimately controlled by Mr. Zhang
Shanghai Sunshine Ming Di Catering Management Co. L 上海陽光名邸餐飲管理有限公司	Entity ultimately controlled by Mr. Zhang
Nantong Rongsheng Infrastructure Accessories Co. Ltd. 南通熔盛基礎設施配套工程有限公司 (Formerly known as Nantong Rongsheng Shipping Equipment Co. Ltd. 南通熔盛船舶機電配套有限公司)	Entity ultimately controlled by Mr. Zhang
Shanghai Zhuo Xin Investment Management Co. Ltd. 上海卓信投資管理有限公司	Entity controlled by a director/ close family member of Mr. Zhang
Jiangsu Rongdezhi Education Investment Co. Ltd. 江蘇熔德智教育投資有限公司	Entity ultimately controlled by Mr. Zhang

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS *(continued)*

During the six months ended 30 June 2012, the Group carried out the following transactions with the related parties:

(i) Purchase of goods and services

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Purchase of catering services		
— Entities controlled by Mr. Zhang	**—**	149
Purchase of consultation services		
— Entity controlled by close family members of Mr. Zhang	**—**	2,290
	—	2,439

(ii) Purchase of construction services

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Purchase of construction services		
— Entity controlled by a director/close family member of Mr. Zhang	**69,545**	994,668

These transactions were carried out in the normal course of business and at terms mutually agreed between the Group and the respective related parties.

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS *(continued)*

(iii) Balances with related parties:

As at 30 June 2012 and 31 December 2011, the balances are interest free, unsecured, repayable on demand and approximate their fair values.

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Prepayments for property, plant and equipment (Note 10):		
— Entities controlled by Mr. Zhang	**43,152**	43,152
Prepayments for raw materials (Note 10):		
— Entity controlled by Mr. Zhang	**170,846**	170,846
Other receivables — non-trade (Note 10):		
— Entities controlled by Mr. Zhang or a director/close family member of Mr. Zhang	**346,620**	449,646
— Mr. Zhang	**—**	70
— Key management	**4**	5
	346,624	449,721
Bills payable for property, plant and equipment (Note 13)		
— Entity controlled by a director/close family member of Mr. Zhang	**101,278**	81,432
Other payables for property, plant and equipment (Note 13):		
— Entities controlled by Mr. Zhang or a director/close family member of Mr. Zhang	**585,860**	762,722
Other payables — non-trade (Note 13):		
— Mr. Zhang	**297**	470

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS *(continued)*

(iv) Acquisition of shares by directors and senior management from Fine Profit

On 30 April 2012, Fine Profit and Leader World Investments Limited ("Leader World") entered into a share transfer agreement (the "Share Transfer Agreement"), pursuant to which Fine Profit has agreed to sell to Leader World, and Leader World has agreed to acquire from Fine Profit, an aggregate of 420,000,000 Shares, representing approximately 6.0% of the issued share capital of the Company, at a total consideration of HK$796,320,000. Leader World is held by some directors and senior management of the Group. Immediately after completion of the share transfer, Mr. Zhang held approximately 47.75% of the total issued share capital of the Company and Leader World held approximately 6.0% of the total issued share capital of the Company. Management considered the share transfer between Fine Profit and directors and senior management does not have a material impact to the Group's financial results.

26 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In connection with the Group's proposed acquisition of Quanchai Group, Jiangsu Rongsheng Heavy Industries made an application to the China Securities Regulatory Commission ("CSRC") on 17 August 2012 for the withdrawal of the application for the approval by the CSRC of this transaction. On 20 August 2012, the materials submitted to the CSRC for the application for approval of the General Offer to purchase the shares of Quanchai Engine were returned to Jiangsu Rongsheng Heavy Industries, and Jiangsu Rongsheng Heavy Industries will not proceed with the General Offer, and a submission will be made on 22 August 2012 to CSDCC for the refund of the RMB523,890,000 deposit (together with interest). Consultations between Jiangsu Rongsheng Heavy Industries and the Vendor will continue to be conducted with respect to the consequential matters relating to the transaction.

Corporate Information

Chairman and Non-executive Director
ZHANG Zhi Rong

Executive Directors
CHEN Qiang (Executive Vice Chairman/ Chief Executive Officer)
ZHANG De Huang (Vice Chairman)
WU Zhen Guo (Vice Chairman)
LUAN Xiao Ming (Chief Operating Officer)
DENG Hui
HONG Liang
Sean S J WANG (Chief Financial Officer)
WANG Tao

Independent Non-executive Directors
CHEN Gang
TSANG Hing Lun
ZHANG Xu Sheng

Audit Committee
TSANG Hing Lun (Chairman)
CHEN Gang
ZHANG Xu Sheng

Corporate Governance Committee
ZHANG Xu Sheng (Chairman)
CHEN Qiang
Sean S J WANG

Nomination Committee
ZHANG Xu Sheng (Chairman)
ZHANG Zhi Rong
CHEN Gang

Remuneration Committee
CHEN Gang (Chairman)
ZHANG Zhi Rong
ZHANG Xu Sheng

Finance and Investment Committee
CHEN Qiang (Chairman)
HONG Liang
Sean S J WANG
CHEN Gang
TSANG Hing Lun

Company Secretary
LEE Man Yee

Auditor
PricewaterhouseCoopers

Principal Bankers
The Export-Import Bank of China
(Jiangsu Province Branch)
China Development Bank
(Jiangsu Province Branch)
Bank of China Limited
(Nantong Gangzha Branch)
Shanghai Pudong Development Bank Limited
(Hefei Branch)

Legal Advisors
Paul Hastings
Commerce & Finance Law Offices

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Stock Code : 01101

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