

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA RONGSHENG HEAVY INDUSTRIES GROUP HOLDINGS LIMITED

中國熔盛重工集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01101)

UNUSUAL PRICE MOVEMENTS CLARIFICATION OF NEWS ARTICLES PROFIT WARNING AND RESUMPTION OF TRADING

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

UNUSUAL PRICE MOVEMENTS

The board of directors (the “**Board**”) of China Rongsheng Heavy Industries Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has noted the decrease in the price of the shares of the Company on 3 July 2013. Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Board confirms that, save for the matters disclosed in this announcement, it is not aware of any reasons for these price movements or of any information which must be announced to avoid a false market in the Company’s securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CLARIFICATION OF NEWS ARTICLES

The Board has noted various news articles appearing in the press recently which allege: (i) the Group is in serious financial difficulty and has not duly paid its workers and suppliers; (ii) on 2 July 2013, a large number of workers commenced striking and formed a blockade outside the headquarters of the Group’s production base in Nantong; (iii) in response to the Group’s failure to settle payments, certain suppliers of the Group have towed away machineries from the Group’s production base in Nantong; (iv) the Group has ordered a

work stoppage of its production base in Nantong from 2 July 2013 until 8 July 2013 due to the high temperature; and (v) the Group has made payment of salaries to its contract workers through the relevant sub-contractors, who have absconded with the payment.

The Board wishes to clarify as follows:

Demand in the global shipbuilding market has continued to decline and prices for new vessels have failed to rebound. Throughout the shipbuilding industry, banks and other financial institutions have tightened credit facilities available to shipbuilders, and many shipowners have delayed, renegotiated or defaulted on payments to shipbuilders. These factors have caused higher pressure on the Group's working capital in recent months, and the Group has tightened cash outflow by delaying its payment to its suppliers and workers.

After due enquiry, the Board confirms that there has not been any incident of abscondment of salary payment by any subcontractor of the Group nor any incident whereby suppliers of the Group have towed away machineries from the Group's production base in Nantong in response to the Group's failure to settle payments.

As disclosed in the annual report of the Company for 2012, in response to the depressed shipbuilding market, the Company is implementing a "Transformation and Advancement" strategy which focuses on serving clients in the energy sector and transforming the Group into an integrated heavy industry conglomerate. In response to the decline in the business of the shipbuilding, engineering machinery and marine engine building segments at the start of 2013, and in line with the "Transformation and Advancement" strategy, the Group's workforce is also undergoing restructuring and optimization. The Group is also gradually downsizing production in its engineering machinery and marine engine building segments. As a result of the foregoing factors, whilst the Group is seeking to recruit outstanding international talents to further develop its offshore engineering segment, the Group has implemented workforce restructuring and optimization in its shipbuilding, engineering machinery and marine engine building segments.

On 2 July 2013, certain workers who have been made redundant during the workforce restructuring and optimization process have formed a blockade outside the headquarters of the Group's production base in Nantong. However, the workers have dispersed after the Group's management explained the policies of the Group to them. The Board confirms that there has been no incident of strikes or other industrial actions by existing workers of the Group.

In order to ease the pressure on the Group's working capital and ensure the Group's stable production and operations, the Group is currently in discussions with a number of banks and/or financial institutions for renewing existing credit facilities. In addition, the Group is also actively seeking financial support from the government and the substantial shareholders of the Company, and increasing its efforts in negotiations with its customers to maximise the collection of receivables. In particular, a company controlled by Mr. Zhang Zhi Rong (a substantial shareholder of the Company) has entered into an agreement with the Group on 3 July 2013 to grant an interest-free and security-free loan of RMB200,000,000 to the Group to finance its working capital (including but not limited to expenses incurred as a result of its workforce restructuring and optimization).

In line with usual practice in previous years and in accordance with the Group's policies, some of the workers at the Group's production base in Nantong (mainly outdoor workers) have been notified to suspend work for the period from 2 July 2013 to 5 July 2013 due to the high temperature. Nevertheless, the Group has not ordered a complete work stoppage of its production base in Nantong, and the operation and production of the Group have not been disrupted.

On 1 July 2013, the Group has delivered another 76,000 DWT Panamax to Minsheng Financial Leasing Co., Ltd. Other vessels on order are also scheduled to be delivered in accordance with their production plans.

The Chinese shipbuilding industry is still facing unprecedented challenges. The Company will continue to optimize its workforce structure and implement its "Transformation and Advancement" strategy amid the industry trough. The Board has full confidence that the Group can alleviate the pressure on its working capital caused by the unfavourable market conditions in the near future and maintain its normal production and operations.

Based on the foregoing, the Board believes the above incidents will not have a material adverse effect on the operations, financial conditions and operating results of the Group as a whole.

PROFIT WARNING

Having reviewed the unaudited consolidated management accounts of the Group for the five months ended 31 May 2013, market conditions in the past few months and the preliminary estimation by the Company's management, the Group is expected to incur a net loss for the six months ended 30 June 2013 as compared with the published unaudited net profit for the same period in 2012.

During the first half of the year 2013, as affected by the continuing decline of the shipbuilding market, orders and prices of vessels decreased sharply as compared with the previous year, which resulted in the estimated net loss for the Group for the six months ended 30 June 2013.

The information contained in this announcement is only based on the preliminary calculations by the Company's management in accordance with the management accounts of the Group (which have not yet been confirmed or audited by the Company's auditors), market conditions in the past few months, and other information currently available to the Company. Details of the financial data to be disclosed in the Company's interim report for the six months ended 30 June 2013 shall prevail over the information contained herein.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 4 July 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of the trading in the shares with effect from 9:00 a.m. on 5 July 2013.

This announcement is made by the order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

By Order of the Board
**China Rongsheng Heavy Industries
Group Holdings Limited**
LEE Man Yee
Company Secretary

Hong Kong, 4 July 2013

As at the date of this announcement, the directors of the Company are:

Executive directors:

Mr. CHEN Qiang (Chairman), Mr. WU Zhen Guo, Mr. LUAN Xiao Ming, Mr. HONG Liang, Mr. Sean S J WANG, Mr. WANG Tao and Mr. Wei A Ning;

Independent non-executive directors:

Mr. TSANG Hing Lun, Mr. ZHANG Xu Sheng, Mr. XIA Da Wei and Mr. HU Wei Ping.