



2013

Annual Report



广州广船国际股份有限公司
GUANGZHOU SHIPYARD INTERNATIONAL COMPANY LIMITED

H Stock Code : 00317 A Stock Code : 600685



CONTENTS

I.	Interpretation and Notice of Material Risks	3
II.	Overview of the Company	4
III.	Summary of Accounting Data and Financial Indicators	8
IV.	Report of the Board	10
V.	Significant Events	26
VI.	Information on Changes of Shareholdings and Shareholders	32
VII.	Information on Directors, Supervisors, Senior Management and Employees	37
VIII.	Corporate Governance	46
IX.	Internal Control	57
X.	Financial and Accounting Report	59
XI.	Documents Available for Inspection	222



IMPORTANT NOTICE

The Board of Directors (the "Board"), the Supervisory Committee, the Directors, the Supervisors and the senior management of Guangzhou Shipyard International Company Limited (the "Company" or "GSI") declare that there are no false statements, misleading information or material omissions in this report. The directors, supervisors and senior management are jointly and severally responsible for the truthfulness, accuracy and completeness of the contents of this report.

All directors of the Company attended the 26th meeting of the seventh session of the Board of Directors held on March 17, 2014, of which Ms. De Lihua, an independent non-executive director, and Mr. Yang Li, a non-executive director, attended the meeting through telephone, and Mr. Chen Zhongqian, a non-executive director, appointed Mr. Wang Jun, a non-executive director, Mr. Zhou Dusheng, an executive director, appointed Mr. Chen Liping, an executive director, Mr. Chen Ji, an executive director, appointed Mr. Han Guangde, an executive director, to attend and vote at the meeting. At the meeting, the 2013 annual report was unanimously approved.

Mr. Han Guangde, Chairman of the Board, Mr. Chen Liping, Chief Accountant of the Company and Mr. Hou Zengquan, Head of Accounting Department of the Company, declare and confirm the truthfulness, accuracy and completeness of the financial reports included in this report.

The annual report has been audited by Shinewing Certified Public Accountants (special general partnership), which has provided us with an audit report with unqualified opinions.

The Audit Committee of the Company has reviewed and confirmed the annual financial reports for the year 2013 of the Company.

The profit distribution proposal for 2013, as approved by the Board, is as follows: the net profit attributable to the parent company in 2013 was RMB126,008,994.80; after setting aside of 10% for statutory reserve, the accumulated undistributed profit is RMB2,367,213,921.15; the Board proposed that a cash dividend of RMB0.1 for every 10 shares (tax included) will be paid to all shareholders based on a total of 1,030,534,651 shares in the share capital of the Company following the non-public issue of H shares, representing a distribution of cash dividend of RMB10,305,346.51 (tax included) in total. The remaining undistributed profit will be carried forward to the next year. The implementation of this proposal is subject to the approval at the 2013 annual general meeting.

The forward-looking statements regarding future plans and development strategies, etc. in the annual report shall not form the Company's substantive commitment to investors. Investors shall pay attention to investment risks.

The Company has no capital mis-appropriation by the controlling shareholder or its related parties, and has not provided any external guarantees that do not meet its decision-making procedures during the Reporting Period.

This annual report is prepared in both English and Chinese versions. In the event of any discrepancies, the Chinese version shall prevail.



INTERPRETATION AND NOTICE OF MATERIAL RISKS

(I) IN THIS REPORT, UNLESS THE CONTEXT REQUIRES OTHERWISE, THE FOLLOWING TERMS AND EXPRESSIONS SHALL HAVE THE FOLLOWING MEANINGS:

DWT (deadweight tonnage)	deadweight capacity with ton as unit
Jiangsu Shenghua	Jiangsu Shenghua Shipbuilding Company Limited
Guangli Company	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, a subsidiary of the Company
CSSC	China State Shipbuilding Corporation
the Group	the Company and its subsidiaries
United Steel	Guangzhou United Steel Structures Limited
Longxue Shipbuilding	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.
Baosteel International	Baosteel Resources International Co., Ltd., an overseas subsidiary wholly-owned by Baosteel Group Corporation Limited
China Shipping HK	China Shipping (H.K.) Holdings Co., Ltd., an overseas subsidiary wholly-owned by China Shipping (Group) Company
CSSC HK	CSSC (Hong Kong) Shipping Company Limited, an overseas subsidiary wholly-owned by CSSC
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by China State Shipbuilding Corporation
FPSO	floating production storage and offloading
MR tanker	30,000 to 50,000 DWT oil tanker
VLCC	very large crude carrier
VLOC	very large ore carrier
EEDI	Energy Efficiency Design Index. Following the mandatory implementation of new coating performance standard by the International Maritime Organization, EEDI has once again become a focus of the shipbuilding industry
Director(s)	director(s) of the Company
Board	the board of directors of the Company
Reporting Period	the year ended December 31, 2013

(II) NOTICE OF MATERIAL RISKS

Affected by global recession and excessive shipbuilding capacity, ship prices had decreased, while the cost of labor remained high. As a result, the Company's profits declined, and the Company's performance has been adversely affected.

OVERVIEW OF THE COMPANY

(I) GENERAL INFORMATION

- Registered Chinese Name of the Company:** 廣州廣船國際股份有限公司

Abbreviation of Chinese Name of the Company: 廣船國際

Registered English Name of the Company: Guangzhou Shipyard International Company Limited

Abbreviation of English Name of the Company: GSI
- Legal Representative of the Company:** Han Guangde

Secretary to the Board and Joint Company Secretary: Chen Liping

Tel: (8620) 81891712 ext. 3155

E-mail: chenlpaa@chinagsi.com

Joint Company Secretary: Li Zhidong

Tel: (8620) 81891712 ext. 2962

E-mail: lzd@chinagsi.com

Authorized Securities Representative: Yu Wenbo

Tel: (8620) 81891712 ext. 3168

E-mail: yuwenbo@chinagsi.com
- The Company's Registered Address and Office:** 40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
- Contact Address:** 40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China

Postal Code: 510382

Tel: (8620) 81891712 ext. 3168

Fax: (8620) 81891575

E-mail Address: gsi@chinagsi.com

International Internet Website: www.chinagsi.com

OVERVIEW OF THE COMPANY

5. **The Company's Principal Place of Business in Hong Kong:** 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
6. **The Stock Exchanges on which the Company's Shares are listed:**
A Shares: Shanghai Stock Exchange
Stock Code: 600685; Abbreviated Name: Guangzhou Shipyard International
H Shares: The Stock Exchange of Hong Kong Limited
Stock Code: 00317; Abbreviated Name: Guangzhou Shipyard International
7. **Auditors:** Shinewing Certified Public Accountants (special general partnership)
Office Address: F/8, Tower A, Fuhua Mansion, 8 North Chaoyangmen Street, Dongcheng District, Beijing
Signing Accountants: Chen Gang, Chen Jingqi, Zhao Xueping
8. **Legal Counsel in Mainland China:** Guangdong Z&T Law Firm
Office Address: 21/F, Yuehai Mansion, 472 East Huanshi Road, Guangzhou, the People's Republic of China
Legal Counsel in Hong Kong: Minter Ellison Lawyers
Office Address: 25th Floor, One Pacific Place, 88 Queensway, Hong Kong
9. **Share Registrars:**
Share Registrar for A Shares:
China Securities Depository & Clearing Corporation Limited, Shanghai office
Address: 3/F, China Assurance Tower, 166 East Lujiazui Road,
Pudong New District, Shanghai,
the People's Republic of China
Share Registrar for H Shares:
Computershare Hong Kong Investor Services Limited,
Address: 17/F, Hopewell Centre,
183 Queen's Road East, Hong Kong,
10. **Newspapers and Websites for Information Disclosure:**
Shanghai Securities News
The website of Shanghai Stock Exchange (www.sse.com.cn)
The website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
The website of the Company (www.chinagsi.com)
Place for Inspection of the Annual Report: Office of the Board

OVERVIEW OF THE COMPANY

11. Registration Documents of the Company:

Change of Registration during the Reporting Period: None

Index for Inquiry about First Registration: Brief information on the Company in the Annual Report 2011

12. American Depositary Receipt (ADR) Custodian Bank: The Bank of New York Mellon

(II) INTRODUCTION OF THE COMPANY

Founded in 1993, the Company is an important shipbuilding enterprise in South China parented by CSSC. It is one of the top 50 manufacturing enterprises in Guangdong Province and the largest player in the handy-size tanker segment in China, a national enterprise of outstanding contribution to technical talent cultivation and a national hi-tech enterprise, and enjoys autonomy in export and import operations.

The Company adheres to the quality policy of “Lean Management, Technological Innovation, Continuous Improvement, Sincerity and Mutual Benefit, Customer Satisfaction” and occupational health & safety policy of “Lawful Operation, Cherishing Life, Green Shipbuilding, Continuous Improvement” and has obtained ISO9001:2008, and GJB 9001A-2001 standard certification, Occupational Health & Safety Management System Certificate (OHSAS 18001:2007) and Environmental Management System Certificate (ISO14001:2004) issued by British Lloyds Society Quality Assurance Ltd. Moreover, the Company has also obtained National Confidential Certificate and Weapon Research & Production Certificate as a key arms manufacturer in the PRC.

With shipbuilding as its core business, the Company enjoys large market share in the 30,000-60,000 tons light tanker segment, and has successfully expanded into high-technology, high valued-added markets such as ro-ro ships, ro-ro passenger ships and semi-submerged ships. In line with the government policies supporting the development of high value-added large ships and leveraging its own technology advantages and brand recognition, it accelerated the development of large ships and special ships by raising the percentage of orders for large ships and special ships which require strong technology capability and generate high added-value and exploring offshore engineering business to expand steel structure business and mechanical and electrical products and other business. In the face of dramatic changes in both domestic and overseas environment in 2013, the Company revised its strategic objective to striving to become “a first-class ship manufacturer providing globally-leading offshore and heavy equipment technology and outstanding services.”

Change in principal activities

At the time of its establishment and listing, the Company's principal activities included: shipbuilding, container, ship repair, mechanical and electrical, special ships, pressure vessels, furniture, and fiber glass products, etc. After the Company's listing, its ship product structure has become market-oriented and has developed towards diversified product mix. The Company has developed from mainly building bulk carriers to building high-performance multi-purpose ships, product oil tankers, ro-ro ships, sub-submerged ships, and ro-ro passenger ships, etc., and has gradually transformed from building ships of low technical level and low added value, to building the ships of high technical content and high added value, and formed a model of continuous mass production of product oil tankers.

In 2004, the Company withdrew from the container market. In 2005, with the approval of the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality, the scope of the Company's main business was extended to: contracting of overseas mechanical and electrical projects and domestic international bidding projects, the export of equipment and materials for the abovementioned overseas projects, and dispatching of labor force for implementing the abovementioned overseas projects.



OVERVIEW OF THE COMPANY

Through strategic cooperation with Longxue Shipbuilding, the Company entered the large bulk ship and tanker market in 2013.

Changes in controlling shareholders

At the time of its listing in 1993, the controlling shareholder of the Company was China Shipbuilding Industrial General Corporation.

On July 1, 1999, as a result of the reform of China Shipbuilding Industrial General Corporation, the Company's controlling shareholder was changed to CSSC.

On February 11, 2014, the Company issued H shares, of which 345,940,890 H shares were issued to CSSC HK, a wholly-owned subsidiary of CSSC, representing 33.57% of the total issued capital of the Company. Upon completion of the issue, CSSC holds in aggregate 575,586,690 shares, representing 55.85% of the total issued capital of the Company, and is the actual controller of the Company.

SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

1. MAJOR ACCOUNTING DATA

Unit: RMB

Major accounting data	2013	2012	Changes compared with last year (%)	2011	2010	2009
Total operating income/turnover	4,166,071,985.61	6,424,083,364.01	-35.15	8,296,431,347.84	7,014,224,669.01	6,553,424,803.99
Total profit/profit before tax	28,079,997.97	27,535,028.17	1.98	606,591,265.14	835,247,436.63	613,687,828.53
Net profit attributable to shareholders/profit attributable to shareholders	13,599,718.51	10,327,540.44	31.68	518,333,370.07	707,736,792.53	514,961,903.36
Net profit attributable to shareholders after deduction of non-recurring gains or losses	-226,010,400.76	-38,419,131.95	Inapplicable	377,584,153.88	611,713,234.82	499,297,991.27
Net cash flow from operating activities	-277,361,320.54	-147,651,544.82	Inapplicable	-1,182,559,975.99	1,038,885,458.78	-464,920,580.03

Major accounting data	End of 2013	End of 2012	Changes compared with last year (%)	End of 2011	End of 2010	End of 2009
Total assets	12,600,384,087.70	11,268,553,664.38	11.82	11,885,509,370.27	12,157,451,995.38	9,805,223,077.98
Total liabilities	8,684,267,701.58	7,021,977,546.79	23.67	7,684,735,148.21	8,403,525,396.25	6,548,243,353.48
Owner's equity attributable to shareholders/total shareholders' equity (excluding minority interest)	3,903,599,340.88	4,145,114,473.30	-5.83	4,107,606,378.32	3,663,019,478.60	3,168,840,358.56

2. MAJOR FINANCIAL INDICATORS

Unit: RMB

Major financial indicators	2013	2012	Changes compared with last year (%)	2011	2010	2009
Basic EPS (RMB/share)	0.0211	0.0161	31.06	0.81	1.10	0.80
Diluted EPS (RMB/share)	0.0211	0.0161	31.06	0.81	1.10	0.80
Basic EPS after deduction of non-recurring gains or losses (RMB/share)	-0.3514	-0.0600	Inapplicable	0.59	0.95	0.78
Weighted average returns on net assets (%)	0.33	0.25	Increase of 0.08 percentage points	13.31	20.73	17.42
Weighted average returns on net assets after deduction of non-recurring gains or losses (%)	-5.53	-0.94	Decrease of 4.59 percentage points	9.70	17.91	16.89

Major financial indicators	End of 2013	End of 2012	Changes compared with last year (%)	End of 2011	End of 2010	End of 2009
Current ratio (current assets/current liabilities)	1.68	1.78	-5.08	1.52	1.34	1.22
Gearing ratio (%)	68.92	62.31	Increase of 6.61 percentage points	64.66	69.12	66.78

Note: The Company's earnings per share and net assets per share did not change as a result of the application of new standards; and "basic EPS" was calculated based on the share capital of 643,080,854 shares.

SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3. NON-RECURRING GAINS OR LOSSES AND THEIR AMOUNTS

Unit: RMB

Non-recurring Gains or Losses	2013	Notes	2012	2011
Gains or losses on disposal of non-current assets	-237,470.71	Gains or losses on disposal of fixed assets	2,877,045.13	73,674.14
Government grants included in current profit or loss, other than on-going government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	36,826,679.13	Receipt of government grants and subsidies for research and development	19,005,930.17	50,742,914.18
Gains or losses on changes in fair value of financial assets/liabilities at fair value through profit or loss and disposal of financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operation	235,678,568.04	Changes in fair value arising from forward foreign exchange contracts and disposal of China Merchant Bank stocks	26,786,862.04	37,382,805.96
Reversal of impairment provision for receivables that are tested individually for impairment	223,137.14	-	2,747,676.99	-
Other non-operating revenue and expenses	10,085,619.34	Mainly the compensation for cancellation of ship orders	6,555,516.23	78,787,957.32
Less: Effect of income tax	42,426,257.58		8,716,583.51	25,189,776.20
Effect of minority interests	540,156.09		358,347.74	1,048,359.21
Total	239,610,119.27		48,898,099.31	140,749,216.19

4. ITEMS MEASURED AT FAIR VALUE

Unit: RMB

Item	Opening balance	Closing balance	Change	Effect on current profit
Financial assets				
1. Financial assets measured at fair value through profit or loss	22,862,044.25	69,210,083.75	46,348,039.50	46,348,060.50
2. Available-for-sale financial assets	269,965,187.50	29,070,000.00	-240,895,187.50	163,324,786.95
Financial liabilities				
1. Financial liabilities measured at fair value through profit or loss	223,540.75	-	-223,540.75	223,540.75

REPORT OF THE BOARD

(I) THE BOARD'S DISCUSSION AND ANALYSIS OF OPERATIONS DURING THE REPORTING PERIOD

The year 2013 has been an important year for the PRC shipbuilding industry to continue to go through the test of the international financial crisis and to respond to the challenges from the fresh regulations regulating the international shipbuilders. It is also the first year in which the structural adjustment, transformation and upgrading had been implemented comprehensively and the initiatives to resolve the contradiction of excessive production capacity had been taken. In this year, the Company acted positively towards crisis with firm confidence, kept up our spirits, contentiously implemented regulatory documents promulgated by the state, worked arduously to address various conflicts and difficulties in the economic operation under the requirement of "transferring model, adjusting structure and promoting balance". The Company has achieved new breakthroughs in enhancing the quality of economic operation, obtaining new orders for offshore engineering, strengthening research and development of new products, promoting the upgrading of structural adjustment, optimizing source deployment, etc. Overall, the Company has maintained a steady and healthy development. However, since we still have difficulty in delivering ships, reaping profits and transferring model, some key economic indicators declined in varying degrees.

As at December 31, 2013, the operating income of the Group prepared under the Accounting Standards for Business Enterprises of the PRC amounted to RMB4.166 billion, representing a fall of 35.15% over that of last year. The audited consolidated net profit attributable to shareholders of the Company amounted to RMB13.5997 million, representing a rise of 31.68% over that of last year. Earnings per share were RMB0.0211, and loss per share after deduction of non-recurring gains or losses was RMB0.3514.

1. Main business analysis

1) Analytical statement on changes of related items in income statement and cash flow statement

Unit: RMB

Item	Current year	Last year	Change (%)
Total revenue	4,166,071,985.61	6,424,083,364.01	-35.15
Total costs	3,867,567,709.26	5,970,855,522.13	-35.23
Selling expenses	7,398,233.57	3,741,482.56	97.74
Administrative expenses	484,445,293.67	391,004,348.00	23.90
Financial expenses	-119,428,332.56	-101,281,148.23	Inapplicable
Net cash flows from operating activities	-277,361,320.54	-147,651,544.82	Inapplicable
Net cash flows from investing activities	313,535,175.21	1,244,513,316.01	-74.81
Net cash flows from financing activities	81,923,273.54	-303,931,153.26	Inapplicable
Research and development expenses	152,496,768.50	82,085,610.39	85.78

REPORT OF THE BOARD

2) Changes of income statement and explanation

Unit: RMB

Item	Current year	Last year	Change (%)	Main reasons
Total revenue	4,166,071,985.61	6,424,083,364.01	-35.15	Unbalanced production due to the insufficient production output during the period.
Total costs	3,867,567,709.26	5,970,855,522.13	-35.23	Unbalanced production due to the insufficient production output during the period.
Selling expenses	7,398,233.57	3,741,482.56	97.74	Mainly due to an increase in the transportation costs.
Asset impairment loss	218,488,269.87	411,550,631.66	-46.91	Mainly due to a decrease in expected loss in new shipbuilding contracts secured during the period as compared against that in the previous corresponding period.
Gains on changes in fair value	46,571,580.25	3,568,903.40	1,204.93	An increase in the foreign exchange contracts and the fluctuation in the forward exchange rate during the period.
Investment income	202,472,690.25	33,706,842.80	500.69	Mainly due to gains from the disposal of China Merchants Bank's stocks.
Non-operating profit	92,818,666.38	271,887,155.01	-65.86	A significant drop in the subsidy income for products due to changes in the product structure.
Non-operating expense	1,375,398.53	2,482,880.74	-44.6	Mainly due to a decrease in compensation.
Income tax expense	12,543,135.15	8,913,687.18	40.72	Mainly due to an increase in the total profit as compared against that in the previous corresponding period.
Net profit attributable to the parent company	13,599,718.51	10,327,540.44	31.68	Mainly due to an increase in the investment gains as compared against that in the previous corresponding period.
Attributable to minority interests	1,937,144.31	8,293,800.55	-76.64	Completion of the acquisition of 49% minority interests of United Steel, a subsidiary.

3) Changes of cash flow statement and explanation

Unit: RMB

Item	Current year	Last year	Change (%)	Main reasons
Tax refund	125,132,981.24	344,438,114.23	-63.67	A decrease in the tax refund during the year as compared against that last year.
Other cash receipts relating to operating activities	318,966,861.36	227,386,598.86	40.28	Product subsidies have been granted and the subsidies for product research and development have been received during the year.
Net cash flows from operating activities	-277,361,320.54	-147,651,544.82	Inapplicable	Mainly due to a decrease in tax refund received for exports.
Cash from withdrawing investment capital	55,622,371.53	-	100.00	Disposal of investment in China Merchants Bank's stocks.
Cash received from investment income	210,133,823.02	34,106,710.64	516.11	Mainly due to investment gain from the disposal of China Merchants Bank's stocks.
Net cash received from the sale of fixed assets, intangible assets and other long-term assets	224,466.34	6,603,485.17	-96.6	A decrease in gains on disposal of assets during the year.
Cash payable relating to investment	71,340,955.70	-	100	Cash payable to China Merchants Bank's placement of shares and the acquisition of the minority interests in United Steel.
Other cash receipts relating to investing activities	1,637,253,070.82	1,178,901,641.35	38.88	Additional pledged time deposits.
Net cash flows from investing activities	313,535,175.21	1,244,513,316.01	-74.81	Mainly due to an increase in the pledged time deposits.
Cash payments of dividends, profits and interest	170,372,788.72	101,581,723.27	67.72	Cash payment during the year for dividends for the net profits in 2012.
Cash payable relating to other financing activities	4,816,381.46	48,261.30	9,879.80	Financing costs incurred from the acquisition of Longxue Shipbuilding during the year.
Net cash flows from financing activities	81,923,273.54	-303,931,153.26	Inapplicable	Mainly due to a decrease in repayable loans during the year as compared against that last year.
Effect of exchange rate changes on cash	-35,104,509.49	-2,740,675.79	Inapplicable	An increase in the exchange movement.
Net increase in cash and cash equivalents	82,992,618.72	790,189,942.14	-89.49	Mainly combined effect of changes in production and operation and change in pledged deposit.

2. Income

1) *Analysis on the factors driving the change of business income*

In 2013, the Company recorded total revenue of RMB4.166 billion, representing a decrease of 35.15% over that of last year. Wherein, revenue of RMB3.084 billion was from our shipbuilding business and offshore engineering, representing a decrease of 41.46% over that of last year, mainly attributable to the increase in the proportion of the low-priced shipbuilding business and the year-on-year decrease in the production volume. Revenue from the non-ship business was RMB1.002 billion, representing a decrease of 6.86% over that of last year. Among these, revenue from the steel structure business was RMB439 million, down 15.06% compared to last year, while revenue from our mechanical and electrical products was RMB563 million, up 0.70% compared to last year.

2) *Analysis on the factors affecting the income of products giving priority to sale of material objects*

In 2013, the Company commenced the building of 13 ships, launched 9 ships, and completed the building of 11 ships, which were of 498,700 DWT in total, representing a decrease of 44.59% over that of last year. The sub-contracting engineering for the conversion of one FPSO, the PANCAKE module engineering, etc. were completed by the offshore engineering. The Company realized a shipbuilding output value of RMB2.649 billion for the full year, representing a fall of 43.06% over that of last year; the output value of offshore engineering was RMB692 million, representing an increase of 13.64% over that of last year; the output value of steel structure was RMB343 million, representing a drop of 38.02% over that of last year.

In 2013, the Company realized an output value of mechanical and electrical equipment of RMB943 million, representing a decrease of 6.27% over that of last year; the amount of the completed steel structure was 42,200 tons, representing a decrease of 1.61% over that of last year; 722 sets of shearing press in total were sold, representing an increase of 13.17% over that of last year; 845 elevators in total were completed, representing an increase of 26.50% over that of last year; and two mining machines in total were completed.

3) *Orders analysis*

In 2013, the value of the contracts the Company undertook for the whole year was RMB15.092 billion, up 139.78% over last year, which was mainly due to the significant growth of the undertaking volume as a result of the market recovery. The Company secured orders for 41 new ships or 3.7441 million DWT, representing a rise of 254.55% over that of last year. As at the end of 2013, we had 67 ships or 5.0774 million DWT in hand. Our offshore engineering undertook the sub-contracting engineering for the conversion of two FPSOs, the PANCAKE module engineering, the loading of transportation racks and DP2 of the 50,000-ton semi-submerged ships.

4) *Analysis on the impact of new products and new services*

The Company had a total of 74 scientific research and development projects in 2013, of which 17 were key scientific research and development projects for the year. It strengthened its cooperation with scientific research institutes and placed more effort on offshore engineering and non-ship business in line with the Company's strategic transformation. It finished the "research and development of key technology for large shield machines and manufacturing of complete machines" and "research and manufacturing of 1,400 passengers/2,000 meter ro-ro passenger ships". In respect of shipbuilding, it independently developed low fuel consumption and environment-friendly 40,000 tons and 50,000 tons MR tankers, whose energy efficiency meet phase II requirements. It has successfully developed semi-submerged ships of 90,000 tons, compared to those of 50,000 tons and 70,000 tons earlier. The Company actively explored high-end offshore engineering market by leveraging the FPSO structure and living ship renovation to strengthen its research and development of offshore engineering double hull living ships and newly-built FPSO ships and has established a solid foundation for the Company' development in the offshore engineering market.



REPORT OF THE BOARD

5) Information on major customers

In 2013, among the Group's income from various businesses, the sales realized from the businesses with top five customers was RMB1.608 billion in total, accounting for 38.61% of the Group's annual total operating income; wherein, the sales realized from the business with the largest customer LAURITAEN TARKERS A/S was RMB0.457 billion, accounting for 10.96% of the Group's annual total operating income.

To the knowledge of the directors, no shareholder holding more than 5% shares in the Company or supervisors or directors of the Company or any of their respective associates had any interest in the abovementioned customers.

3. Cost

1) Cost analysis by product

Unit: RMB'0000

Product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount in the same period of last year	Proportion among total cost of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding business (including offshore engineering)	Direct material	173,822.81	45.41	351,129.65	58.81	-50.50	Decrease in production volume
	Processing cost	125,067.40	32.68	171,373.27	28.70	-27.02	Decrease in production volume
	Impairment loss	-6,908.65		-28,057.09	-4.70		Writing off of impairment provision made
Steel structure engineering	Direct material	14,687.14	3.84	23,594.54	3.95	-37.75	Decrease in products
	Processing cost	24,838.51	6.49	23,479.59	3.93	5.79	Decrease in products
	Impairment loss	-138.54			0.00		
Mechanical and electrical products and others	Direct material	14,795.01	3.87	25,379.40	4.25	-41.70	Increase in raw materials provided by customers
	Processing cost	36,597.10	9.56	30,732.92	5.15	5.15	Increase in coating projects of Longxue
	Impairment loss	-3.26		-546.73	-0.09		Writing off of impairment provision made
Total		382,757.53	100.00	597,085.55	100.00	-35.90	

2) Information on major suppliers

In 2013, among the Group's purchasing for various businesses, the amount incurred from purchasing the materials and equipment for products from top five major suppliers was RMB1,016 million in total, accounting for 44.23% of the Group's annual purchasing of materials and equipment for products; and wherein, the amount of purchasing from the largest supplier China Shipbuilding Industry Complete Equipment Logistics (Guangzhou) Company Limited was RMB732 million, accounting for 8.93% of the Group's total purchasing amount.

China Shipbuilding Industry Complete Equipment Logistics (Guangzhou) Company Limited is a related party of the Company. Other than that, to the knowledge of the directors, no shareholder holding more than 5% shares in the Company or directors or supervisors of the Company or any of their respective associates had any interest in the abovementioned suppliers.

REPORT OF THE BOARD

4. Expense

In 2013, the selling expenses were RMB7,398,200, representing an increase of 97.74% over that of last year. This mainly resulted from the increase in transportation expenses in respect of products other than ships.

The financial expenses were RMB-119,428,300, representing a decrease of RMB18,147,200 over that of last year. This mainly resulted from the significant growth in the exchange rate of RMB against USD during the Reporting Period.

The income tax was RMB12,543,100, representing an increase of 40.72%. This mainly resulted from the increase in total profit during the Reporting Period.

5. Research and development expenses

(1) List of research and development expenses

Unit: RMB

Research and development expenses recorded in expenses during the Reporting Period	152,496,768.50
Research and development expenses capitalized during the Reporting Period	
Total research and development expenses	152,496,768.50
Proportion of total research and development expenses among net assets (%)	3.89
Proportion of total research and development expenses among operating income (%)	3.66

(2) Description

During the Reporting Period, the research and development expenses included in current profit or loss and recognized as administrative expenses was RMB152,496,800 (excluding the expenditure for research of new products), accounting for 3.66% of operating income during the Reporting Period. The research and development expenses were mainly applied to the building of high-tech ships, low oil consumption energy-saving environment-friendly ships, steel structures, and the research and development of shipbuilding information system. For details, please refer to note 16 "Research and development expenses" in the subsection headed "V. Notes to the consolidated financial statements" in the section headed "IX. Financial and Accounting Report" of this report.

6. Cash flow

In 2013, the Company's cash flow from operating activities was RMB-277 million, representing a decrease of RMB130 million over that of last year, and this mainly resulted from the decrease in tax refund received for exports during the Reporting Period; the cash flow from investing activities was RMB314 million, representing a decrease of RMB931 million over that of last year, and this mainly resulted from the increase in pledged deposits; and the cash flow from financing activities was RMB82 million, representing an increase of RMB386 million, which was mainly due to less loan repayment during the year compared to last year.

7. Description of the progress of development strategy and business plan

In 2013, according to the development strategy of "strengthening shipbuilding business, enlarging non-ship business, and developing offshore engineering", the Company completed the construction of 11 ships of 498,700 DWT in total, representing a decrease of 44.59% over that of last year. The Company realized an output value of RMB3.341 billion from shipbuilding and offshore engineering business, of which the output value of offshore engineering was RMB692 million; and the output value of mechanical and electrical business was RMB943 million.

REPORT OF THE BOARD

For shipbuilding business, while building on its existing major ship types, the Company will continue to strengthen its research and development of luxurious ro-ro passenger ships, large semi-submerged ships, special ships and ships for special purposes, and will expand its ship mix from few ship models to include comprehensive liquid goods ships such as MR, AFRA and VLCC, VLOC bulk ships/ore ships, and luxurious passenger liners. For heavy machinery business, while continuing to carry out cut press, elevators, axial rudders processing projects, it also undertook mining machinery projects. For reconstruction business, currently projects in this area mainly relate to bulk haulage equipment, steel structure, mining, power plants, industrial plants and device and high-rise buildings. It will begin to explore waste heat boiler and gas duct business. For offshore engineering business, building on its FPSO ship structure and living building renovation projects, it will strengthen its research and development of offshore engineering double hull living ships and newly-built FPSO ships. Its undertaking of the modification and subcontracting project for two FPSO and PANCAKE module project, the loading of transportation racks and DP2 of the 50,000 ton semi-submerged ships, has established a solid foundation for the Company's development in the offshore engineering market.

8. Analysis on products or regional operation

1) Information of main businesses by product

Unit: RMB

Product	Operating income	Operating cost	Gross profit margin (%)	Change of operating income compared with that of last year (%)	Change of operating cost compared with that of last year (%)	Change of gross profit margin compared with that of last year (%)
Shipbuilding business (including offshore engineering business)	3,084,018,532.47	2,919,815,627.33	5.32	-41.46	-40.95	-0.81
Steel structure engineering	438,553,119.66	393,871,128.68	10.19	-15.06	-16.33	1.36
Mechanical and electrical products and others	563,686,922.75	513,888,521.18	8.83	0.70	5.07	-3.79

During the Reporting Period, the Group's income from main business was RMB4.086 billion, representing a fall of 35.59% over that of last year; the gross profit margin was 6.33%, representing a fall of 0.60 percentage points over that of last year. The gross profit margin remained relatively stable, and the impact on profit due to changes in revenue was approximately RMB159 million.

a) Shipbuilding business

The income from shipbuilding and off-shore engineering products decreased by RMB2.183 billion or 41.46% over that of last year, and its proportion among total income decreased from 83.04% in 2012 to 75.47% during the Reporting Period. In addition, during the Reporting Period, the shipbuilding output of the Company was 11 ships, representing an decrease of 50% over that of last year. The decrease of income from shipbuilding as compared with that of last year, was mainly resulted from the increase in the percentage of lower-priced ships and the decrease in production output.

During the Reporting Period, the gross profit margin of shipbuilding dropped by 0.81 percentage points (excluding product subsidy income) over that of last year, and the gross profit affected by it was approximately RMB41 million. The drop in gross profit margin of shipbuilding was mainly because the low ship price weakened the profitability of shipbuilding products.

REPORT OF THE BOARD

b) *Steel structure and other mechanical and electrical products*

The Company's income derived from steel structure products decreased by 16.33% over that of last year, and accounted for 10.73% of the income derived from major operations. This percentage was higher than 8.14% of the previous corresponding period. Income derived from other mechanical and electrical products increased by 4.97% over that of last year.

All shipbuilding products stepped into the low-price shipbuilding stage, and "strengthening shipbuilding business, enlarging non-ship business, and developing offshore engineering" would be an important objective of adjusting structure and realizing sustainable development.

9. Information of main business by region

Unit: RMB

Region	Income from main business Amount of current year	Income from main business Amount of last year	Change of operating income compared with last year (±%)
China	1,685,753,013.91	3,563,468,500.15	-52.69
Denmark	686,559,419.44	541,405,717.48	26.81
Greece	591,463,044.19	449,617,229.92	31.55
Netherlands	287,517,148.19	697,395,069.40	-58.77
Hong Kong	255,924,935.09	134,229,572.54	90.66
Sweden	231,088,475.09	266,824,293.40	-13.39
Australia	88,556,282.04	244,045,152.52	-63.71
Chile	84,703,664.41		
Canada	57,752,525.61	98,415,713.23	-41.32
Switzerland	53,527,607.52		
United States	27,716,764.52	50,695,105.77	-45.33
Columbia	4,405,310.38	115,407,141.45	-96.18
Malta		128,210,255.04	-100.00
Thailand		22,338,172.30	-100.00
Other countries and regions	31,290,384.49	31,839,211.39	-1.72
Total	4,086,258,574.88	6,343,891,134.59	-35.59

Description of products by region

During the Reporting Period, the Group's income from main business dropped by 35.59% over that of last year. Wherein, the sales in Mainland China decreased by 52.69% over that of last year; the export of products was RMB2.401 billion, representing a fall of 13.66% over that of last year. The products exported by the Company were mainly distributed in Europe, but affected by economic environment, the sales price and quantity of oil tankers in this region decreased significantly.

REPORT OF THE BOARD

10. Analysis of assets and liabilities

1) Analytical statement of assets and liabilities

Unit: RMB

Item	Amount at the end of current period	Amount at the end of current period/total assets (%)	Amount at the end of last period	Amount at the end of last period/total assets (%)	Amount at the end of current period/last period (%)	Description
Financial assets at fair value through profit or loss	69,210,083.75	0.55	22,862,044.25	0.20	202.73	An increase in the foreign exchange contracts and forward exchange movement during the period.
Notes receivables	9,196,551.00	0.07	3,492,665.00	0.03	163.31	An increase in bank drafts received during the period.
Prepayments	1,644,777,958.51	13.05	503,864,929.68	4.47	226.43	Prepayments for the purchasing activities and outsourced construction work as a result of an increase in new orders during the period.
Dividend receivables	-		1,043,381.78	0.01	-100.00	Cash dividend receivable declared by associates.
Other receivables	65,834,422.16	0.52	262,235,880.07	2.33	-74.89	Receipts from product subsidies.
Inventories	1,650,046,214.10	13.10	912,568,809.53	8.10	80.81	An increase in purchasing materials and work in progress as a result of an increase in new orders for shipbuilding business.
Other current assets	-		140,571.00	-	-100.00	Subsidiaries' receipts from the refund of overpaid tax for 2012.
Financial assets available for sale	29,070,000.00	0.23	269,965,187.50	2.40	-89.23	The disposal of China Merchants Bank's stocks.
Construction in process	24,734,442.02	0.20	61,201,815.91	0.54	-59.59	Construction in process converted into fixed assets.
Short-term borrowings	46,073,292.62	0.37	92,167,796.47	0.82	-50.01	Repayment of short-term borrowings.
Financial liabilities at fair value through profit or loss	-		223,540.75	0.00	-100.00	Changes in the fair value from loss to profit.
Tax payable	-64,538,569.38	-0.51	78,274,385.66	0.69	-182.45	An increase in overpaid input value added tax and a decrease in corporate income tax payable.
Dividend payable	437,160.43	0.00	157,912.98	0.00	176.84	An increase in dividend reserve.
Other current liabilities	2,818,740,848.09	22.37	1,372,592,180.48	12.18	105.36	An increase in receipts from project progress.
Long-term borrowings	1,888,404,473.16	14.99	1,413,633,335.84	12.54	33.59	An increase in new loans.
Minority interests	12,517,045.24	0.10	101,461,644.29	0.90	-87.66	The completion of the acquisition of 49% minority interests in United Steel, a subsidiary.

REPORT OF THE BOARD

2) *Description of assets measured at fair value, and change in measurement property of main assets*

The forward exchange operation contracts held by the Company are measured at fair value, and defined as financial assets at fair value through profit or loss. During the Reporting Period, the Company's gain on change in fair value of financial assets at fair value through profit or loss was RMB46,571,600, and the investment yield delivered and confirmed was RMB41,720,700.

The golf certificates and stocks of China Merchants Energy Shipping Co., Ltd. (601872) held by the Company are measured at fair value and defined as available-for-sale financial assets. During the Reporting Period, the stock dividend obtained from China Merchants Energy Shipping Co., Ltd. was RMB66,000; the Company's loss on the fair value fluctuation of stocks of China Merchants Energy Shipping Co., Ltd. was RMB1,540,000, of which RMB-1,309,000 was recognized as capital reserve. For the details of the Company's external equity investment during the Reporting Period, please refer to the notes to financial statements.

During the Reporting Period, the Company disposed of its China Merchants Bank stocks and recognized investment income of RMB147,386,300 and transferred RMB180,090,800 out of capital reserve; and it received dividend for 2012 in respect of its China Merchants Bank stocks of RMB10,966,800.

11. **Core competitiveness analysis**

- (1) Brand advantage: By virtue of good reputation, high-quality products and customized services, the Company has enjoyed high brand popularity in the global handy liquid cargo vessel market, semi-submerged ship and ro-ro passenger ship market, as well as the building used on land and large-scale steel structure markets.
- (2) Technology advantage: The Company owns a technical center recognized by the government, persists in independent innovation, and has successively developed multiple types of new green, energy-saving and environment-friendly vessels, like oil tanker, chemical cargo ship, ro-ro ship, ro-ro passenger ship, and semi-submerged ship, etc.. A number of technology indicators of the Company are leading in the industry, which has provided a strong technical support for the Company's operational expansion and improved the comprehensive technical-economic performance and market competitiveness of its ships. The Company has achieved the world's advanced standard in terms of ship research & development and manufacturing.
- (3) Management advantage: The Company has extensive, in-depth production and management experience and persists in guiding and organizing production with plans, can well complete the production tasks for various products, manage widely distributed production resources effectively, and has achieved its headquarters' effective management of business segments or units.

12. **Analysis of investment status**

1) *Overall analysis on external stock equity investment*

As at the end of Reporting Period, there was no external equity investment made by the Company.

The Company and its wholly-owned subsidiary, Glory Group Developing Co., Ltd., together acquired 49% of shares of its subsidiary, United Steel, from a foreign shareholder, among which the Company acquired 24% of shares. The change in registration with industrial and commercial authority was completed in March 2013. Upon completion of the acquisition, the equity interest held by the Company in United Steel increased from 51% to 75%. Since then, United Steel has become a wholly-owned subsidiary of the Group.



REPORT OF THE BOARD

The Company held the 22nd meeting of the seventh session of the Board of Directors on September 30, 2013 and the first extraordinary general meeting for 2013, the first A shareholders' general meeting for 2013 and the first H shareholders' general meeting for 2013 on November 25, 2013, at which the resolutions in relation to the Company's non-public issue of H shares to specific persons for the purpose of acquisition of 100% equity interest in Longxue Shipbuilding were passed. The issue of H shares was completed on February 11, 2014, and the acquisition of 100% equity interest in Longxue Shipbuilding was completed in March 2014. The main objective of acquisition of Longxue Shipbuilding is to make preparations for the Company to achieve production capacity shift and become an important special auxiliary ship construction and protection base.

2) Information of other listed companies' stock equity held

Unit: RMB

Securities code	Abbreviation	Initial investment cost	Proportion among the company's stock equity (%)	Book value at the end of period	Gain or loss during the Reporting Period	Change in owner's equity during the Reporting Period	Accounting items	Share source
601872	China Merchants Energy Shipping Co., Ltd	37,100,000.00	0.29	29,070,000.00	66,000.00	-1,324,000.00	Available-for-sale financial assets	Purchasing
600036	China Merchants Bank	27,483,602.50		0	163,258,786.95	-16,832,060.27	Available-for-sale financial assets	Purchasing
Total		64,583,602.50		29,070,000.00	163,324,786.95	-18,156,060.27		

3) Information of entrusted wealth management and derivatives investment

a) Entrusted wealth management

The Company had conducted no entrusted wealth management during the Reporting Period.

b) Entrusted loan

In 2013, in order to solve the bottleneck of insufficient production resources, the Company increased an entrusted loan of RMB80 million for Zhongshan Project construction to its wholly-owned subsidiary Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd. ("Zhongshan GSI") with Industrial and Commercial Bank of China and Zhong Chuan Finance Company Limited as entrusted financial institutions. The Company has provided entrusted loans of RMB715 million in total to Zhongshan GSI; such entrusted loans are applied in the investment in the Company's fixed assets and intangible assets (land use right), which are the future base for the Company's non-ship business, and therefore is free of capital risk.

c) Information of derivatives investment

As at the end of 2013, the Company had in total 32 USD forward exchange settlement contracts not delivered yet, amounting to USD499.76 million in total, wherein, the longest delivery period is until August 25, 2016, and the accumulated change in fair value as at the end of period was RMB69.2101 million. The Company had no USD forward exchange purchasing contract not delivered yet at the end of the year.

The Company has operated derivative financial business in strict compliance with its rules on management of derivative financial business. Each transaction is subject to the examination and approval of the Company's business department, legal department, financial department, chief accountant, vice chairman and general manager (with the chairman's authorization), before signing of contract for derivative financial business transaction.

REPORT OF THE BOARD

4) Analysis on main subsidiaries and investees

Unit: RMB'000

	Enterprise	Main business	Registered capital	Proportion of equity held by the Company (%)	Assets/total assets at the end of period	Total net assets at the end of period	Net profit/loss of current period
Shares held directly							
1	Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	21,000.00	95.00	9,924.21	39,126.84	3,728.01
2	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Providing labor services, as well as installation, welding, derusting, and painting of ships	5,000.00	80.00	55,634.00	7,593.19	949.12
3	Guangzhou Hongfan Technology Co., Ltd.	Developing of computer software, system integration, and hardware sales, etc.	5,000.00	51.00	27,000.40	24,237.01	3,511.27
4	Guangzhou Xingshun Shipping Service Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	2,000.00	83.33	72,398.46	34,668.21	147.20
5	Guangzhou Wanda Marine Engineering Co., Ltd.	Designing, manufacturing, installing and repairing: outfitting parts, pipeline, ventilation system and furniture of ships; interior decoration; sales of the enterprise's products	USD600,000	75.00	24,499.63	1,444.40	203.66
6	Guangzhou GSI Large-size Heavy Mechanical Equipment Co., Ltd.	Designing, processing, installing and selling: auxiliary machines of ships, large-scale complete-set mechanical and electrical equipment, wind power generation equipment, shearing press, shield machine, hydraulic machinery, injection molding machine, and metal structure.	188,610.00	100.00	271,249.07	13,844.31	-27,628.72
7	Guangzhou United Steel Structures Limited	Large steel structure	USD8,850,000	75.00	219,460.32	106,999.71	12,772.80
8	Glory Group Developing Co., Ltd.	Trade	HKD30,000,000	100.00	96,993.79	68,988.94	10,722.90
9	Zhongshan GSI Marine Engineering Co., Ltd.	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and members, general machines, cast and forged components, fiberglass, marine line, marine pipeline, marine tools, furniture, mechanical equipment, and ocean project equipment	100,000.00	100.00	883,193.61	-3,244.57	-41,609.38
10	GSI Marine Engineering Co., Ltd.	Designing, constructing, reconstructing, and repairing the ships and platforms for marine projects	50,000.00	100.00	215,518.94	53,328.33	3,312.30
Shares held indirectly							
11	Guangzhou Wanda Marine Engineering Co., Ltd.	Designing, manufacturing, installing and repairing: outfitting parts, pipelines, ventilation system and furniture of ships; interior decoration; and sale of the enterprise's products	USD600,000	25.00	24,499.63	1,444.40	203.66
12	Guangzhou Hongfan Hotel Co., Ltd.	Tourism and restaurant	10,000.00	100.00	14,355.09	7,515.86	780.75
13	Guangdong GSI Elevator Co., Ltd.	Elevator manufacturing	21,000.00	5.00	99,242.07	39,126.84	3,511.27
14	Fonkwang Developing Co., Ltd.	General trade	HKD200,000	80.00	77,849.02	3,204.98	1,083.10
15	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Providing labor services, as well as installation, welding, derusting, and painting of ships	5,000.00	20.00	55,634.00	7,593.19	949.12
16	Guangzhou United Steel Structures Limited	Large steel structure	USD8,850,000	25.00	219,460.32	106,999.71	12,772.80
17	Guangzhou Xingshun Shipping Service Co., Ltd.	Hull installation, welding, outfitting, painting, and repair	2,000.00	16.67	72,398.46	34,668.21	147.20

Except that Glory Group Developing Co., Ltd. and Fonkwang Developing Co., Ltd. are incorporated in and operate in Hong Kong, all of the other affiliated companies are incorporated in and operate in the PRC.

REPORT OF THE BOARD

5) Information of non-raised capital investment projects

During the Reporting Period, the Company's total investment with non-raised capital was approximately RMB186 million, representing a decrease of approximately RMB92 million, or approximately 33.09% compared with that of 2012. The main investment projects and related information are as shown below:

Unit: RMB'0000

Item	Project amount	Progress (%)	Amount invested this year	Actual amount invested accumulatively	Project benefit
Upgrade and renovation of Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	18,861.00	100.00	2,858.48	21,510.05	Generating revenue
Construction expenses of Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	83,983.00	96.36	2,372.13	80,928.20	Not generating revenue
Canopies	400.00	100.00	289.86	473.47	Generating revenue
Acquisition of minority interests in Guangzhou United Steel Structures Limited	4,157.37	100.00	4,157.37	4,157.37	Generating revenue
Others	-		8,875.65	8,875.65	
Total	107,401.37		18,553.49	115,944.74	

(II) THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

1. Competition landscape and development trend in the industry

The competition landscape in the shipbuilding industry is subject to substantial adjustments. A new round of industry recovery relies on the application of new technology and development of new ships. Whoever possesses new technology and has successfully developed new ships will have a head start. There is still a long way to go before comprehensive industry recovery, and China still lags behind sophisticated shipbuilding nations. Shipbuilding enterprises in the PRC must seize the opportunity to achieve transformation. Now that industry consolidation is inevitable, the question is whether the surviving enterprises will be able to realize transformation more quickly and make better preparations before the industry recovers. There is a clear tendency that ship design and manufacturing will develop towards energy-saving and emission reduction. The next generation of shipbuilding technology, such as green shipbuilding technology that aims to save energy and reduce carbon emission, information technology relating to communication and navigation and more user-friendly designs, together with the development and application of key technology relating to energy-saving and emission reduction, including optimization of hull lines, power plant management, conversion from heavy oil to light oil, improvement in main engine combustion efficiency, use of alternative energy, will become the trend for shipbuilding in the future.

2. The Company's development strategy

Based on the current shipbuilding market conditions, the Company must implement and deploy the strategies of "developing stronger shipbuilding capabilities, expanding its scale of non-ship business, and fostering offshore engineering business", reform and innovate corporate governance models, and create assessment and incentive mechanism for different businesses, departments, and subsidiaries. In addition, the Company will optimize the allocation of internal resources, and motivate employees' positive and initiative attitudes in different work areas, and the Company will constantly improve its shipbuilding output, and expand the Company's offshore engineering and non-ship businesses. Upon the successful acquisition of the assets of Longxue Shipbuilding, it provides an important momentum for the Company to realize its great ambition to become a first-class shipbuilding enterprise equipped with cutting-edge technologies and excellent services catering to the global marine and heavy equipment market. The Company will continue to utilize the advantages and production capacity of Nansha factory zone and Zhongshan manufacturing base, while demonstrating its creativity through vigorous exploration in new processing techniques, new shipbuilding models, and new tooling. In such case, the Company will realize the simultaneous improvement of quality and economic benefits, and create a win-win development of the Company and its employees.

3. Business plan for the next year

Following the acquisition of Longxue Shipbuilding, the Company's production capability and product offering will quickly expand in 2014, with shipbuilding, offshore engineering module and non-ship heavy complete sets of equipment (such as stacker-reclaimers and shield machines) as its main products. Its shipbuilding business will cover comprehensive liquid goods ships and will focus on developing high technology ships, such as VLOC/CAPE/KAMSAMAX, through technical upgrades of products. As for offshore engineering business, building on its existing semi-submerged ship business and its cooperation with SBM, it will enter, through alliance or joint venture, offshore engineering, large offshore engineering auxiliary equipment and complete sets of equipment.

1) *Securing orders*

The Company will follow its strategic concept of transformation and development. As for oil tanker, we will continue to maintain our flagship products such as very large/large crude oil (product oil) carriers; as for the bulk vessels, the Company will enhance its leading market position in the large ship building industry on the basis of our VLOC; as for the offshore engineering, the Company will seize the opportunities from our ship modification business for FPSO to expand the industrial chain of our FPSO. While striving to maintain the market share of its core business, the Company will continue to explore the high-tech values, special vessels, and maritime ships, increase the proportion of high-tech vessels, special vessels, and maritime business, and concentrate its resources and efforts to develop its shipbuilding and offshore engineering businesses. In addition, the Company will continue to explore the steel structure and complete-set equipment market.

2) *Technical research and development*

The Company will further intensify its effort to research and develop high value-added vessels, including ro-ro passenger ships and semi-submerged ships, so that it will fortify the advantageous position of its brand in this area. Through close communication and collaboration with classification societies, the Company strives to achieve a new height in its research and development of new types of vessels. In terms of research and development of offshore engineering products, the Company, with its philosophy of "practicing through learning instead of training" in mind, will proactively communicate and participate in the design tasks for outsourcing projects for the purpose of building a powerful design team focusing on offshore engineering as soon as possible.

3) *Shipbuilding*

The Company arranged its product schedule uniformly, and controlled the production life circle. As scheduled, construction of 26 ships commenced, 31 ships were launched and construction of 28 ships was completed, with 1,870,000 DWT in total.

4) *Cost control*

The Company proactively introduced the market-based mechanism and tightened its cost control. First, the labor cost was lowered, and the Company gradually advanced its arrangement of partial and whole shipbuilding and construction outsourcing businesses to reduce the work hours of compensated gross tonnage. Second, in terms of material purchase, the Company fully utilized the centralized purchasing platform. Through determining the price in advance, the Company lowered its purchasing costs. Third, the Company shortened its shipbuilding cycle and lowered the dock coordination fees. With improved processing techniques, the Company increased its production efficiency, resulting in lower energy consumption.

5) *HR management*

To cater for the current and future development needs, the Company made good preparation in the human resources work in several respects: to reinforce the human resources planning and to satisfy the actual production and operation requirements, to develop a sizeable and structurally balanced top-notch team that is featured with interdisciplinary and comprehensive expertise. In addition, the Company vigorously recruited backbone skilled technicians for the non-ship business and the research and development of shipbuilding products. According to the development strategy of "Expertise takes the lead", the Company will keep optimizing the pool of talents and improving their practical skills with a view to upgrade the competency in their jobs and establish a diversified training system gradually. By constantly deepening the performance-linked remuneration system, it further improved the incentive-linked remuneration mechanism. It adjusted its remuneration system to be performance-oriented and strengthened performance assessment. It increased rewards to backbone skilled technicians and raised remuneration packages at all levels in order to provide enhanced protections to its long-term employees.

REPORT OF THE BOARD

6) *Risk prevention*

2014 will continue to be a year of downturn for the shipping market. The Company will thoroughly coordinate work to prevent the risks, such as the shipbuilding risks, cost risks, ship-owner risks, currency exchange risks, and other risks. The export price of ship orders placed with the Company is denominated in USD, and part of the domestic ship orders is denominated in USD and settled in Renminbi. Recent Renminbi fluctuation and its medium- and long-term fluctuation trend expose the Company to a material exchange risk. Within its risk exposure and in line with its plan of operation and production, the Company will strive to reduce its exchange losses through increasing holding of low interest rate USD-denominated liabilities and locking in USD forward exchange and Euro forward exchange.

7) *Capital expenditure*

In 2014, the Company expects a total capital expenditure of RMB187,186,100, and RMB5 million on continued construction projects. The major investment projects are the construction project focused on the research and development of some types of vessels, comprehensive technical transformation projects, and projects directly listed in the annual plan. These projects include deepening construction work on berths, IT system upgrading for comprehensive compounds, ventilation and air-conditioning system upgrading for the technique center building, and other supporting facilities and equipment to strengthen the management and design capacity for shipbuilding, non-ship, and offshore engineering businesses as well as to improve its energy conservation and emission reduction and secure its stable power supply.

4. Possible risks

1) *Financial risk*

The Company's financial risks mainly include exchange rate risk, interest rate risk, and price risk of available-for-sale financial assets.

Exchange rate risk. The Company's ship export orders are denominated in US dollars and some domestic ship orders are also denominated in US dollars and settled in Renminbi. As Renminbi started to appreciate again recently, and the long-term appreciation trend did not change, the Company was subject to high exchange rate risk. Within the Company's risk exposure, it will use forward foreign exchange contracts and foreign currency borrowings in line with its production and operation plans to lower risk in 2014. The Company's derivative financial instruments, accounts receivable, monetary funds, accounts payable, short-term borrowings, long-term borrowings, and other payables, etc., which are settled with USD and are subject to exchange rate risk, have been disclosed in the notes to financial statements respectively.

The Company's interest rate risk is derived from long-term borrowings. The loans granted at floating interest rate expose the Company to interest rate risk of cash flow, while the loans granted at fixed interest rate expose the Company to interest rate risk of fair value. The maturity of such loans has been disclosed in note V/22, 32, 34 of financial statements.

The available-for-sale financial assets held by the Company in the consolidated balance sheet are exposed to the price risk of stock equity and securities. Such equity investment held by the Company can be traded openly on the Shanghai Stock Exchange.

For the impact on the Company of changes in the factors like exchange rate, interest rate, and fluctuation of trading price, please refer to note V/11 of the financial statements.

2) *Employment risk*

With the continuous improvement in national laws and rules, the requirements on enterprises' discharge of social responsibilities have become increasingly strict, and the Company will employ and use labor force in an increasingly standard way. With the domestic cost-driven inflation, the gradual rise in labor cost is an inevitable trend. As a result of inflation driven by cost increase in the PRC, labor costs will no doubt gradually rise. Due to the continuing downturn of shipbuilding industry and intensified competition, there is a gap between the staff salary of the Company and that of companies in other industries, which exposes the Company to risk of difficulties in recruiting and retaining high-caliber talents.

REPORT OF THE BOARD

(III) PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITAL INCREASE WITH CAPITAL RESERVE

1. Information on the formulation, implementation or adjustment of policy for cash dividend distribution

The Company revised the Articles of Association in 2012 to improve the policy for cash dividend and regulate the procedures of profit distribution policy, etc. The Company will actively implement the policy for cash dividend, and provide reasonable returns to investors. For the Company's detailed policy for profit distribution, please refer to the Circular to Shareholders or the Materials for the First Extraordinary Meeting of Shareholders for 2012 dated November 30, 2012 and the Company's Articles of Association on the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the Shanghai Stock Exchange and the Company.

2. Proposal for profit distribution for 2013

On the basis of the net profit of the parent company in the amount of RMB126,008,994.80:

- (1) 10% in the amount of RMB12,600,899.48 will be setting aside as statutory reserve;
- (2) a dividend of RMB0.10 (tax included) for every 10 shares on the basis of 1,030,534,651 shares in issue after the non-public issue of H Shares will be paid, and the total dividend will amount to RMB10,305,346.51 (tax included), the undistributed earnings will be accumulated and distributed for the next year; and
- (3) there will be no increase of capital with capital reserve.

The proposal shall be subject to the approval at the annual general meeting for 2013.

3. Distribution scheme or proposal for allocation of profit, and distribution scheme or proposal for capital increase with capital reserve in the last 3 years including the Reporting Period

Unit: RMB

Dividend distribution year	Number of bonus shares distributed for every 10 shares (share)	Amount of cash dividend paid for every 10 shares (RMB) (tax included)	Number of shares for capital increase for every 10 shares (share)	Amount of cash dividend distributed (tax included)	Net profit attributable to listed companies' shareholders in the consolidated financial statements of dividend distribution year	Proportion among the net profit attributable to listed companies' shareholders in the consolidated financial statements (%)
2013	–	0.1	–	10,305,346.51	13,599,718.51	75.78
2012	–	1.2	–	77,169,702.48	10,327,540.44	747.22
2011	–	–	–	–	518,333,370.07	–

(IV) INFORMATION ON SOCIAL RESPONSIBILITY IMPLEMENTATION

The Company is not a listed company in heavy pollution industries, as regulated by the national environmental protection authorities. For the details of the Company's implementation of social responsibilities, please refer to the Corporate Social Responsibility Report 2013 of the Company which was published on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the Company (www.chinagsi.com) on Mar 17, 2014.

REPORT OF THE BOARD

(V) OTHER INFORMATION

Financial summary

The Group's results, assets and liabilities over the last five years are set out in this annual report.

Business and distribution

The Group's results and profit distribution proposal for the year ended December 31, 2013 are set out in this annual report.

Reserve

The changes of reserves during this year are set out in this annual report.

As at December 31, 2013, the Company's reserve available for distribution to the shareholders amounted to RMB2,367,213,921.15.

Fixed assets

As at December 31, 2013, the Company had no fixed assets pledged to secure bank financing. The information about the Group's fixed assets (including property assets or other tangible assets) during this year is set out in this annual report.

Bank loans, overdraft and other borrowings

The information of the Group's bank loans, overdraft and other borrowings as at December 31, 2013 is set out in this annual report.

Contingent liabilities

As at December 31, 2013, the Group had no significant contingent liabilities.

Gearing ratio

As at December 31, 2013, the Company's gearing ratio was 68.92%.

Calculation formula: total liabilities/total assets x 100%.

Significant litigation

For details, please refer to the section headed "Significant events — Significant litigation, arbitration and matters commonly doubted by the media" in this annual report.

(VI) ACKNOWLEDGEMENT

The Board hereby would like to extend gratitude to customers for their trust in the Company, to shareholders for their great support for the Company, and to employees for their efforts for and contributions to the Company's development.

On behalf of the Board
Han Guangde
Chairman

Guangzhou, March 17, 2014

SIGNIFICANT EVENTS

(I) SIGNIFICANT LITIGATION, ARBITRATION AND MATTERS COMMONLY DOUBTED BY MEDIA

With regard to the case that the Company brought a suit against Jiangsu Shenghua for dispute over technical service contract, and the case that Guangli Company brought a suit against Jiangsu Shenghua for dispute over the Contract for Installation Engineering of 1# and 2# 79,600DWT bulk carriers (for details, please refer to the “Significant Events (I) Significant Litigation and Arbitration” in the Annual Report 2011 of the Company), during the Reporting Period, the assets sealed up of Jiangsu Shenghua were already appraised by the appraisal institution entrusted by executive court, and also, the court announced the appraisal report served, and finished announcing the demurrals at the appraisal report. The consequential works will be executed continuously.

Save as disclosed above, the Company did not have any other significant litigation, arbitration and matters commonly doubted by media during the Reporting Period.

(II) APPROPRIATION OF FUNDS AND PROGRESS OF SETTLEMENT DURING THE REPORTING PERIOD

Inapplicable

Certified Public Accountants’ Special Statement on Capital appropriation by the Controlling Shareholder and Related Parties

In accordance with the requirement of relevant notice issued by the China Securities Regulatory Commission, Shinewing Certified Public Accountants (special general partnership), has audited the cash flows of the Company and its controlling shareholder, CSSC and other related parties, and certified that as at December 31, 2013, the cash flows between the Company and CSSC and other related parties arose from connected transactions in the ordinary and usual course of business of the Company. Apart from these, they have not identified any breach by the Company of the requirements stated in the “Notice of Regulating Cash Flows between Listed Companies and Related Parties and External Guarantees of Listed Companies”.

(III) BANKRUPTCY OR REORGANIZATION EVENT

Neither bankruptcy nor reorganization events occurred in respect of the Company during the year.

(IV) ASSETS TRANSFER AND BUSINESS COMBINATION

The Company held the 22nd meeting of the seventh session of the Board of Directors on September 30, 2013 and the first extraordinary general meeting for 2013, the first domestic shareholders’ general meeting for 2013 and the first foreign shareholders’ general meeting for 2013 on November 25, 2013, at which the resolutions in relation to the Company’s non-public issue of H shares to specific persons for the purpose of acquisition of 100% equity interest in Longxue Shipbuilding were approved. The issue of H shares was completed on February 11, 2014, and the acquisition of 100% equity interest in Longxue Shipbuilding is under way.

For details, please refer to the Company’s announcements dated June 24, 2013, September 30, 2013, November 25, 2013 and February 11, 2014 and its circular dated November 8, 2013 as disclosed on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

(V) THE IMPLEMENTATION OF EQUITY INCENTIVE AND ITS IMPACT

Inapplicable



SIGNIFICANT EVENTS

(VI) SIGNIFICANT CONNECTED TRANSACTIONS

1. Connected Transactions Related to Daily Operation

The Company's continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") consisted of routine connected transactions and comprehensive service contracts. Particulars of these transactions have been disclosed in the notes to the financial statements in accordance with Rule 14 A.45.

The Company's financial report auditor and directors (including the four independent non-executive directors) have reviewed the routine connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' overall benefits; and the transactions did not exceed the cap amount for year 2013, as approved in the shareholders' meeting.

The Company's auditor has issued a letter with unqualified opinions on the findings and conclusion of the Group's abovementioned continuing connected transactions under Rule 14A.38 of the Listing Rules.

SIGNIFICANT EVENTS

2. Framework Agreement for Continuing Connected Transactions

1) Amount of transactions in 2013

Unit: RMB

No.	Content and category	Cap approved at general meeting	Actual transaction amount	Proportion in the same type of transactions (%)	Pricing basis
1	Products and services provided by the Group to CSSC				
1.1	Electric and mechanical engineering equipment and metallic materials	306,100,000.00	84,115,697.53	2.02	Market price or agreed price.
1.2	Energy	5,000,000.00	862,473.29	0.02	Cost plus management fee.
1.3	Labor supply and technology services	423,370,000.00	303,862,206.28	7.29	Not less than the price provided to the third parties.
2	Products and services provided by CSSC to the Group				
2.1	Electrical and mechanical engineering equipment and metallic materials, ship-building accessories and equipment for use on ships	2,349,710,000.00	878,973,135.16	22.96	Market price or agreed price, and not more than the price offered by the third independent parties.
2.2	Labor supply and technology services	352,810,000.00	174,462,315.47	4.56	Cost plus management fee or market price.
2.3	Deposits	600,000,000.00	599,589,174.38	9.74	Interest rate on deposits published by the People's Bank of China, no higher than interest rate on loan published by the People's Bank of China.
2.4	Aggregate interest on deposits for the year	30,000,000.00	16,689,999.15	0.44	
2.5	Loans	600,000,000.00	600,000,000.00	15.68	
2.6	Aggregate interest on loans for the year	42,000,000.00	30,416,666.64	16.41	
2.7	Maximum amount of guarantee	2,500,000,000.00			Agreed fee, no more than the price offered by the third independent parties.
2.8	Guarantee fee	15,000,000.00			Agreed fee, no more than the price offered by the third independent parties.
2.9	Total sales agency fees paid by the Group to CSSC	73,500,000.00	17,127,145.54	0.45	No more than 1.0% of contract price in accordance with international practice.
2.10	Total purchases agency fees paid by the Group to CSSC	12,000,000.00	5,279,520.81	0.14	1% to 2% of contract price in accordance with international practice.

SIGNIFICANT EVENTS

Since the Company was established, the Group had engaged in various continuing connected transactions with CSSC, the controlling shareholder of the Company, due to the nature of assembly building. Such transactions are of an operational nature and conducted in the normal and usual course of business of the Group, which allow the Group to leverage the reputation and bargaining power of CSSC, provide a steady source of materials, labor and design and technology services necessary for the Group to conduct its business, and allow flexibility in handling excess resources which are in short supply for CSSC.

2) 2014-2016 Continuing Connected Transactions Framework Agreement

As a result of proposed acquisition of Longxue Shipbuilding and in order to ensure smooth production and operation following the acquisition, the Company and CSSC entered into a continuing connected transactions framework agreement for the period from 2014 to 2016 ("2014-2016 Framework Agreement") on December 16, 2013. The 2014-2016 Framework Agreement was approved at the first extraordinary general meeting of 2014 held on February 13, 2014 and will become effective on the date of completion of the acquisition. For details of the 2014-2016 Framework Agreement, please refer to the Company's announcement dated December 17, 2013 and its circular dated January 24, 2014 on the Shanghai Stock Exchange regarding the 2014-2016 Framework Agreement.

3) Transaction balances with related parties

Unit: RMB

Related party	Relationship	Provision of funding to related parties			Provision of funding to the Company by related parties		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
Guangzhou Shipyard Co., Ltd.	Under common control by CSSC	-	-	-	12,390.00	12,390.00	-
Total		-	-	-	12,390.00	12,390.00	-
Amount provided by the Company to the Controlling Shareholder and its subsidiaries during the Reporting Period	-						
Balance of amount provided by the Company to the Controlling Shareholder and its subsidiaries	-						
Reason for transaction balances with related parties	Business needs						
Settlement of transaction balances with related parties	Normal						
Undertakings relating to transaction balances with related parties	Inapplicable						
Impact of transaction balances with related parties on the Company's results of operation and financial position	The transaction balances with related parties had no material impact on the Company's results of operation and financial position						

4) Related party transactions

Details of the related party transactions conducted by the Group during the year are set out in note 6 to the financial statements. The Company has complied with the applicable requirements relating to the non-exempt connected transactions/continuing connected transactions under the Listing Rules. None of the other related parties transactions constituted non-exempt connected transaction/continuing connected transaction, or they constituted non-exempt connected transaction/continuing connected transaction but were exempt from the requirements of announcement and approval of independent shareholders under the Listing Rules.

(VII) SIGNIFICANT CONTRACTS AND PERFORMANCE

1. Trust, Contract or Lease

During the Reporting Period, GSI did not enter into any trust, contract or lease which contributed more than 10% of the Company's total profit.

2. Guarantee

In accordance with the requirements of the "Notice of Regulating the Finance Dealing with Related Parties and the External Guarantees of Listed Companies", Zheng Jian Zi [2003] No. 56 issued by the China Securities Regulatory Commission, the independent non-executive directors of the Company have thoroughly reviewed and checked the external guarantees and the decision-making procedure of the Company and found that, the decision-making procedure of the Company meets the requirements of the applicable laws, regulations and rules and the Articles of Association of the Company, and that the Company has not provided any guarantee for the controlling shareholder, other related parties with less than 50% shares held by the Company, any unincorporated body or individuals up to December 31, 2013.

3. Other Significant Contracts

The Company entered into the Share Subscription Agreement with Conditions Precedent with CSSC HK, Baosteel International and China Shipping HK in relation to the subscription of H shares non-publicly issued by GSI on September 30, 2013 (the "Subscription"), and entered into the Equity Transfer Agreement with Conditions Precedent with China State Shipbuilding Corporation, Baosteel Group Corporation Limited and China Shipping (Group) Company on September 30, 2013. These transactions constituted connected transactions of the Company. For details, please refer to the Company's announcements dated September 30, 2013 and its circular dated November 8, 2013 as disclosed on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Shanghai Stock Exchange (www.sse.com.cn).

(VIII) FULFILLMENT OF COMMITMENTS

As at December 31, 2013, the commitments made by the actual controller, shareholders, related parties, purchaser and the Company were as follows:

Risk control regarding the deposit under the 2013-2015 Continuing Connected Transaction Framework Agreement. In view of the huge amount of monies deposited or to be deposited at CSSC Finance, a related party of the Company, CSSC Finance has made (including but not limited to) commitments in respect of the safety of the deposits (for details, please refer to the Company's announcement dated February 14, 2014 on the Shanghai Stock Exchange).

Non-competition commitment. In order to ensure the normal operation of GSI, CSSC made a commitment on September 30, 2013 for the purpose of avoiding competition between GSI and CSSC (for details, please refer to the Company's announcement dated February 14, 2014 on the Shanghai Stock Exchange).

Commitment regarding the lock-up period of new shares subscribed. In the share subscription agreement dated September 30, 2013, CSSC HK, a related party of the Company, undertook that CSSC HK will not sell or dispose of the shares it subscribed through the offering within 36 months of the date of the issue of shares and the listing in order to safeguard the interest of shareholders as a whole (for details, please refer to the Company's announcement dated February 14, 2014 on the Shanghai Stock Exchange).

SIGNIFICANT EVENTS

(IX) APPOINTMENT OF AUDITORS

1. It was considered and passed at the 2012 annual general meeting that, Shinewing Certified Public Accountants (special general partnership) (“Shinewing”) was appointed as the Company’s domestic and international financial report auditor. As at December 31, 2013, Shinewing had provided audit service for the Company for 3 years successively. The financial statements in the Company’s annual report 2013 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by Shinewing; and for this, the Company paid RMB1.53 million to the auditor as remuneration for its annual audit work. The audit report in the Company’s annual report 2013 was signed by CPAs Mr. Chen Gang and Mr. Zhao Xueping. Shinewing will retire upon expiry of term and offer themselves for re-appointment.
2. It was considered and passed at the 15th meeting of the seventh session of the Board of Directors that, the Company appointed Shinewing as the Company’s internal control auditor in 2013. The Company’s annual internal control self-evaluation report 2013 has been audited by Shinewing, and for this, the Company has paid RMB320,000 to it as remuneration for its annual audit work.
3. In relation to the Company’s acquisition of equity interest in Longxue Building and as approved by the general manager office of the Company, Shinewing was appointed as the auditor for the acquisition project for a total project audit fee of RMB3,098,000.

In addition to the abovementioned audit matters, Shinewing (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) also provided the Company with special audit services on connected transactions, connected external guarantee and appropriation of fund, etc., during the Reporting Period.

(X) PUNISHMENT AND RECTIFICATION WITH RESPECT TO THE COMPANY, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING MORE THAN 5% SHARES AND ACTUAL CONTROLLER OF THE COMPANY

During the Reporting Period, there was no inspection or administrative penalty imposed by China Securities Regulatory Commission nor public criticism by any stock exchange against the Company, its directors, supervisors, senior management, shareholders holding more than 5% shares and actual controller.

(XI) CHANGES IN ACCOUNTING POLICIES AND THEIR IMPACTS

The Group had applied the Accounting Standards for Business Enterprises (ABS) – Basic Standards, 38 specific accounting standards, ABS application guides, ABS interpretations and other relevant rules issued by the Ministry of Finance on February 15, 2006. Since January 26, 2014, the Ministry of Finance issued five specific accounting standards (the “New Accounting Standards”), namely ABS 9 – Employee Remuneration, ABS 30 – Presentation of Financial Statements, ABS 33 – Consolidated Financial Statements, ABS 39 – Fair Value Measurement and ABS 40 – Joint Arrangement. In accordance with the requirements of the New Accounting Standards, the Group adopted these five new accounting standards (the “New Accounting Standards”) since January 1, 2013. This change in accounting policies applies retrospectively, and the comparative financial statements for 2013 have been restated.

The adoption of these new standards will not have any material impact on the recognition and measurement of items in the Group’s financial statements. Presentation and disclosure in these financial statements have been made in accordance with the new standards above.

Unit: RMB

Items	Impact on the amount for 2013	Impact on the amount for 2012
Employee salary payable	2,795,580.00	2,795,580.00
Other payables	-9,256,899.85	-9,550,439.85
Accrued liabilities	-54,273,837.64	-52,405,889.64
Other non-current liabilities	60,735,157.49	59,160,749.49

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

(I) INFORMATION ON CHANGE IN SHARE CAPITAL

1. Change in Shares

As at December 31, 2013, changes in the shares of the Company were as follows:

Unit: Share

Type	Before the change		New shares issued	Bonus shares issued	Change Shares transferred from reserve	Others	Subtotal	After the change	
	Number	Proportion (%)						Number	Proportion (%)
1. Domestic listed domestic shares	438,463,454	68.18	-	-	-	-	-	438,463,454	68.18
(1) State-owned shares	229,645,800	35.71	-	-	-	-	-	229,645,800	35.71
(2) RMB ordinary shares	208,817,654	32.47	-	-	-	-	-	208,817,654	32.47
2. Overseas listed foreign shares	204,617,400	31.82	-	-	-	-	-	204,617,400	31.82
Total	643,080,854	100.00	-	-	-	-	-	643,080,854	100.00

2. Description of Shares

- During the Reporting Period, the Company had not arranged further issue of any new shares, derivatives, bonus shares, rights issue or transfer of shares from reserves, etc. As at the end of the Reporting Period, the Company had no employee shares or shares subject to any sale restrictions or any legal person shareholders holding 10% or more shares of the Company; the number of state-owned shares held by CSSC remained unchanged. The Company implemented capital increase with capital reserve in 2011. Except that, in the last three years before the end of the reporting period, the Company had not issued any other securities.
- The Company completed the non-public issue of H shares on February 11, 2014 by issuing a total of 387,453,797 H shares (the "Subscribed Shares") to CSSC HK, Baosteel International and China Shipping HK, which led to the following changes in the Company's capital structure:

	Before change	Change as a result of H share offering	After change
Shares in circulation not subject to selling restriction condition (A Shares)	438,463,454	—	438,463,454
Shares in circulation not subject to selling restriction condition (H Shares)	204,617,400	387,453,797	592,071,197
Total	643,080,854	387,453,797	1,030,534,651

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

(II) NUMBER OF SHAREHOLDERS AND INFORMATION OF SHAREHOLDING

Unit: share

Total number of shareholders as at the end of 2013

There were 55,222 shareholders in total, including 54,937 shareholders of A Shares and 285 shareholders of H Shares.

Total number of shareholders as at the end of the 5th trading day before the disclosure of the annual report

There were 52,575 shareholders in total, including 52,296 shareholders of A Shares and 279 shareholders of H Shares.

Information of shareholding by top ten shareholders as at the end of 2013

Name	Changes during the Reporting Period	Number of shares at the end of period	Percentage (%)	Shares pledged or locked up	Type of shareholders	Class of shares
CSSC	–	229,645,800.00	35.71	None	State-owned	A Shares
Agricultural Bank of China-China Post Core Growth Stock Fund	7,971,748.00	7,971,748.00	1.24	Unknown	Domestic individual	A Shares
HKSCC NOMINEES LIMITED	4,487,479.00	199,699,983.00	31.05	Unknown	Overseas legal person	H Shares
Bank of China – Da Cheng Fortune Management 2020 Life Cycle Securities Investment Fund	4,300,000.00	4,300,000.00	0.67	Unknown	Domestic individual	A Shares
Ping An Life Insurance Company of China, Ltd. – Universal	3,999,787.00	3,999,787.00	0.62	Unknown	Domestic individual	A Shares
China Construction Bank-Guotai Jinma Stable Return Securities Investment Fund	3,611,807.00	3,611,807.00	0.56	Unknown	Domestic individual	A Shares
Beijing Trust Co., Ltd. – Yinchi No.6 Securities Investment Trust (北京信託有限公司 – 銀馳6號證券投資資金信託)	2,725,491.00	2,725,491.00	0.42	Unknown	Domestic individual	A Shares
Ping An Life Insurance Company of China, Ltd. – Participating-Individual Participating	2,397,001.00	2,397,001.00	0.37	Unknown	Domestic individual	A Shares
National Social Security Fund-Portfolio 114	2,035,075.00	2,035,045.00	0.32	Unknown	Domestic individual	A Shares
Agricultural Bank of China Limited	1,920,302.00	1,920,302.00	0.30	Unknown	Domestic individual	A Shares

Note on relationship or acting in concert of shareholders abovementioned

The Company is not aware of whether the top ten shareholders disclosed defined above are connected with each other or they are persons acting in concert as in the “Rules Governing the Disclosure of Change in Shareholders Shareholding in Listed Companies”.

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

(III) INFORMATION OF THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

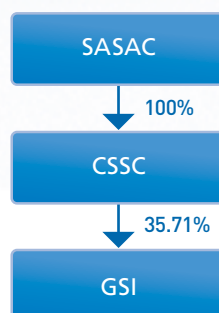
1. Information on the controlling shareholder which is a legal person

Name	CSSC
Legal representative	Hu Wenming
Date of establishment	June 29, 1999
Organization code	710924478
Registered capital	RMB6,374,300,000
Main business	Sate-owned assets investment, operation and management; investment of shipbuilding and marine projects; research, design, development, manufacturing, repair, lease, and sale of over-water and under-water weapons and equipment on ships and warships, ships for civil use, marine equipment, equipment for marine projects, and mechanical and electrical equipment; technical development for converting the techniques and equipment for marine use into those for land use; repair of foreign ships; property management; self-operation and commission-based operation of the import and export of various commodities and techniques (excluding the commodities and techniques operated with international restrictions or forbidden to import and export); processing with imported materials, and "Three-plus-one" trading-mix (custom manufacturing with materials, designs or samples supplied and compensation trade); foreign trade and re-export trade; contracting of overseas marine projects and domestic international bidding projects; dispatching laborers for implementing the abovementioned overseas projects; technical development, technical transfer, technical service, and technical consulting.
Operating results	For the period from January to September 2013, (unaudited) operating income was RMB66,185,510,000, and total profit was RMB620,840,000.
Financial position	As at September 30, 2013, (unaudited) total assets were RMB201,599,940,000, equity attributable to owners of parent company was RMB46,960,320,000, and total liabilities were RMB139,240,720,000.
Cash flow and future development strategy	As at September 30, 2013, (unaudited) net increase in cash and cash equivalents was RMB-23,432,270,000. CSSC will proceed to comprehensive adjustment and transformation by expanding its core operation military production, optimizing shipbuilding, vigorously developing high-end manufacturing and accelerating its development of production-related modern services. By striving to develop six major business segments, it aims to develop into a production-finance integrated innovative group featured by high civil-military production integration, strongest shipbuilding capability, proper diversification and strong international competitiveness.
Information on equity held in other domestic and overseas listed companies controlled and invested during the Reporting Period	Holding 61.06% shares of China CSSC Holdings Limited, and holding 40% shares of CSSC Steel Structure Engineering Co., Ltd. indirectly.

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

2. Information on Actual Controller

As at the end of the Reporting Period, the actual controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). CSSC manages the state-owned shares of the Company under SASAC's authorization. The following chart illustrates the ownership and controlling relationship between the Company and its actual controller:



(IV) INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2013, the following persons (other than directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Long position			Short position		
		Number of shares held (share)	Capacity	Approximate percentage of issued H shares (%)	Number of shares held (share)	Capacity	Approximate percentage of issued H shares (%)
Norges Bank	H shares	12,305,000	Beneficial owner	6.01	-	-	-
JPMorgan Chase & Co.	H shares	6,800	Beneficial owner	0.00	2,000 (Note)	Beneficial owner	0.00
		12,422,600	Custodian – Corporation/Approved Lending Agent	6.07	-	-	-
		12,422,600	Shares available for borrowing	6.07	-	-	-

Note: The 2,000 H shares represent short positions in the underlying shares in derivative equity interest.

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at December 31, 2013.

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

(V) OTHER INFORMATION

1. Pre-emptive rights

As there is no provision for pre-emptive rights in the Company's Articles of Association, the Company had not arranged any scheme for such right during the year.

2. Warrants and others

During the year, neither the Company nor any of its subsidiaries has issued any warrants, convertible securities, options or other securities with similar rights, nor had any person exercised any of those rights.

3. Purchase, sale or redemption of the Company's securities

Neither the Company nor any of its subsidiaries had made any purchase, sale or redemption of the Company's securities during the Reporting Period.

4. Public float of H shares

Based on the information that was publicly available to the Company as at the latest practicable date prior to the issue of this annual report and to the knowledge of the Directors, there was sufficient public float of the Company's H shares as required under the Listing Rules.



INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(I) BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Information of the change in shares held by and the remuneration of directors, supervisors and senior management

Name	Position	Gender	Age	Starting date	Ending date	Number of shares held at the beginning of the year (share)	Number of shares held at the end of the year (share)	Total remuneration payable by the Company during the Reporting Period (RMB'0000) (before tax)	Total remuneration payable by companies holding shares in the Company (RMB'0000) (before tax)
Han Guangde	Chairman	Male	52	2013-09-09	2014-05-31	-	-	72.96	0.00
Zhou Dusheng	General manager			2011-05-31	2013-09-08				
	Executive director/General manager	Male	58	2013-09-09	2014-05-31	-	-	10.93	0.00
	Non-executive director			2012-06-08	2013-09-08			6.67	38.69
								(September to December)	
								(January to August)	
Chen Ji	Executive director	Male	47	2011-05-31	2014-05-31	-	-	64.46	0.00
Chen Liping	Executive director	Male	47	2013-11-25	2014-05-31	-	-	67.24	0.00
	Chief accountant			2011-05-31	2014-05-31	-	-		
	Secretary to the Board			2012-08-23	2014-05-31				
Yang Li	Non-executive director	Male	46	2013-06-24	2014-05-31	-	-	5.00	49.35
								(July to December)	
	Executive director, deputy general manager			2012-12-19	2013-06-23	-	-	14.46	0.00
	Deputy general manager			2011-05-31	2013-06-24				0.00
Wang Jun	Non-executive director	Male	42	2012-12-19	2014-05-31	-	-	10.00	42.28
Chen Zhongqian	Non-executive director	Male	50	2013-11-25	2014-05-31	-	-	0.83	3.37
Fu Zhengping	Independent non-executive director	Male	49	2011-05-31	2014-05-31	-	-	10.00	0.00
Qiu Jiachen	Independent non-executive director	Male	43	2011-05-31	2014-05-31	-	-	10.00	0.00
De Lihua	Independent non-executive director	Female	52	2011-05-31	2014-05-31	-	-	10.00	0.00
Poon Chiu Kwok	Independent non-executive director	Male	52	2011-05-31	2014-05-31	-	-	10.00	0.00
Chen Jingqi	Chairman of the Supervisory Committee	Male	61	2012-12-19	2014-05-31	3,302 (A shares)	3,302 (A shares)	69.34	0.00
Fu Xiaosi	External supervisor	Male	55	2011-05-31	2014-05-31	-	-	8.00	0.00
Zhu Zhengfu	External supervisor	Male	50	2011-05-31	2014-05-31	-	-	8.00	0.00
Chen Shaolong	Internal supervisor	Male	40	2011-05-31	2014-05-31	-	-	54.92	0.00
Qin Tinggui	Internal supervisor	Male	48	2011-05-31	2014-05-31	-	-	57.07	0.00
Jin Lichao	Deputy general manager	Male	47	2011-10-27	2014-05-31	-	-	67.26	0.00
Mai Rongzhi	Chief engineer	Male	50	2013-06-24	2014-05-31			60.89	0.00
Yu Baoshan	Chairman	Male	53	2012-08-23	2013-09-02			24.28	0.00
He Qiuping	Deputy general manager	Male	55	2012-08-23	2013-08-26			29.31	0.00
Gao Feng	Director	Male	53	2011-05-31	2013-06-24			5.00	20.63
Total	-	-	-	-	-			676.62	154.32

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Except Mr. Chen Jingqi, chairman of the Supervisory Committee, who held 3,302 A shares, none of the directors, supervisors or members of senior management had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company and/or its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), nor did they have any interest or short positions (including the interest or short positions taken or deemed to be owned by them by virtue of the SFO) in the shares, underlying shares or debentures of the Company or its associated corporations which 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 or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO. None of the directors, supervisors or members of senior management or their respective spouses or children under 18 years of age had been granted or exercised any rights to subscribe for shares or debt securities of the Company.

2. Main working experiences of current directors, supervisors and senior management

Directors

Mr. Han Guangde, aged 52, senior engineer (Professional Level), is presently chairman of the Board and secretary general of the Party Committee. He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master degree of industrial engineering administration in 2002. Mr. Han served as section chief and deputy manager of the Second Design Office, deputy section chief, deputy manager, manager of the Shipbuilding Division, and vice general manager of the Company. He is also the Chairman of both CSSC Longxue Shipbuilding and Guangzhou Shipbuilding Factory Company Limited (廣州造船廠有限公司).

Mr. Zhou Dusheng, aged 58, a senior engineer. Mr. Zhou is currently a director and general manager of the Company. Mr. Zhou graduated from Zhenjiang Shipbuilding College (鎮江船舶學院) in 1980, and joined Guangzhou Shipyard (廣州造船廠) in the same year. Later in 2003, he obtained the MBA degree. He has served as technician and deputy section chief of Design Office of Guangzhou Shipyard; deputy head of Quality Department of Shipbuilding Business Department, deputy head of Engineering Department of the Company; vice manager, managing director, assistant to manager, vice manager, and manager of Shipbuilding Business Department of the Company's subsidiary Guangzhou Xingshun Shipping Service Co., Ltd. (廣州興順船舶服務有限公司); the head of the Shipbuilding Management Department, assistant to general manager, and vice general manager of the Company.

Mr. Chen Ji, aged 47, senior engineer, currently a director, the vice secretary of Party Committee, secretary of the Disciplinary Inspection Committee, and chairman of the Labour Union of the Company, graduated from Shanghai Jiaotong University (上海交通大學) in 1989 and joined Guangzhou Shipyard (廣州造船廠) in the same year, and obtained a degree of MBA in 2001. Mr. Chen served as ship repairing supervisor, assistant to production section chief of Ship Repairing factory of Guangzhou Shipyard (廣州造船廠修船分廠), and assistant to production section chief, assistant to manager and deputy manager of Ship Repairing Division, and assistant to general manager and vice general manager of the Company.

Mr. Chen Liping, aged 47, is a senior accountant and currently a director, the chief accountant, secretary to the Board and joint company secretary of the Company. Mr. Chen graduated from Harbin Institute of Technology in 1989, joined Guangzhou Wenchong Shipbuilding Factory in the same year, and obtained a master's degree in business administration in 2002. He has served as deputy director of Administrative Office, deputy director of coating workshop of ship-repairing branch, deputy director, director and manager of human resource management department of Guangzhou Wenchong Shipbuilding Factory, deputy manager, manager of financial department, vice chief accountant, chief accountant of Guangzhou Wenchong Shipbuilding Factory Limited (廣州文沖船廠有限責任公司).

Mr. Yang Li, aged 46, engineer. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1991 and joined Guangzhou Shipyard (廣州造船廠) in the same year. He obtained a degree of MBA in 2006. He had been the technician of Technical Office of Guangzhou Shipyard (廣州造船廠), section chief, deputy manager and manager of Purchase Department in Shipbuilding Division of the Company, manager of Marketing Department and assistant to general manager and deputy general manager of the Company. Mr. Yang had been a deputy officer of the finance section of CSSC and is currently the general manager of CSSC Shipping Leasing Company (中船航運租賃公司) and a non-executive director of the Company.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wang Jun, aged 42, economist, graduated from Wuhan University (武漢大學) in July 1993, and joined the Company in the same year. He has served as the vice director and director of Legal Affairs Office, vice head and head of Risk Management Department, and chief counselor of the Company. In March 2008, he worked at CSSC through exchange. He is currently a vice director of the Operation Management Department of CSSC. Mr. Wang is a non-executive Director of the Company.

Mr. Chen Zhongqian, aged 50, is a senior engineer of professional level. Mr. Chen graduated from the Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and he joined Guangzhou Wenchong Shipbuilding Factory Company Limited (廣州文沖船廠有限責任公司) in the same year. In 2002, Mr. Chen was awarded a master degree in business administration. Currently, Mr. Chen is the chairman and secretary of the Chinese Communist Party of CSSC Guangzhou Huangpu Shipbuilding Company Limited (廣州中船黃埔造船有限公司) and the chairman of Guangzhou Wenchong Shipbuilding Factory Company Limited (廣州文沖船廠有限責任公司). Mr. Chen has been the section head, deputy department head and department head of the outfitting department, and deputy head of Guangzhou Wenchong Shipbuilding Factory (廣州文沖船廠); an assistant to the manager, manager of the shipbuilding division, director and deputy general manager of Guangzhou Wenchong Shipbuilding Factory Company Limited (廣州文沖船廠有限責任公司). He had also been a director, vice chairman and general manager of CSSC Huangpu Wenchong Shipbuilding Ship Company Limited (中船黃埔文沖船舶有限公司). Mr. Chen joined the Company as a non-executive Director in 2013.

Mr. Fu Zhengping, aged 49, holds a doctorate in economics. Mr. Fu graduated from International Economic Institute of Nankai University in 1991, and was admitted to the Business School of Sun Yat-sen University in July of the same year, where he was mainly engaged in teaching and research on the operation and management of multinational enterprises and enterprise strategy management. Mr. Fu obtained a doctor's degree in economics from Beijing Normal University in January 2002. He is now a deputy dean, professor, and doctoral supervisor of the Business School of Sun Yat-sen University. He joined the Company as an independent non-executive director in 2009.

Mr. Qiu Jiachen, aged 43, senior accountant with a master degree in economics, is presently chief accountant of Guangdong Airport Management Corporation. Mr. Qiu served as deputy section chief of Accounting Section of Financial Division and section chief of Information System Section of Guangzhou Baiyun International Airport, assistant to manager of Financial Department of Guangzhou Baiyun International Airport Group, and manager of Financial Department of Guangdong Airport Management Corporation. Mr. Qiu joined the Company as an independent non-executive Director in 2011.

Ms. De Lihua, aged 52, holding a bachelor's degree in economic law, is a member of China Lawyers Association, and a member of the Law Society of Hong Kong. Ms. De graduated from Peking University in 1984, and served in the Ministry of Petroleum Industry of China, the Great Wall Foreign Economical Law office, Woo Kwan Lee & Lo and X.J. Wang & Co.. Ms. De joined Jun He Law Offices in 2006, and is presently a partner thereof. She joined the Company as an independent non-executive Director in 2011.

Mr. Poon Chiu Kwok, aged 52, holds a master of arts degree, majored in international accounting. He is a member and special lecturer of Hong Kong Securities and Investment Institute, a fellow member of The Institute of Chartered Secretaries and Administrators, and a fellow member of and member of the Technical Advisory Committee of The Hong Kong Institute of Chartered Secretaries. He worked as an independent non-executive director of CATIC Shenzhen Holdings Limited from March 2003 to June 2009; worked at China Tianrui Group Cement Company Limited from December 2011 to December 2012, and worked at Tsingtao Brewery Company Limited from June 2005 to June 2011. He has been an executive director, vice chief executive and company secretary of Huabao International Holdings Limited since May 2006, an independent director of Ningbo Port Company Limited since April 2008, an independent director of Yuanda China Holdings Limited since April 2011, an independent director of Sunac China Holdings Limited since June 2011, an independent non-executive director of Chang'an Minsheng Apil Logistics Company Limited since October 2011, and an independent non-executive director of Tonly Electronics Holdings Limited since July 2013. He joined the Company as an independent non-executive director in May 2011.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Supervisors

Mr. Chen Jingqi, aged 61, senior political officer, presently chairman of the Supervisory Committee of the Company. Mr. Chen joined Guangzhou Shipyard in 1969 and graduated from Guangzhou Television University (廣州電視大學) in 1987. Mr. Chen served as secretary of branch party committee of Coating Workshop, secretary of party committee of Container Division of Guangzhou Shipyard (廣州造船廠), deputy chairman and chairman of Labor Union, vice secretary of Party Committee and secretary of the Disciplinary Inspection Committee of the Company, and supervisor, secretary of Party Committee, and chairman of the Company.

Mr. Fu Xiaosi, aged 55, holds a bachelor's degree in machinery manufacturing and bachelor's degree in accounting. He is a senior accountant, registered accountant, excellent CFO of Hubei Province and is presently the chief accountant of Hubei Triring Group Company (三環集團公司), an independent non-executive director of Chigo Holding Limited (志高控股有限公司), and vice president of General Accountants Association of Hubei Province (湖北省總會計師協會). Mr. Fu graduated from Huazhong University of Science and Technology (華中工學院) in 1986 and had served as deputy managing accountant (senior partner) of Zhongqin Wanxin Public Accountants Limited (中勤萬信會計師事務所), chief accountant (executive director) of Hubei Tri-ring Company Limited (湖北三環股份有限公司) (listed on Shenzhen Stock Exchange). Mr. Fu is currently the chief financial controller and deputy general manager of Qiu Zhi Yang Infrared System Company Limited (湖北久之洋紅外系統股份有限公司). He joined the Company in 2008.

Mr. Richard Z. Zhu, aged 50, doctoral postgraduate and senior attorney, is presently the managing and executive partner of Guangdong Kunlun Law Firm (廣東東方昆侖律師事務所), an independent director of Guangdong Advertisement Company Limited (廣東省廣告股份有限公司) and Foshan Huaxin Packaging Company Limited (佛山華新包裝股份有限公司) (both listed on the Shenzhen Stock Exchange). He graduated from the Law School of Wuhan University (武漢大學) in 1987, and obtained a doctor's degree in Laws in the Law School of Wuhan University in 1999. He joined Guangzhou Wanbao Group Import & Export Company (廣州萬寶電器集團進出口公司) in 1987. Since 1994, he had served as the officer of the Finance & Property Department in Guangdong Economic and Trade Law Firm (廣東經濟貿易律師事務所), partner of Guangdong Dalu Law Firm (廣東大陸律師事務所); deputy officer of Land Law Advisory Services Center of the Department of Land and Resources of Guangdong Province. He was one of the founders of Guangdong Kunlun Law Firm in 1998. Mr. Zhu joined the Company in 2011.

Mr. Qin Tinggui, aged 48, senior economist, is presently the chief human resources officer and head of human resource department of the Company. He graduated from Zhenjiang Shipbuilding College in 1988, obtained postgraduate education in economics from C.P.C. Guangdong Provincial Party School in 1997, and obtained a master's degree in law from South China University of Technology in 2013 with postgraduate education. Mr. Qin joined Guangzhou Shipyard in 1988, and served as welding technician in assembly department of Guangzhou Shipyard, deputy section chief and section chief of inspection section in quality department and deputy manager and manager of safety & security department, deputy manager of purchase department in the shipbuilding division of the Company and deputy manager of human resources department of the Company.

Mr. Chen Shaolong, aged 40, political officer, is presently director of party committee and affair department of the Company. Mr. Chen graduated from Bohai Shipbuilding Vocational College in 1995 and Correspondence Course Institute of the Party School of the Central Committee of CPC in 2008. Mr. Chen joined the Company in 1995, and served as member, chief, deputy secretary and secretary of the Youth League, assistant to chairman and vice chairman of the labor union, deputy manager of the party committee and affair department, and party secretary and deputy manager of the shipbuilding division of the Company.

Senior Management

Mr. Jin Lichao, aged 47, senior engineer at researcher level, currently deputy general manager of the Company, graduated from Zhenjiang Shipbuilding College in Jiangsu Province in 1989, and joined Guangzhou Shipyard in the same year. Mr. Jin obtained a master degree in transportation management from Huazhong University of Science and Technology in 2003. Mr. Jin Served as designer, director of accommodation section of ship design office, vice director of the ship design office of machinery assembly section, vice director and director of construction technology section of shipbuilding division, vice manager of shipbuilding division, manager of shipbuilding management department and assistant to general manager of the Company.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Mai Rongzhi, aged 50, senior engineer at of professional level. He is currently the chief engineer of the Company. He graduated from South China Institute of Technology in 1983 and joined Guangzhou Shipyard in the same year. He had served as craftsman of ship design studio, acting section chief of exterior decoration section of the second design studio of the general assembly plant, assistant to director, studio director, head of ship research institute of technology center, assistant to manager and deputy manager of shipbuilding division, deputy chief engineer, deputy director and standing deputy director of the technology center, director of the general office, and assistant to general manager of the Company.

3. Information on other positions held by directors, supervisors and senior management

1) Positions in companies holding shares in the Company

Name	Name of companies holding shares in the Company	Position	Term of office
Han Guangde	Longxue Shipbuilding	Chairman	Since September 2012
	Guangzhou Shipyard Company Limited	Chairman	Since 2013
Chen Ji	Guangzhou Shipyard Company Limited	Director	Since 2013
Chen Liping	CSSC Finance Company Limited	Director	Since 2013
	CSSC Investment and Development Company Limited (中船投資發展有限公司)	Director	Since 2013
Wang Jun	CSIC Yuanzhou (Beijing) Technology Company Limited	Director	Since 2013
	Zhenjiang CSIC Modern Power Generation Equipment Company Limited	Vice chairman	Since 2013
	Deputy director of operation planning and shareholder matters management department of CSSC	Deputy director	Since March 2012
Yang Li	CSSC (HK)	General manager	Since 2013
	China United Shipbuilding Company Limited	General manager	Since 2013
Chen Zhongqian	CSSC Huangpu Wenchong Shipbuilding Company Limited	Chairman	Since January 2013

2) Positions in other companies

Name	Company name	Position	Starting date	Ending date
Fu Zhengping	Business School of Sun Yat-sen University	Deputy dean, professor	2005.09	Up to now
	Guangdong Rongtai Industry Co., Ltd.	Independent director	2013.01	Up to now
Qiu Jiachen	Midea Group Co., Ltd.	Independent director	2013.03	Up to now
	Guangzhou Airport Management Group Company (廣州市機場管理集團公司)	Chief accountant	2009.10	Up to now
De Lihua	Jun He Law Offices	Partner, lawyer	2006.01	Up to now
	Poon Chiu Kwok	Huabao International Holdings Limited	Executive director, company secretary	2006.05
Fu Xiaosi	Ningbo Port Company Limited	Independent non-executive director	2008.03	Up to now
	Yuanda China Holdings Limited	Independent non-executive director	2011.04	Up to now
	Sunac China Holdings Limited	Independent non-executive director	2011.06	Up to now
	Changan Minsheng APLL Logistics Co., Ltd.	Independent non-executive director	2011.09	Up to now
	China Tianrui Group Cement Company Limited	Independent non-executive director	2011.12	2012.12
Zhu Zhengfu	Tonly Electronics Holdings Limited	Independent non-executive director	2013.08	Up to now
	Tri-Ring Group Corporation	Chief accountant	2007.09	2012.12
	Chigo Holding Limited	Independent non-executive director	2008.08	Up to now
Zhu Zhengfu	Qiu Zhi Yang Infrared System Company Limited	Deputy general manager, chief financial officer	2012.12	Up to now
	Kunlun Law Firm	Director, executive partner	1998.01	Up to now
	Guangdong Guangzhou Daily Media Co., Ltd.	Independent non-executive director	2013.06	Up to now

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

4. Information on remuneration of directors, supervisors and senior management

The total remuneration received by directors, supervisors and senior management from the Company during the Reporting Period included basic salary, performance salary, special bonus, housing fund, social pension and other insurance and allowances. For details, please refer to note VI.2(2) to the financial statements in this report.

Decision-making procedure for determination of remuneration of directors, supervisors and senior management	<ol style="list-style-type: none">1. The Emolument and Examination Committee prepares the Basic Remuneration Scheme for Senior Management of the seventh session of the Board according to the Remuneration Scheme for Senior Management of the Seventh Session of the Board, taking into account the responsibilities and working experiences of each director, supervisor and member of senior management. For details, please refer to "Information of Directors, Supervisors, Senior Management and Employees" of Annual Report 2011.2. The Emolument and Examination Committee examines the performance of executive directors, internal supervisors and senior management in the previous year in accordance with the Performance Examination Rules of Senior Management, determines their performance coefficients and performance remunerations, and reports to the Board for consideration and approval.3. The Emolument and Examination Committee is responsible to issue special annual awards to the executive directors, internal supervisors and senior management in accordance with the market situation, performance result of the Company as well as the total remunerations.
Basis of determination of remuneration for directors, supervisors and senior management	The remuneration of the Company's existing directors, supervisors and senior management is determined according to the Remuneration Scheme for Senior Management of the Seventh Session of the Board, the Basic Remuneration Scheme for Senior Management of the Seventh Session of the Board, and the Performance Examination Rules of Senior Management of the Board.
Information on remuneration payable to directors, supervisors and senior Management	For details, please refer to the section headed "Information of the change in shares held by and the remuneration of directors, supervisors and senior management" in this chapter.
Total remuneration actually received by directors, supervisors and senior management	RMB6,766,200
Highest paid individuals	During the Reporting Period, the five highest paid individuals in the Company for the year included five directors, supervisors or members of senior management whose emoluments are disclosed in "Basic information of directors, supervisors and senior management" above and note VI.2(2) to the financial statements.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1) *Changes of directors, supervisors and senior management*

Name	Former position	Change	Reason
Han Guangde	Vice chairman, general manager	Chairman	Job relocation
Zhou Dusheng	Non-executive director	Appointed as executive director and general manager	Job relocation
Chen Liping	Chief accountant, secretary to the Board	Appointed as executive director	Replacement
Yang Li	Executive director, deputy general manager	Resigned as deputy general manager, and appointed as non-executive director	Replacement
Chen Zhongqian	–	Appointed as non-executive director	Replacement
Mai Rongzhi	–	Appointed as chief engineer	Replacement
Yu Baoshan	Chairman	Resignation	Job relocation
He Qiuping	Deputy general manager	Resignation	Resignation
Gao Feng	Director	Resignation	Resignation

5. **Other information of directors, supervisors and senior management**

1) *Service contracts of directors and supervisors*

None of the service contracts which had been entered into between the Company and any existing director or supervisor of the seventh session of the Board and the Supervisory Committee was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

2) *Interests of directors and supervisors in contracts in contracts*

During the year and as at the end of the year, there were no contracts of significance in relation to the Company's business, to which the Company and its subsidiaries were a party, and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly.

6. **Information on the company's core technical team or key technical personnel**

During the Reporting Period, the Company's core technical team or key technical personnel remained unchanged. Due to the continuing downturn of shipbuilding industry and intensified competition, there is a gap between the staff salary of the Company and that of companies in other industries, which exposes the Company to the potential risk of loss of core technicians. The Company has made early preparations by maintaining the salaries of its core technical team and key technicians and providing them with greater care on living so that they will be willing to face the difficult times with the Company.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) INFORMATION ON THE EMPLOYEES OF PARENT COMPANY AND MAIN SUBSIDIARIES

1. Information of employees

Number of employees in parent company	3,092 (person)
Number of employees in main subsidiaries	6,855 (person)
Total number of employees	9,947 (person)
Number of retired employees whose expenses are borne by the Company	3,452 (person)

By function

Type of function	Number (person)
Manufacturing staff	1,216
Marketing staff	23
Technical staff	857
Financial staff	51
Administrative staff	945
Total	3,092

By education

Type of educational level	Number (person)
Vocational Education	106
College Education	585
Bachelor Education	1,080
Graduate Education	93
Total	1,864

2. Remuneration policy

As at the end of the Reporting Period, the Group had a total of 9,947 employees. The remuneration of the Group's employees includes salary, bonus, and other welfare programs required by the government. Subject to applicable PRC laws and regulations, the Group has implemented a performance-based salary system taking into account the position and performance of each employee. In 2013, the remuneration paid by the Company to its employees was RMB692.37 million in total, with average annual remuneration of RMB69,606 per employee.

3. Training plan

The Company organizes new employees' training and periodic training of professional personnel annually according to each department's personnel and business needs in order to promote employees' learning, growth, and healthy development.

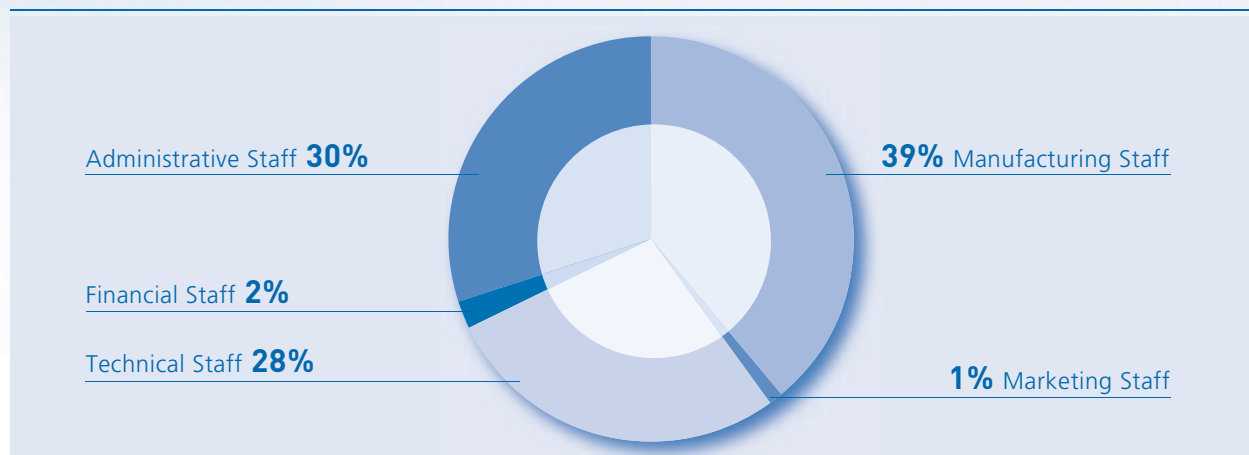
4. Employees' pension scheme

The Company and certain of its subsidiaries have joined the defined contribution retirement scheme operated by Guangdong Provincial Government since January 1, 1994. Under the scheme, during the Reporting Period, the Company had made contributions to the scheme at the rate of 18% of the total salary of all employees. Upon retirement, the retirees had received monthly payments from the Social Insurance Bureau of Guangdong Province.

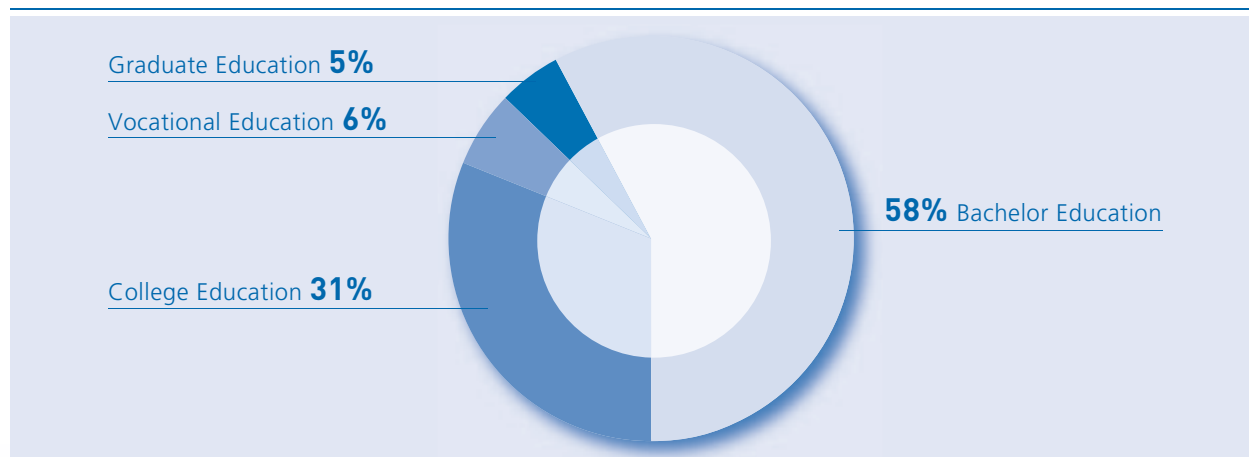
The contribution made by the Group in 2013 was RMB90,180,000 (2012: RMB87,249,800). In addition, during the year the Company had made payments of RMB3,510,000 (2012: RMB2,687,900) as living subsidies to retirees.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

5. Statistical chart of the Parent Company based on functions



6. Statistical chart of education level



7. Information of labor service outsourcing

Total working hours of labor service outsourcing

10,790,230.3 h

Total remuneration paid for labor service outsourcing

RMB257,510,000 (salary)

RMB389,580,000 (total expenses)

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The Company always strictly conforms to the *Company Law of the PRC* and the *Securities Law of the PRC*, relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by continuously improving its corporate governance structure and standardizing its operations. The Company has adopted the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange (the "CG Code") as the corporate governance code of the Company. Other than Provision A.6.7 of the CG Code, the Company has strictly observed the provisions of the CG Code during the Reporting Period.

According to Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors shall attend the shareholders' meetings. During the Reporting Period, Mr. Wang Jun was absent from one general meeting due to work, and each of Mr. Yang Li and Mr. Poon Chiu Kwok was absent from two general meetings due to work. The Board discusses the corporate governance practices of the Company at least once annually in order to ensure that the Company always complies with the CG Code, and will make proper amendments if necessary.

On November 25, 2013, a proposal was put forward at an extraordinary general meeting that the Company's Articles of Association shall be amended as a result of the issue of Subscribed Shares. Upon completion of the subscription, the Company's registered capital would be increased, and Articles 18 and 21 of the Company's Articles of Association must be revised to reflect the change in the Company's registered capital and issued share capital.

Proposed amendments to the Company's Articles of Association were approved with a special resolution at an extraordinary general meeting, while the revised Articles of Association have become effective upon completion of changes in registration with industrial and commercial authority and completion of the subscription.

2. BOARD OF DIRECTORS

The Board consists of 11 directors, including 4 executive directors, 3 non-executive directors and 4 independent non-executive directors. Members of the Board have different industry backgrounds with expertise in corporate management, finance and accounting, investment and strategy, shipbuilding management and legal affairs, etc. For details of the members of the Board, please refer to "Information of Directors, Supervisors, Senior Management and Employees" in this annual report.

The Board reports to shareholders' general meetings, fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board Meetings" within its terms of reference as stipulated in the Articles of Associations. The Board also monitors the implementation of the Group's operation management and its financial performance, makes recommendations on the appointment of directors, and decides on important contracts and trading, as well as other important policies and financial matters. The Board has delegated daily responsibilities to executive directors and senior management. The management makes recommendations on the Company's daily operation and management. The positions of chairman and general manager of the Company are occupied by different persons in order to ensure the independence of the decision-making of the Board, and the daily operation and management activities of the management. The chairman of the Board of the Company is Mr. Han Guangde, and the general manager is Mr. Zhou Dusheng.

In 2013, the Company held a total of 12 Board meetings, including 7 on-site meetings and 5 written meetings. The Board discharged its duties through Board meetings, at which it heard the general manager's work report, and passed 45 resolutions covering the Company's non-public issue of H shares, disposal of securities assets, production and operation plans, investment proposals, special activities regarding connected transactions, annual financial budgeting and review plans and profit distribution plans, election of Chairman, change in directors, senior management and members of Board committees, and amendment to the remuneration packages of the seventh session of senior management. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

CORPORATE GOVERNANCE

The dates of periodic Board meetings each year are determined in advance, and the notice of periodic meetings is given 15 days prior to the meeting, while the notice of extraordinary meetings is given in reasonable time, so that more directors can attend the meeting. The secretary to the Board assists the chairman in preparing agenda of meetings and ensuring the observance of all applicable rules and regulations. The agenda, and attached documents of the Board are generally sent to all directors at least 7 days before the periodic Board meetings (if feasible, it is applicable to other Board meetings). The secretary to the Board is responsible for recording and maintaining the minutes and related meeting documents of the Board and committees thereunder, which are available for the directors' inspection at any time. Minutes reflects the information of review and voting, and directors' opinions at the meeting objectively and in detail, and is confirmed by each attending director by signing. When considering connected transactions, the connected directors abstained from voting.

Each director has the right to inspect the documents of the Board and related data, and to seek opinions and services from the secretary to the Board. The Board and each director may contact the Company's senior management individually and independently.

The Board reviews internal control once annually in order to ensure the effectiveness of its internal control system. For details of internal control, please refer to "IX: Internal Control".

3. DIRECTORS

The executive directors are appointed for a term of three years, and may offer themselves for re-election after the terms expired. Term of service for non-executive directors (including independent non-executive directors) is three years. Executive directors are eligible for re-election subject to a maximum of six consecutive years. There is no relationship among Board members, including financial, operational, family or other relevant material relations.

Through the secretary to the Board, all directors can obtain timely information and updates relating to statutory, regulatory and other ongoing obligations that directors of a listed company must comply with, ensuring the directors' understanding of their duties and duly implementation of procedures for the Board in compliance with applicable laws and regulations.

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted *the Model Code for Securities Transactions by Directors of Listed Companies* (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and they have confirmed that they have fully complied with the code for directors' securities trading, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2013.

The Company has received the annual confirmations of Mr. Fu Zhengping, Mr. Qiu Jiachen, Ms. De Lihua and Mr. Poon Chiu Kwok on independence, who considered that they remained independent of the Company as at the date of this report.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended December 31, 2013 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

The Company encourages directors, supervisors and senior management to take part in the overall and professional development and learning on related listing rules and code on corporate governance practices organized by the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and The Hong Kong Institute of Chartered Secretaries, arranged directors and supervisors to receive periodic trainings for directors and supervisors. Through the "monthly management update" summarizing key points for securities regulation, it also arranged internal training sessions for members of the Board of Directors and organized trainings on inside information and how to deal with media, in order to enable the directors, supervisors and senior management to continuously update and further improve related knowledge and skills.

CORPORATE GOVERNANCE

According to the Company's records, the trainings participated by the directors and the company secretary in 2013 focused on directors' roles, functions and responsibilities, and the training records are as shown below:

Name of director/company secretary	Training time (hour)	Remark
Han Guangde	10	Appointed as chairman of the Company on September 6, 2013
Zhou Dusheng	15.5	
Chen Ji	15.5	
Chen Liping	27	
Yang Li	10	
Wang Jun	10	
Chen Zhongqian	0	Appointed as non-executive director of the Company on November 25, 2013
Fu Zhengping	10	
Qiu Jiachen	10	
De Lihua	10	
Poon Chiu Kwok	31	
Yu Baoshan	8	
Gao Feng	4	
Li Zhidong	15	

(I) Information on directors' attendance at Board meetings and general meetings

Name of director	Independent director or not	Information of attendance at Board meetings						Information on attendance at general meetings	
		Numbers of Board meetings that should be attended this year	Numbers of attendance in person	Numbers of attendance through communication	Numbers of attendance by proxy	Numbers of absence	Failure to attend two meetings consecutively in person	Numbers of general meetings that should be attended during the year	Numbers of attendance at general meetings
Han Guangde	No	12	12	0	0	0	No	2	2
Zhou Dusheng	No	12	11	0	1	0	No	2	2
Chen Ji	No	12	11	0	1	0	No	2	2
Chen Liping	No	1	1	0	0	0	No	2	0
Yang Li	No	12	10	1	1	0	No	2	0
Wang Jun	No	12	10	1	1	0	No	2	1
Chen Zhongqian	No	1	0	0	1	0	No	2	0
Fu Zhengping	Yes	12	12	0	0	0	No	2	2
Qiu Jiachen	Yes	12	10	1	1	0	No	2	2
De Lihua	Yes	12	8	3	1	0	No	2	2
Poon Chiu Kwok	Yes	12	8	3	1	0	No	2	0
Yu Baoshan	No	6	5	0	1	0	No	1	1
Gao Feng	No	3	3	0	0	0	No	0	0

CORPORATE GOVERNANCE

Mr. Chen Liping and Mr. Chen Zhongqian were appointed as directors of the Company on November 25, 2013.

Periodic meetings and extraordinary meetings are held in the form of on-site meeting. Periodic meetings are held to discuss the Group's investment program, operation and financial affairs, at which attendees can effectively discuss and make decisions carefully and prudentially. Extraordinary meetings included domestic shareholder's' meetings and foreign shareholders' meetings, at which the non-public issue of H shares to specific persons was considered and approved. During the Reporting Period, the Company's independent non-executive directors did not raise any objections against the decisions of the Board.

4. SPECIALIZED COMMITTEES UNDER THE BOARD

The Board has set up four specialized committees. The Board selects and appoints members of each committee by taking into account the expertise and experience of each director so that each committee can carry out its functions with high efficiency. Each committee has established a work team to assist the committee's work. The Company's directors and specialized committees under the Board have the right to appoint an independent professional institution to provide services for them at the expense of the Company, in order to facilitate their performance of functions and duties in view of business needs.

Specialized committee	Role	Name of director	Position	Numbers of committee meetings that should be attended	Numbers of attendance in person at committee meetings
Audit Committee	Chairman	Qiu Jiachen	Independent non-executive director	4	2
	Member	Poon Chiu Kwok	Independent non-executive director	4	2
Nomination Committee	Member	Wang Jun	Non-executive director	4	3
	Chairman	De Lihua	Independent non-executive director	3	3
	Member	Fu Zhengping	Independent non-executive director	3	3
	Member	Chen Zhongqian	Non-executive director	0	0
Emolument and Examination Committee	Former member	Gao Feng	Non-executive director	1	1
	Chairman	Fu Zhengping	Independent non-executive director	1	1
	Member	Qiu Jiachen	Independent non-executive director	1	1
Strategy Committee	Member	Yang Li	Non-executive director	1	1
	Chairman	Han Guangde	Chairman	1	1
	Member	Chen Liping	Executive director	0	0
	Member	Chen Ji	Executive director	1	1
	Member	Zhou Dusheng	Executive director	1	1
	Former member	Yang Li	Non-executive director	1	1

CORPORATE GOVERNANCE

1. Audit Committee

The principal responsibility of the Audit Committee is assisting the Board in reviewing the financial reporting procedures, the effectiveness of the internal control and risk management system, monitoring the audit procedures, making normal and transparent arrangements for maintaining proper relationship with the Company's auditor, and communicate with internal audit department and external auditors independently.

In 2013, the Audit Committee held four meetings to hear the financial reports, financial positions and internal control self-review reports for 2012, the first quarter of 2013, the first half of 2013 and the third quarter of 2013 presented by the management, the work team and the auditors. After thorough discussion, it made resolutions on these matters and reported the matters to the Board of Directors on a timely basis.

In addition, in accordance with the Annual Report Work Procedures for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2013 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion. When submitting the financial reports to the Board of Directors, the Audit Committee will also submit a report on the audit work done by the auditors for the year and submit a resolution in relation to re-appointment or change of auditors for the next year.

2. Nomination Committee

The Nomination Committee is a specialized working body established by the Board. It is principally responsible for selecting the candidates for the directors and managers, determining selection criterion and procedures and making recommendations to the Board on the selection standard and process of the directors and managers.

In 2013, the Nomination Committee held three meetings and passed the proposals regarding (1) the candidates for the seventh session of the Board of Directors; and (2) the nomination of the chief engineer by the general manager. Each nomination is subject to the consideration and approval of the Board of Directors and the shareholders at a general meeting (if required).



CORPORATE GOVERNANCE

3. Emolument and Examination Committee

The Emolument and Examination Committee is a specialized working body established. It is mainly responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management. It reports to for the Board.

The Emolument and Examination Committee has adopted the method set out in code provision B.1.2(c)(ii) of Appendix 14 to the Listing Rules to make recommendations to the Board on individual executive directors and members of senior management.

On March 9, 2013, the Emolument and Examination Committee held a meeting, at which it reviewed (1) the performance assessment results for executive directors and senior management of the Company for 2012 and the year-end reward proposal, and (2) the proposal on adjustment to basic salary of executive directors and senior management, and submitted them to the Board of Directors for consideration and approval.

4. Strategy Committee

The Strategy Committee is a working body established. It is mainly responsible for researching and making recommendations on the Company's long-term development strategy and significant investment decisions, and it reports to the Board.

In accordance with its term of reference, the Strategy Committee shall hold at least one meeting each year. In 2013, the Strategy Committee held one meeting and reviewed: (1) strategic planning advancing plan and key points of strategic planning; and (2) the social responsibility report of the Company for 2012 and unanimously approved the report.

5. IMPORTANT OPINIONS EXPRESSED AND RECOMMENDATIONS MADE BY SPECIALIZED COMMITTEES UNDER THE BOARD IN THEIR DUTY PERFORMANCE DURING THE REPORTING PERIOD

In reviewing regular reports of the Company, the Audit Committee recommended that (1) the connected transactions between the Company and Longxue Shipbuilding shall be conducted in strict compliance with the connected transactions framework agreement and the annual caps must not be exceeded; the management reporting procedures shall be further regulated to keep members of the Board of Directors informed of any production and operation updates; (2) the management shall establish strategies for tackling difficult operating environment, alert market participants in a timely manner in case of any material adverse changes in its operation, strengthen cost control, especially raw materials costs and labour costs, and monitor cash flow position to ensure it has sufficient cash flow for the Company to maintain normal production and operation.

6. CORPORATE GOVERNANCE FUNCTION

The Board is responsible for corporate governance functions collectively, including:

- Formulating, considering and analyzing the Company's corporate governance policy, principle, convention, practice and process, comparing them with the regulations of all guidelines ("Guidelines") formulated by all competent regulatory bodies from time to time, and making recommendations on improvement;
- Suggesting necessary changes to the Board in order to respond to and meet the requirements of the Guidelines;
- Reviewing and monitoring the Company's policies and practices for observing laws and supervisory regulations;
- Reviewing the Company's internal policies annually;
- Examining and monitoring the training and sustained professional development of directors and senior management;
- Developing, examining and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;
- Reviewing the Company's compliance with applicable laws and rules for corporate governance, (including but not limited to) the CG Code, as well as the requirements of the China Securities Regulatory Commission on corporate governance, and the Company's disclosure on the corporate governance in its annual reports and interim reports.

The Company has formulated the Board Diversity Policy (the "Policy"), which has been considered and approved at a Board meeting and implemented. Under the Policy, in order to achieve the diversity of members of the Board, the Company shall take into account a variety of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. The Board has developed measurable objectives, including the above-mentioned, to implement the policy, and review these objectives from time to time in order to determine the progress of achieving these objectives. In order to ensure the effectiveness of the Policy, the Nomination Committee will constantly monitor and review the Policy. The Company is of the view that the current composition of the Board is a balanced and diversified mix that is suitable for the Company's business development.

7. SHAREHOLDERS AND GENERAL MEETINGS

The Board endeavors to maintain on-going communication with shareholders and considers the annual general meeting as a major opportunity to keep contact with individual shareholders. All shareholders holding shares of the Company are entitled to attend general meetings.

The Company holds annual general meeting each year and issues the notice and shareholders' circular at least 45 days and 20 business days before an annual general meeting respectively, which contains details of the matters for consideration at the meeting and the voting procedures. Separate resolutions are proposed at the general meeting and voted on by way of poll on each separate issue, including the election of individual directors. The chairman of the Board attends and presides over the general meeting and arranges for representatives of independent non-executive directors and the management of the Company to answer questions raised by shareholders at the meeting. The mode of voting method and procedures at general meetings are set out in the Articles of Association and the Rules of Proceedings for General Meetings, contained in the shareholders' circular and explained at the meeting. For information of directors' attendance at general meetings, please refer to the information of directors' attendance at Board meetings and general meetings.

1) Policy on Communication with Shareholders

The Company has established the following channels to maintain continuing communication with shareholders:

- (1) The Company's corporate communications published in printed form and available for inspection at the websites of the Hong Kong Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.chinagsi.com), such as annual report, interim report and circular;
- (2) Announcement made periodically through The Stock Exchange of Hong Kong Limited, and set out at the websites of the Hong Kong Stock Exchange and the Company respectively;
- (3) The Company's information and the Articles of Association are available at the Company's website;

CORPORATE GOVERNANCE

- (4) Board members (in particular the chairmans or their representatives of each specialized committee under the Board), proper administrative personnel and external auditors will attend the annual general meeting and answer shareholders' questions; and
- (5) In case of any doubt about the shares held by them, shareholders may bring forward such questions to the Company's share registrar (H Shares) or securities business department (A Shares) making transaction rules.

2) Shareholders' Rights

Ways for shareholders to convene extraordinary general meeting

Two or more shareholders holding more than 10% (including 10%) shares with voting rights issued by the Company in total shall have the right to propose the convening of extraordinary general meeting, and should make the proposal in writing to the Board.

The Board shall give a written reply on whether or not to agree with the proposal on convening extraordinary general meeting as soon as possible and in any event within 10 days after receiving the request in accordance with the requirements of laws, administrative rules and the Articles of Association.

If the Board agrees with the proposal on convening extraordinary shareholders' meeting, the Board shall give a notice on convening general meeting within 30 days after receiving the written request, and any alteration of the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree with the proposal on convening extraordinary general meeting, or if it fails to give a reply within 10 days after receiving the request or fails to give a notice on convening general meeting within 30 days after receiving the written request, the shareholders making the proposal may convene general meeting within four months after the Board receives the request, and the convening procedures shall, to the extent possible, be the same as that for the Board to convene general meeting.

In case shareholders convene general meeting themselves, they shall notify the Board in writing, and shall report to the local branch of the China Securities Regulatory Commission and the stock exchange of the jurisdiction where the Company is located.

The necessary expenses for general meeting convened by shareholders shall be borne by the Company.

CORPORATE GOVERNANCE

Procedures for shareholders to raise inquiry to the Board and related information

After making a reasonable payment, shareholders have the right to inspect and obtain related information in accordance with the Company's Articles of Association, including:

- (1) All registers of shareholders;
- (2) Personal information of the Company's directors, supervisors, managers and other members of senior management;
- (3) The Company's share capital and bonds register;
- (4) The report on the total book value, quantity, highest price and lowest price of each class of its own shares repurchased by the Company since the end of the previous fiscal year, and the total expenses paid by the Company for purchasing such stocks;
- (5) Minutes of general meetings, resolutions passed at Board meetings, resolutions passed at meetings of the Supervisory Committee, and financial and accounting reports.

In order to make enquiries about/inspect the aforesaid related information or requesting documents, shareholders shall make the request through the Company's address in Mainland China (40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China) or Hong Kong (54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong), and provide the Company with written documents evidencing the class and number of shares of the Company held by them. After checking and verifying shareholders' identity, the Company will provide related information or documents.

Procedures for putting forward proposals at general meeting

At an annual general meeting, shareholders holding more than 5% (including 5%) of the Company's shares with voting rights shall have the right to put forward new proposals in writing to the Company. Within 2 days after receiving the proposal, the Company shall give a supplementary notice on general meeting stating the contents of the proposal, and shall include matters within the responsibility scope of general meeting in the agenda of this meeting.

All shareholders who appear on the shareholders register on the record date shall have the right to attend in person or by one or more proxies, who need not to be shareholders, and vote at the general meeting. Shareholders and their proxies shall have the right to speak and vote at the general meeting.

3) The Company's Independence from the Controlling Shareholder

During the year 2013, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and the controlling shareholder are independent of each other in terms of personnel, assets, finance, organization and business.

During the course of capital operation, the Company conducted strategic cooperation with Longxue Shipbuilding in strict compliance with the requirements of the Listing Rules. All business dealings with Longxue Shipbuilding have been conducted pursuant to the requirements in respect of connected transactions. The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of connected transactions and report to the Board of Directors on a monthly basis. The total value of continuing connected transactions in 2013 did not exceed the cap approved at general meetings.

CORPORATE GOVERNANCE

4) Information on Holding of Shareholders' Meetings

Session	Date	Resolutions	Voting results	Information disclosure newspaper and websites	Date of information disclosure
2012 Annual General Meeting	June 6, 2013	【Note 1】	Resolutions passed	Shanghai Securities News, the websites of Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.chinagsi.com).	June 6, 2013
First Extraordinary General Meeting for 2013, First Domestic Shareholders' General Meeting for 2013 and First Foreign Shareholders' General Meeting for 2013	November 25, 2013	【Note 2】	Resolutions passed	Shanghai Securities News, the websites of Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.chinagsi.com).	November 25, 2013

【Note 1】: The following resolutions were passed at the 2012 Annual General Meeting: the Annual Report 2012 of the Board; Reviewing the Annual Report 2012 of the Supervisory Committee; Reviewing the Annual Auditor's Report Audited 2012; Reviewing the Full Text of Annual Report 2012; Reviewing the Annual Profit Distribution Proposal 2012; the Re-appointment of Shinewing Certified Public Accountants Limited (special general partnership) as the Company's Auditor for A Shares and H Shares in 2013, and Authorizing the Board to Determine Its Remuneration.

【Note 2】: The following resolutions were passed at the first extraordinary general meeting for 2013, the first domestic shareholders' general meeting for 2013 and the first foreign shareholders' general meeting for 2013: the resolution in relation to the proposal on the non-public issue of H shares by the Company to specified persons, the Execution of the Share Subscription Agreement in relation to the Subscription of Shares through the Non-public Issue of H Shares by Guangzhou Shipyard International Company Limited with Conditions Precedent and the Share Transfer Agreement regarding Guangzhou CSSC Longxue Shipbuilding Co., Ltd. with Conditions Precedent between the Company, CSSC HK, Baosteel International and China Shipping (H.K.), amendments to the Articles of Association of the Company, and the grant of full authority to the Board of Directors for handling matters relating to the non-public issue of H shares.

8. INFORMATION ON REGISTRATION AND MANAGEMENT OF INSIDERS

The Company established the Insiders Registration and Management System in 2011, which mainly includes: (1) re-submitting the list of insiders in view of organizational adjustment; (2) strengthening the registration and management of insiders delivering information externally, and requiring confidentiality prompt; and (3) conducting the registration of insiders who carry out investors' investigation.

The Company is not aware of any trading in the shares of the Company by any director, supervisor, member of senior management or any other persons with access to inside information using inside information before the disclosure of material price-sensitive information of the Company such as its regular reports and information on major assets restructuring.

9. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee did not notice the Company had any risk during the monitoring activities of the Supervisory Committee during the Reporting Period.

CORPORATE GOVERNANCE

10. ASSESSMENT AND INCENTIVE SCHEME FOR SENIOR MANAGEMENT

During the Reporting Period, the Company assessed senior management by means of annual KPI. The annual assessment was carried out according to the Detailed Rules for Performance Assessment of Senior Management of the Seventh Session of the Board. The Company has not established a long-term incentive scheme for senior management.

11. CONCLUSION

The Board of Directors of the Company considers that, raising the level of corporate governance is not just for applying and observing the CG Code issued by the Hong Kong Stock Exchange, but also for pushing forward and developing moral and sound corporate culture. The Company will strive to constantly review and improve its practices at appropriate time by monitoring the changes and developments based on its own experience. In addition, shareholders are welcome to bring forward any opinions and recommendations in order to promote and improve the transparency of corporate governance.



INTERNAL CONTROL

(I) STATEMENT OF RESPONSIBILITY FOR INTERNAL CONTROL AND CONSTRUCTION OF INTERNAL CONTROL SYSTEM

The Board is responsible for the establishment, improvement, and effective implementation of internal control. The Audit Committee under the Board takes charge of examining the Company's internal control, supervising the effective implementation and self-evaluation of internal control, and coordinating the audit of internal control. The Supervisory Committee supervises the Board's establishment and implementation of internal control. The Company's management is responsible for the daily implementation of internal control, carries out self-evaluation of internal control once annually according to the Framework for Implementation of Internal Control, and appoints internal control auditors to review internal control, in order to analyze the control procedures for finance, operation and supervision, to ensure the legality and compliance of the Company's operation and management, the safety of assets, the truthfulness and completeness of financial reports and related information, to raise the operating efficiency and effectiveness, and to promote the realization of the Company's development strategy.

Internal Control System Construction Departments:

Risk Management Department — organizing the implementation and maintenance of internal control

Disciplinary Inspection and Audit Department — organizing the evaluation of internal control

Financial Center — improving the management system for financial internal control flow

Each functional department — taking charge of internal control development and implementation within their own business scope

Internal Control Evaluation

According to the Framework for Implementation of Internal Control, the Company organized each department to analyze and summarize their own internal control, and to identify and analyze the risks within their own business scope in 2013. According to the Manual for Evaluation of Internal Control, the Company formulated the programs for evaluation of internal control, implemented a two-level internal control evaluation mechanism, namely annual inspection & evaluation and each department's self-evaluation, and examined and evaluated the effectiveness of internal control design and operation by means of conformity test, individual interview, and walk-through test, etc. In addition, the Company has established an evaluation work group, which carries out spot test of each business flow according to the Internal Control Manual and the Manual for Evaluation of Internal Control, then carries out overall evaluation according to test result, and identifies the defects in internal control. The evaluation of internal control in the year covered various businesses and matters of the Company's functional departments, production department, branches, subsidiaries, and focused on strategic risk, operating risk, financial risk and compliance risk.

Based on the internal control review results, the Company was not aware of any material or material defects but had identified six general defects as at the end of the Reporting Period. The Company had adopted corresponding rectification measures to deal with these defects; the Disciplinary Inspection and Audit Department had reviewed such defects with the Risk Management Department according to related authorities and procedures, and provided the rectification results to the Disciplinary Inspection and Audit Department in writing. Meanwhile, the Company had supervised and urged related departments to develop/revise internal control system and update after obtaining the approval of management and the Board. For the defects (general defects) identified in evaluation at the end of the Reporting Period, the Disciplinary Inspection and Audit Department has discussed with external auditors and then reported them to the Board and the Supervisory Committee for examination and approval. Related departments have been required to complete the rectification with 2014 of general inadequacies identified in evaluation at the end of the Reporting Period.

INTERNAL CONTROL

(II) INFORMATION ON INTERNAL CONTROL AUDIT REPORT

The Company's internal control auditor Shinewing Certified Public Accountants (special general partnership) has conducted an audit on the effectiveness of the Company's internal control, and considered that, in the year ended December 31, 2013, the Company had maintained effective internal control on financial statements in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and other relevant rules.

(III) SYSTEM OF ACCOUNTABILITY FOR SIGNIFICANT ERRORS IN ANNUAL REPORTS AND ITS IMPLEMENTATION

The "Information Disclosure Management Policy" of the Company regulates the accountability with regard to material errors in information disclosed in the annual report. The policy provides that the directors of the Company, supervisors, senior management and other persons relevant to the disclosure of information in the annual report who caused the occurrence of material errors in the disclosure of information in the annual report as a result of breaches of the relevant laws, regulations, regulatory documents and the rules and policies of the Company, neglect of duties or failure to discharge duties will be held responsible in accordance with the policy. For details, please refer to the Information Management Policy on Disclosure of Information published on the Company's website (www.chinagsi.com).

There were no material errors in the annual report made by the Company during the Reporting Period.



AUDITORS' REPORT



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

9/F, Block A, Fu Hua Mansion,
No. 8, Chaoyangmen Beidajie,
DongCheng District, Beijing,
100027, P.R. China

聯繫電話： +86 (010) 6554 2288
telephone: +86 (010) 6554 2288

傳真： +86 (010) 6554 7190
facsimile: +86 (010) 6554 7190

XYZH/2013A5001

To the Members of Guangzhou Shipyard International Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the accompanying financial statements of Guangzhou Shipyard International Company Limited (the "Company"), which comprise the consolidated and the Company's balance sheets as at December 31, 2013; and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in equity for the year then ended, and the notes thereto.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at December 31, 2013, and the consolidated and the Company's results of operation; and the consolidated and the Company's cash flows for the year then ended, in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

ShineWing Certified Public Accountants

Chinese Certified Public Accountants

Chinese Certified Public Accountants

Beijing, PRC

March 17, 2014

CONSOLIDATED BALANCE SHEET

As at December 31, 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note V	Ending balance	Beginning balance
Current assets			
Cash and cash equivalents	1	6,155,600,440.06	6,124,741,029.25
Financial assets at fair value through profit and loss	2	69,210,083.75	22,862,044.25
Notes receivable	3	9,196,551.00	3,492,665.00
Accounts receivable	4	666,273,490.04	776,755,319.25
Prepayments	5	1,644,777,958.51	503,864,929.68
Interests receivable	6	108,000,271.85	143,581,872.47
Dividends receivable	7	–	1,043,381.78
Other receivables	8	65,834,422.16	262,235,880.07
Inventories	9	1,650,046,214.10	912,568,809.53
Non-current assets due within one year			
Other current assets	10	–	140,571.00
Total current assets		10,368,939,431.47	8,751,286,502.28
Non-current assets			
Available-for-sale financial assets	11	29,070,000.00	269,965,187.50
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	12	44,764,184.35	43,904,311.39
Investment properties	13	29,567,897.29	30,319,227.30
Fixed assets	14	1,618,875,300.85	1,660,360,847.50
Construction in progress	15	24,734,442.02	61,201,815.91
Construction materials			
Disposal of fixed assets	16	29,376.32	33,554.52
Intangible assets	17	367,246,475.03	356,368,059.31
Research and development expenses	18		
Goodwill			
Long-term deferred expenses	19	3,476,413.96	4,661,152.86
Deferred tax assets	20	113,680,566.41	90,453,005.81
Other non-current assets			
Total non-current assets		2,231,444,656.23	2,517,267,162.10
Total assets		12,600,384,087.70	11,268,553,664.38

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED BALANCE SHEET

As at December 31, 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note V	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	22	46,073,292.62	92,167,796.47
Financial liabilities at fair value through profit and loss	23	–	223,540.75
Notes payable	24	616,401,532.69	591,450,235.02
Accounts payable	25	1,404,570,261.08	1,245,250,069.88
Advance from customers	26	501,585,933.16	434,610,806.03
Employee benefits	27	25,480,647.00	21,929,470.46
Taxes payable	28	-64,538,569.38	78,274,385.66
Interests payable	29	10,762,776.07	13,757,226.48
Dividends payable	30	437,160.43	157,912.98
Other payables	31	21,088,537.32	17,512,847.63
Non-current liabilities due within one year	32	789,219,805.15	1,057,958,531.65
Other current liabilities	33	2,818,740,848.09	1,372,592,180.48
Total current liabilities		6,169,822,224.23	4,925,885,003.49
Non-current liabilities:			
Long-term loans	34	1,888,404,473.16	1,413,633,335.84
Bonds payable			
Long-term payables			
Special Payables	35	24,570,000.00	24,570,000.00
Estimated Liabilities	36	436,954,202.59	494,490,845.48
Deferred tax liabilities	20	11,330,087.60	34,456,025.70
Other non-current liabilities	37	153,186,714.00	128,942,336.28
Total non-current liabilities		2,514,445,477.35	2,096,092,543.30
Total liabilities		8,684,267,701.58	7,021,977,546.79
Shareholders' Equity:			
Share capital	38	643,080,854.00	643,080,854.00
Capital reserves	39	497,232,741.41	676,133,916.27
Less: Treasury shares			
Specific reserves	40	956,026.41	
Surplus reserves	41	444,648,093.25	432,047,193.77
Reserve for ordinary risk			
Retained earnings	42	2,317,681,625.81	2,393,852,509.26
Foreign Currency Capital			
Total equity attributable to shareholders of the Company		3,903,599,340.88	4,145,114,473.30
Non-controlling interest	43	12,517,045.24	101,461,644.29
Total shareholder's equity		3,916,116,386.12	4,246,576,117.59
Total liabilities and shareholder's equity		12,600,384,087.70	11,268,553,664.38

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

BALANCE SHEET OF THE COMPANY

As at December 31, 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XIII	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	1	5,957,846,121.43	5,810,558,882.84
Financial assets at fair value through profit and loss	2	69,210,083.75	22,724,517.26
Notes receivable		—	—
Accounts receivable	3	596,326,002.81	783,090,498.19
Prepayments	4	1,715,229,398.49	525,042,147.72
Insurance premium receivable			
Interest receivables	5	108,337,980.19	143,653,250.24
Dividend receivables	6	67,594,936.63	1,043,381.78
Other receivables	7	796,040,374.31	885,551,377.94
Inventories	8	1,364,603,227.69	741,275,742.64
Non-current assets due within one year			
Other current assets			
Total current assets		10,675,188,125.30	8,912,939,798.61
Non-current assets:			
Available-for-sale financial assets	9	29,070,000.00	269,965,187.50
Held-to-maturity investments			
Long-term equity investments	10	483,913,980.35	437,794,000.90
Investment properties	11	29,567,897.29	30,319,227.30
Fixed assets	12	979,384,072.24	1,021,212,073.85
Construction in progress	13	20,209,436.77	52,906,084.06
Construction materials			
Disposal of fixed assets	14	29,376.32	33,554.52
Intangible assets	15	63,384,775.32	65,979,737.81
Research and development expenses	16		
Goodwill			
Long-term deferred expenses	17	3,476,413.96	4,661,152.86
Deferred tax assets	18	104,333,935.14	81,062,866.82
Other non-current assets			
Total non-current assets		1,713,369,887.39	1,963,933,885.62
Total assets		12,388,558,012.69	10,876,873,684.23

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

BALANCE SHEET OF THE COMPANY

As at December 31, 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XIII	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	20	30,484,500.00	87,997,000.00
Financial liabilities at fair value through profit and loss	21	–	223,540.75
Notes payable	22	616,401,532.69	591,450,235.02
Accounts payable	23	1,332,871,693.45	1,108,411,553.69
Advance from customers	24	407,461,536.38	358,580,701.61
Employee benefits	25	18,920,841.86	16,147,466.18
Taxes payable	26	-65,037,991.47	83,857,216.06
Interests payable	27	10,762,776.07	13,757,226.48
Dividends payables	28	177,160.43	157,912.98
Other payables	29	17,069,938.74	11,614,109.54
Non-current liabilities repayable within one year	30	789,219,805.15	1,057,958,531.65
Other current liabilities	31	2,770,524,429.55	1,372,529,997.70
Total current liabilities		5,928,856,222.85	4,702,685,491.66
Non-current liabilities:			
Long-term loans	32	1,888,404,473.16	1,413,633,335.84
Bonds payable			
Long-term payables			
Special Payables	33	24,570,000.00	24,570,000.00
Estimated Liabilities	34	436,954,202.59	494,490,845.48
Deferred tax liabilities	18	10,395,123.72	33,862,026.48
Other non-current liabilities	35	150,876,865.09	126,570,304.59
Total non-current liabilities		2,511,200,664.56	2,093,126,512.39
Total liabilities		8,440,056,887.41	6,795,812,004.05
Shareholder's equity:			
Share capital	36	643,080,854.00	643,080,854.00
Capital reserves	37	494,734,069.05	676,133,916.27
Less: Treasury shares			
Specific reserves	38	–	–
Surplus reserves	39	443,472,281.08	430,871,381.60
Reserve for ordinary risk			
Retained earnings	40	2,367,213,921.15	2,330,975,528.31
Total shareholder's equity		3,948,501,125.28	4,081,061,680.18
Total liabilities and shareholder's equity		12,388,558,012.69	10,876,873,684.23

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED INCOME STATEMENT

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note V	Current Year	Last Year
1. Total operating revenue		4,166,071,985.61	6,424,083,364.01
Including: Operating revenue	47	4,166,071,985.61	6,424,083,364.01
2. Total cost of operation		4,478,479,525.99	6,703,228,356.31
Including: Cost of operation	47	3,867,567,709.26	5,970,855,522.13
Business taxes and surcharges	48	20,008,352.18	27,357,520.19
Selling and distribution expenses	49	7,398,233.57	3,741,482.56
Administrative expenses	50	484,445,293.67	391,004,348.00
Financial expenses	51	-119,428,332.56	-101,281,148.23
Loss on impairment of assets	52	218,488,269.87	411,550,631.66
Add: Gain arising from the changes in fair value (loss listed with "-")	53	46,571,580.25	3,568,903.40
Investment income (Loss listed with "-")	54	202,472,690.25	33,706,842.80
Including: income from investments in associates and joint ventures (Loss listed with "-")		2,299,872.96	3,077,671.16
Exchange gain (Loss listed with "-")			
3. Operating profit (Loss listed with "-")		-63,363,269.88	-241,869,246.10
Add: Non-operating income	55	92,818,666.38	271,887,155.01
Including: Gain from disposal of non-current assets		42,357.34	3,318,380.28
Less: Non-operating expenses	56	1,375,398.53	2,482,880.74
Including: Loss on disposal of non-current assets		279,828.05	441,335.15
4. Total profit (Loss listed with "-")		28,079,997.97	27,535,028.17
Less: Income tax expenses	57	12,543,135.15	8,913,687.18
5. Net profit (Net loss listed with "-")		15,536,862.82	18,621,340.99
Net profit attributable to shareholders of the Company		13,599,718.51	10,327,540.44
Non-controlling interest		1,937,144.31	8,293,800.55
6. Earnings per share	59		
Basic earnings per share		0.0211	0.0161
Diluted earnings per share		0.0211	0.0161
7. Other comprehensive income	61	-181,399,847.22	27,180,554.54
Items to be reclassified to profit and loss when qualified in future accounting periods		-181,399,847.22	27,180,554.54
Items cannot be classified in the future accounting periods			
8. Total comprehensive income		-165,862,984.40	45,801,895.53
Total comprehensive income attributable to shareholders of the Company		-167,800,128.71	37,508,094.98
Total comprehensive income attributable to non-controlling interest		1,937,144.31	8,293,800.55

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

INCOME STATEMENT OF THE COMPANY

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XIII	Current Year	Last Year
1. Total operating revenue		3,311,023,987.86	5,780,561,869.18
Including: Operating revenue	44	3,311,023,987.86	5,780,561,869.18
2. Total cost of operation		3,585,488,954.99	6,020,793,811.53
Including: Cost of operation	44	3,140,431,028.04	5,404,610,429.55
Business taxes and surcharges	45	6,635,725.26	18,893,019.14
Selling and distribution expenses	46	-746,219.68	-3,595,250.11
Administrative expenses	47	357,190,782.05	295,510,242.50
Financial expenses	48	-133,414,789.99	-107,359,936.93
Loss on impairment of assets	49	215,392,429.31	412,735,307.38
Add: Gain arising from the changes in fair value (Loss listed with "-")	50	46,709,107.24	3,431,376.41
Investment gain (Loss listed with "-")	51	268,622,136.37	31,313,132.28
Including: income from investments in associates and joint ventures (Loss listed with "-")		946,282.45	849,940.64
Exchange gain (Loss listed with "-")			
3. Operating profit (Loss listed with "-")		40,866,276.48	-205,487,433.66
Add: Non-operating income	52	90,867,559.35	270,407,743.55
Including: Gain from disposal of non-current assets		1,740.65	3,259,557.20
Less: Non-operating expenses	53	1,032,308.20	1,583,668.34
Including: Gain from disposal of non-current assets		155,395.90	406,008.82
4. Total profit (Total loss listed with "-")		130,701,527.63	63,336,641.55
Less: Income tax expenses	54	4,692,532.83	6,173,665.69
5. Net profit (Net loss listed with "-")		126,008,994.80	57,162,975.86
6. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			
7. Other comprehensive income	56	-181,399,847.22	27,180,554.54
(1) Items to be reclassified to profit and loss when qualified in future accounting periods		-181,399,847.22	27,180,554.54
(2) Items cannot be classified in the future accounting periods			
8. Total comprehensive income		-55,390,852.42	84,343,530.40

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED CASH FLOW STATEMENT

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note V	Current Year	Last Year
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		5,874,130,283.24	6,785,663,324.74
Cash received from taxes refund		125,132,981.24	344,438,114.23
Cash received relating to other operating activities	63	318,966,861.36	227,386,598.86
Sub-total of cash inflows from operating activities		6,318,230,125.84	7,357,488,037.83
Cash paid for goods and services		5,339,507,013.40	6,058,498,408.05
Cash paid to and on behalf of employees		850,950,274.29	942,109,780.76
Payments of taxes and surcharges		194,471,119.05	233,342,882.97
Cash paid relating to other operating activities	63	210,663,039.64	271,188,510.87
Sub-total of cash outflows from operating activities		6,595,591,446.38	7,505,139,582.65
Net cash flows from operating activities		-277,361,320.54	-147,651,544.82
2. Cash flows from investment activities:			
Cash received from disposal of investment		55,622,371.53	–
Cash received from investments income		210,133,823.02	34,106,710.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		224,466.34	6,603,485.17
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	63	1,899,100,413.95	2,576,815,966.11
Sub-total of cash inflows from investing activities		2,165,081,074.84	2,617,526,161.92
Cash paid to acquire fixed assets, intangible assets and other long-term assets		142,951,873.11	194,111,204.56
Cash paid for investments		71,340,955.70	–
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities	63	1,637,253,070.82	1,178,901,641.35
Sub-total of cash outflow from investing activities		1,851,545,899.63	1,373,012,845.91
Net cash flows from investing activities		313,535,175.21	1,244,513,316.01



CONSOLIDATED CASH FLOW STATEMENT

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note V	Current Year	Last Year
3. Cash flows from financing activities			
Cash received from investment absorption			
Including: Cash received by subsidiaries from investment absorption of non-controlling interest			
Cash received from loans granted		1,992,621,010.51	2,140,381,010.57
Cash received from issue of bonds			
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		1,992,621,010.51	2,140,381,010.57
Cash paid for settlement of borrowings		1,735,508,566.79	2,342,682,179.26
Cash paid for dividends, profits appropriation or payments of interest		170,372,788.72	101,581,723.27
Including: Dividends and profits paid to non-controlling interest			
Cash paid relating to other financing activities	63	4,816,381.46	48,261.30
Sub-total of cash outflows from financing activities		1,910,697,736.97	2,444,312,163.83
Net cash flows from financing activities		81,923,273.54	-303,931,153.26
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-35,104,509.49	-2,740,675.79
5. Net increase in cash and cash equivalents		82,992,618.72	790,189,942.14
Add: Cash and cash equivalents at the beginning of the year		3,750,208,522.25	2,960,018,580.11
6. Cash and cash equivalents at the end of the year		3,833,201,140.97	3,750,208,522.25

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CASH FLOW STATEMENT OF THE COMPANY

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XIII	Current Year	Last Year
1. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		4,939,135,021.64	5,513,904,211.61
Cash received from taxes refund		112,574,797.12	326,658,529.99
Cash received relating to other operating activities	58	242,160,529.58	151,533,630.26
Sub-total of cash inflows from operating activities		5,293,870,348.34	5,992,096,371.86
Cash paid for goods and services		4,994,525,436.35	5,428,656,929.44
Net increase in loans and disbursement to customers			
Cash paid to and on behalf of employee		309,416,750.85	395,389,857.85
Payments of taxes and surcharges		124,006,943.01	162,994,519.32
Cash paid relating to other operating activities	58	153,025,345.67	299,053,959.47
Sub-total of cash outflows from operating activities		5,580,974,475.88	6,286,095,266.08
Net cash flows from operating activities		-287,104,127.54	-293,998,894.22
2. Cash flows from investing activities			
Cash received from disposal of investment		55,622,371.53	–
Cash received from investments income		209,893,461.15	30,484,770.64
Cash received from disposal of fixed assets, intangible assets and other long-terms assets		183,228.60	6,562,716.01
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	58	1,908,271,674.81	2,583,161,692.56
Sub-total of cash inflows from investing activities		2,173,970,736.09	2,620,209,179.21
Cash paid to acquire fixed assets, intangible assets and other long-term assets		45,694,439.82	76,505,239.79
Cash paid for investments		31,738,768.99	50,000,000.00
Net cash paid to acquire subsidiaries or other business units			
Cash paid relating to other investing activities	58	1,637,253,070.82	1,172,800,000.00
Sub-total of cash outflows from investing activities		1,714,686,279.63	1,299,305,239.79
Net cash flows from investing activities		459,284,456.46	1,320,903,939.42

CASH FLOW STATEMENT OF THE COMPANY

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XIII	Current Year	Last Year
3. Cash flows from financing activities			
Cash received from investment absorption			
Cash received from loans granted		1,920,114,546.40	2,074,934,682.46
Cash received from issue of bonds			
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		1,920,114,546.40	2,074,934,682.46
Cash paid for settlement of borrowings		1,706,530,063.75	2,267,075,639.21
Cash paid for dividends, profits appropriation or payments of interests		167,195,185.40	101,496,919.38
Cash paid relating to other financing activities	58	4,783,960.17	18,324.65
Sub-total of cash outflows from financing activities		1,878,509,209.32	2,368,590,883.24
Net cash flows from financing activities		41,605,337.08	-293,656,200.78
4. Effect of changes in foreign exchange rate on cash and cash equivalents		-32,899,348.23	-2,249,380.53
5. Net increase in cash and cash equivalents		180,886,317.77	730,999,463.89
Add: Cash and cash equivalents at the beginning of the year		3,461,486,732.84	2,730,487,268.95
6. Cash and cash equivalents at the end of the year		3,642,373,050.61	3,461,486,732.84

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Current Year									
	Equity attributable to the shareholders of the Company									
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	Others	Non-controlling interest	Total shareholders' equity
1. Balance at the end of Last Year	643,080,854.00	676,133,916.27	-	-	432,047,193.77	-	2,393,852,509.26	-	101,461,644.29	4,246,576,117.59
Add: Changes in accounting policies										-
Correction of prior periods errors										-
Others										-
2. Balance at the beginning of Current Year	643,080,854.00	676,133,916.27	-	-	432,047,193.77	-	2,393,852,509.26	-	101,461,644.29	4,246,576,117.59
3. Increase/Decrease for the year (Decrease listed with "-")	-	-178,901,174.86	-	956,026.41	12,600,899.48	-	-76,170,883.45	-	-88,944,599.05	-330,459,731.47
(1) Net profit							13,599,718.51		1,937,144.31	15,536,862.82
(2) Other comprehensive income		-181,399,847.22								-181,399,847.22
Sub-total of (1) and (2)		-181,399,847.22					13,599,718.51		1,937,144.31	-165,862,984.40
(3) Capital contribution and reduction		2,498,672.36							-87,391,743.36	-84,893,071.00
1. Capital contribution from shareholders									-87,391,743.36	-87,391,743.36
2. Share-based payments charged to equity										-
3. Others		2,498,672.36								2,498,672.36
(4) Profit distribution					12,600,899.48		-89,770,601.96		-3,490,000.00	-80,659,702.48
1. Provision for surplus reserves					12,600,899.48		-12,600,899.48			-
2. Provision for reserves for ordinary risk										-
3. Distribution to shareholders							-77,169,702.48		-3,490,000.00	-80,659,702.48
4. Others										-
(5) Inter transfer of shareholders' equity										-
1. Transfer capital reserves to capital addition										-
2. Transfer surplus reserves to capital addition										-
3. Transfer surplus reserves to offset loss										-
4. Others										-
(6) Specific reserves				956,026.41						956,026.41
1. Provision for current year				49,654,685.79						49,654,685.79
2. Utilization for current year				-48,698,659.38						-48,698,659.38
(7) Others										-
4. Balance at the end of Current Year	643,080,854.00	497,232,741.41	-	956,026.41	444,648,093.25	-	2,317,681,625.81	-	12,517,045.24	3,916,116,386.12

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Last Year									
	Equity attributable to the shareholders of the Company									
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	Others	Non-controlling interest	Total shareholders' equity
1. Balance at the end of Last Year	643,080,854.00	648,953,361.73	-	-	426,330,896.18	-	2,389,241,266.41	-	93,167,843.74	4,200,774,222.06
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of prior periods errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of Current Year	643,080,854.00	648,953,361.73	-	-	426,330,896.18	-	2,389,241,266.41	-	93,167,843.74	4,200,774,222.06
3. Increase/Decrease for the year (Decrease listed with "-")	-	27,180,554.54	-	-	5,716,297.59	-	4,611,242.85	-	8,293,800.55	45,801,895.53
(1) Net profit	-	-	-	-	-	-	10,327,540.44	-	8,293,800.55	18,621,340.99
(2) Other comprehensive income	-	27,180,554.54	-	-	-	-	-	-	-	27,180,554.54
Sub-total of (1) and (2)	-	27,180,554.54	-	-	-	-	10,327,540.44	-	8,293,800.55	45,801,895.53
(3) Capital contribution and reduction	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-
2. Share-based payments charged to equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	5,716,297.59	-	-5,716,297.59	-	-	-
1. Provision for surplus reserves	-	-	-	-	5,716,297.59	-	-5,716,297.59	-	-	-
2. Provision for reserves for ordinary risk	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-
1. Transfer capital reserves to capital addition	-	-	-	-	-	-	-	-	-	-
2. Transfer surplus reserves to capital addition	-	-	-	-	-	-	-	-	-	-
3. Transfer surplus reserves to offset loss	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(6) Specific reserves	-	-	-	-	-	-	-	-	-	-
1. Provision for current year	-	-	-	25,243,913.96	-	-	-	-	-	25,243,913.96
2. Utilization for current year	-	-	-	-25,243,913.96	-	-	-	-	-	-25,243,913.96
(7) Others	-	-	-	-	-	-	-	-	-	-
4. Balance at the end of Current Year	643,080,854.00	676,133,916.27	-	-	432,047,193.77	-	2,393,852,509.26	-	101,461,644.29	4,246,576,117.59

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Current Year						Provision for reserves for ordinary risk	Retained earnings	Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves				
1. Balance at the end of Last Year	643,080,854.00	676,133,916.27	-	-	430,871,381.60	-	2,330,975,528.31	4,081,061,680.18	
Add: Changes in accounting policies								-	
Correction of prior periods errors								-	
Others								-	
2. Balance at the beginning of Current Year	643,080,854.00	676,133,916.27	-	-	430,871,381.60	-	2,330,975,528.31	4,081,061,680.18	
3. Increase/Decrease for the year (Decrease listed with "-")	-	-181,399,847.22	-	-	12,600,899.48	-	36,238,392.84	-132,560,554.90	
(1) Net profit							126,008,994.80	126,008,994.80	
(2) Other comprehensive income		-181,399,847.22						-181,399,847.22	
Sub-total of (1) and (2)	-	-181,399,847.22	-	-	-	-	126,008,994.80	-55,390,852.42	
(3) Capital contribution and reduction	-	-	-	-	-	-	-	-	
1. Capital contribution from shareholders								-	
2. Share-based payments charged to equity								-	
3. Others								-	
(4) Profit distribution	-	-	-	-	12,600,899.48	-	-89,770,601.96	-77,169,702.48	
1. Provision for surplus reserves					12,600,899.48		-12,600,899.48	-	
2. Provision for reserves for ordinary risk								-	
3. Distribution to shareholders							-77,169,702.48	-77,169,702.48	
4. Others								-	
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-	
1. Transfer capital reserves to capital addition								-	
2. Transfer surplus reserves to capital addition								-	
3. Transfer surplus reserves to offset loss								-	
4. Others								-	
(6) Specific reserves	-	-	-	-	-	-	-	-	
1. Provision for current year				43,363,109.26				43,363,109.26	
2. Utilization for current year				-43,363,109.26				-43,363,109.26	
(7) Others								-	
4. Balance at the end of Current Year	643,080,854.00	494,734,069.05	-	-	443,472,281.08	-	2,367,213,921.15	3,948,501,125.28	

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year of 2013

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Last Year							Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury shares	Specific reserves	Surplus reserves	Provision for reserves for ordinary risk	Retained earnings	
1. Balance at the end of Last Year	643,080,854.00	648,953,361.73	-	-	425,155,084.01	-	2,279,528,850.04	3,996,718,149.78
Add: Changes in accounting policies								-
Correction of prior periods errors								-
Others								-
2. Balance at the beginning of Current Year	643,080,854.00	648,953,361.73	-	-	425,155,084.01	-	2,279,528,850.04	3,996,718,149.78
3. Increase/Decrease for the year (Decrease listed with "-")	-	27,180,554.54	-	-	5,716,297.59	-	51,446,678.27	84,343,530.40
(1) Net profit							57,162,975.86	57,162,975.86
(2) Other comprehensive income		27,180,554.54						27,180,554.54
Sub-total of (1) and (2)	-	27,180,554.54	-	-	-	-	57,162,975.86	84,343,530.40
(3) Capital contribution and reduction	-	-	-	-	-	-	-	-
1. Capital contribution from shareholders								-
2. Share-based payments charged to equity								-
3. Others								-
(4) Profit distribution	-	-	-	-	5,716,297.59	-	-5,716,297.59	-
1. Provision for surplus reserves					5,716,297.59			-
2. Provision for reserves for ordinary risk							-5,716,297.59	-
3. Distribution to shareholders								-
4. Others								-
(5) Inter transfer of shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer capital reserves to capital addition								-
2. Transfer surplus reserves to capital addition								-
3. Transfer surplus reserves to offset loss								-
4. Others								-
(6) Specific reserves	-	-	-	-	-	-	-	-
1. Provision for current year				20,653,660.44				20,653,660.44
2. Utilization for current year				-20,653,660.44				-20,653,660.44
(7) Others								-
4. Balance at the end of Current Year	643,080,854.00	676,133,916.27	-	-	430,871,381.60	-	2,330,975,528.31	4,081,061,680.18

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

I. BACKGROUND INFORMATION

Guangzhou Shipyard International Company Limited (“the Company”, the Company and its subsidiaries collectively referred to as “the Group”) was reorganized in 1993 from Guangzhou Shipyard, and incorporated in the People's Republic of China (the “PRC”) as a joint stock company with limited liability. The Company was registered in Guangzhou, which was approved by Guojiatigaisheng (1993) Circular 83. The Company became as a public limited liability company, which was approved by Guojiatigaisheng (1993) Circular 110 on 5 July 1993. It was registered on June 7, 1993, addressed No.40, South Fangcun Avenue, Liwan District, Guangzhou.

The Company's public offering A-shares of 337,279,600 listed on September 22, 1993 was approved under China Securities Regulatory Commission (1993) No.31, China Securities Regulatory Administrator Zheng Jian Fa trial (1993) No.26 and Shanghai Stock Exchange listing application (1993) No.2076. The shares were traded on October 28 1993. The Company's public offering H-shares of 157,398,000 listed on July 21, 1993 on Hong Kong Stock Exchange were traded on August 6, 1993 and thereafter, the total amount of company share capital is 494,677,600 shares.

Pursuant to the Company's 2010 shareholders' meeting and revised Articles of Association, the Company applied to increase its registered capital by RMB148,403,274 and capitalize its capital reserves to increase paid-up capital. The deadline for submitting the documents of transfer of H-shares was July 15, 2011 and the registration date of A-shares was July 19, 2011. The registered capital was therefore increased to RMB643,080,900. On September 17, 2013, Corporation Legal Representative Business License with registration NO.440101400025144 was reissued by and acquired from Guangzhou Municipal Bureau of Industrial and Commercial Administration, Legal Representative: Han Guangde. As of December 31, 2013, the Company's total amount of capital share is 643,080,900 shares, which are all unrestricted shares.

The Group belongs to shipbuilding industry. The principal activities cover: shipbuilding, steel structure engineering, and other mechanical and electrical equipment. In addition to large vessels, the Company's principal products include steel structure's manufacturing, coating and erecting for bridges and high-rise construction and large-size pipe, manufacturing and installing of passenger/goods lift, foils and studs for hydrofoil, port machinery, hydraulic machines, production line for external painted steel plates of refrigeration and design and manufacturing of crane machinery.

The Company's controlling shareholder is China State Shipbuilding Corporation (“CSSC”), and the ultimate controlling party is the State-owned Assets Supervision and Administration Commission of the State Council.

II. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis for the preparation of financial statements

These financial statements have been prepared on a going concern basis in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, (hereinafter referred to as “Accounting Standards for Business Enterprises”), and Regulations on Information Disclosures of Companies that Issue Public Offering Shares No. 15 – General Rules of Preparing Financial Reports (revised in 2010) issued by China Securities Regulatory Commission (“CSRC”); and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance.

2. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company and the Group in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of the financial position of the Group and the Company as at December 31, 2013, and of the results of operation and the cash flows for the year then ended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Accounting year

The accounting year is from January 1 to December 31.

4. Reporting currency

The reporting currency of the Company and the subsidiaries is Renminbi ("RMB"). These financial statements are expressed in RMB.

5. Basis of accounting and measurement

The financial statements have been prepared on an accrual basis. Except for certain financial instruments which are measured at fair value, the financial statements are prepared under the historical cost convention.

6. Business combination

Business combination is a transaction or event that brings together two or more separate entities into one reporting entity. The Group recognises assets and liabilities obtained through a business combination at the combination date or acquisition date. The combination date or acquisition date is the date on which the absorbing party or acquirer effectively obtains control of the party being absorbed or acquired.

Business combination is divided into under common control and not under common control.

(1) Business combination under common control

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to share premium (or capital premium) in the capital reserve. If the balance of share premium (or capital premium) is insufficient, any excess is adjusted to retained earnings.

(2) Business combination not under common control

When the combination cost exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. When combination cost is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the period after reassessment.

(3) Acquiring non-controlling shareholders' equity

After acquiring control over subsidiaries and, further obtaining all or partial equity from non-controlling shareholders, in the consolidated financial statements, the assets and liabilities of subsidiaries are remeasured at fair value of acquisition date or combination date. For the long-term equity investment increase, the difference of net assets held from subsidiaries since acquisition date or consolidation date, calculated based on updated holding rights, would be adjusted to capital reserves (capital premium). the excess is adjusted directly to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

7. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its controlled subsidiaries.

Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The significant balances, transactions and unrealized profits in the consolidation scope are eliminated when preparing consolidated financial statements. Shareholders' equity of subsidiary and net profit and loss which are not belonging to the Company will be treated as non-controlling shareholders' equity and profit and loss, which are presented separately under the shareholders' equity and the item below net profit in consolidated financial statements. When the loss for the period bore by non-controlling shareholders' exceeds the initial equity proportions at the beginning of the period owned by non-controlling shareholders in subsidiaries, the balance would write down the non-controlling shareholders' equity.

When the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries.

For subsidiaries acquired through business combination not under common control, their financial statements should be adjusted based on identifiable fair value of net assets at the acquisition date. For subsidiaries acquired through business combination under common control, the business combination is treated occurred at the beginning of the earliest reporting period. The assets, liabilities, operation results and cash flow are recorded at the consolidated financial statements at its book value from the beginning of the earliest reporting period.

8. Cash and cash equivalents

Cash in the cash flow statement indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

9. Foreign currency transaction

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date.

On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into profit and loss for the period. For non-monetary accounts measured in foreign currency under historical cost method, the foreign currency is also translated into RMB at the spot exchange rate. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized which is applied and the exchange difference is accounted into profit and loss for the period as a result of fair value change, or recognized as other comprehensive income and charged into capital reserves.

10. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs which are used to measure the fair value has been divided into 3 levels by the Group, first the level 1 inputs shall be used, and then use level 2 inputs and level 3 inputs will be the last one to use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Level 1 - inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. The active markets where the quantities and frequencies of transactions of related assets and liabilities can continuously provide pricing information. Measurement for the fair value of the available-for-sale equity securities of the Group (stock of public listed company) adopts this level of inputs.

Level 2 - inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Fair value measurement of the Group's forward foreign exchange contract adopts this level of input.

Level 3 - inputs are unobservable inputs to the related assets or liabilities.

An observable input is the input which is obtained from market data. The observable input reflects the assumption which is used by the market anticipator to determine the price of related assets and liabilities.

An unobservable input is the input which cannot be obtained from the market data. The unobservable inputs shall be determined based on the best information of assumption which is used by the market anticipator to determine the price of related assets and liabilities.

11. Financial instruments

(1) Financial assets

1) Classification of financial assets

Financial assets can be initially recognized as: Financial assets at fair market value through profit or loss, Held-to-maturity investments, Loans and receivables and Financial assets available for sale. The category of financial assets is determined by the Group's holding intention and capacity.

Those financial assets at fair market value through profit or loss held for sale in the short term are disclosed as financial assets held for trading in the Balance sheet.

Held-to-maturity investments are those investments with fixed expired date, fixed collectable amounts, or the amounts can be reasonably determined; the non-derivative financial assets which management has a clear intention of holding to maturity.

Loans and receivables are non-derivative financial assets that have no quoted market prices in the active market, and the collectable amount is fixed or reasonably estimated.

Financial assets available for sale include initially recognized non-derivative financial assets available for sale, or those financial assets that cannot be categorized.

2) Recognition and measurement of financial assets

A financial asset is recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are measured initially at fair value. For financial assets which are measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities; any related directly attributable transaction costs are included in their initial costs.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Financial assets at fair market value through profit or loss are recorded as 'Gain or loss from changes in fair value'. Interest or cash dividends received during the period and the difference between fair value of disposal and initial recorded amount shall be recognized in current profit and loss account.

Except for exchange of impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previous recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'.

3) *Impairment of financial assets*

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When available-for-sale financial assets are disposed, difference between the proceeds received and the carrying amount of the financial assets is recognized as investment income (loss). Meanwhile, the accumulated changes in fair value attributed to the disposal financial assets is deducted from equity and recognized as investment income (loss).

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

When there is a significant or prolonged decline in the fair value of financial assets available for sale, the accumulated losses in fair value that was previously directly recorded in shareholder's equity are transferred out and recognized as impairment losses. For the available-for-sale investment on debt instruments which impairment losses have been recognized, if in subsequent period, its fair value increases and the increase is objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previous recognized impairment loss is reversed into profit or loss for the period. For an investment in an equity instrument classified as available-for-sale equity on which impairment loss has been recognized, the increase in its fair value in a subsequent period is directly charged into shareholders' equity.

The published market price of available-for-sale equity instruments on the balance sheet date is used to measure the fair value by the Group. If it is satisfied one of the following conditions, the investment of available-for-sale equity instruments is impaired, the provision of impairment is provided based on the amount which the fair value is lower than the cost, and recorded into the current profit and loss account: ① on the balance sheet date, the fair value has decreased dramatically, the decrease of fair value is equal or over 50% of the decrease in cost. ② on the balance sheet date, the fair value has non-temporary decrease, it means that the continuing decrease period is or over 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

4) *Transfer of financial assets*

A financial asset is derecognized when any one of the following conditions is satisfied: ① the rights to receive cash flows from the asset expire, ② the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, ③ the financial asset has been transferred to the transferee, and the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an entity neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities. The extent of the continuous involvement represents the extent to which the entity exposes to changes in the value of such financial asset.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for de-recognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

(2) *Financial liabilities*

Financial liabilities of the Group are classified as “financial liabilities at fair value through profit or loss” and “other financial liabilities” on initial recognition.

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Whole financial liability (or part) is derecognized when the underlying present obligations (or part of it) are discharged.

When a financial liability is entirely or partly derecognized, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including transferred non-monetary assets or the financial liabilities that the group is proposed to assume) is recognized in profit or loss for the period.

(3) *Offsetting financial assets and financial liabilities*

When there is legal entitlement to offset financial assets and financial liabilities, and the parties involved agree to record the net amount, or settle financial assets and financial liabilities aggregately (Other than netting agreement), financial assets and financial liabilities can be offset in balance sheet statement. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) Equity instrument

Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Consideration after deducting relevant transaction expenses from the issuance of the Group's equity instrument is added directly to equity.

When an entity reacquires its own equity instruments, the consideration and related expenses paid are deducted from equity.

Distributions (excluding dividends) paid on equity instruments issued should be charged directly to equity. (The changes in fair value of equity instrument are not recognized).

12. Receivables

Receivables include accounts receivable and other receivables, etc. The Group's accounts receivable from selling products and providing services are initially recorded at consideration of contract value from buyer or service receiver. In cases where bankrupt debtors after insolvency procedures are still unable to recover; or where the debtor is dead with no legacy or other obligators to recover; or where overdue debtors failed to meet their debt obligations, the receivables are recognized as bad debts, with approval under appropriate procedures.

When the Group financing from bank or other financial institution in transferring claims receivables, pledge or bill discount, according to the agreement, if debtor has not satisfied debts obligation when the debts obligation to financial institution due, the claimed receivable is recognized as hypothecate loan; if there is no obligation to any financial institutions, the claims receivables shall be transferred and recognized as gain or loss on obligation rights transferred.

When the accounts receivable is collected, the difference between receivables collected amount and book value of accounts receivables is recognized into current profit and loss.

The Company divides trade receivable into those without provision for impairment and those with provision for impairment. Receivables of companies in the scope of consolidation do not make provision. Those with provision are divided into single significant receivables and single insignificant receivables, and the provision method is as follows:

(1) Accounts receivable that are individually significant and are provided for bad debts on individual basis

Balance of individual receivables over RMB10,000,000.00 are recognized as significant.

On balance sheet date, the Group assess the significant receivables individually for impairment, and recognize the amount of impairment loss at the difference between discounted present value of future cash flow and the carrying amount, recording bad debt allowance.

(2) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis

Insignificant individual receivables aged over 1 year or there is an indication of impairment, are categorized into provision of individual receivables with insignificant level. For the impaired receivables, the provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables, and recording bad debt allowance.

(3) Accounts receivable accrued bad debt provision by group.

The provision is made on individual receivables with no provision grouped with other no impairment tested accounts receivables, based upon ratio of 0.5% of the amount at balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

13. Inventories

The inventories of the Group include raw material, low-valued consumables, work in process, and finished goods.

The inventory is measured at historical cost, which consists of purchase cost, processing cost and other expenditures for the purpose of inventory available for current location and status, when acquired.

Receiving or delivering inventory pricing model is as follows:

- 1) Raw materials are stated at standard costs in daily in-out operating. The amount is adjusted for price variance to arrive at actual cost at the end of month;
- 2) Low-value consumables are amortized by write-off methods;
- 3) Finished products and work-in-progress are stated at historical cost in daily operating.

At the end of period, inventory is measured as the lower of historical cost and net realizable value. If the carrying amount of inventories exceeds their net realizable value, the provision of impairment for inventory is made. The provision of impairment for finished goods and raw materials in bulk is made on the basis of the difference of the cost of the individual inventory item over its net realizable value. The provision of impairment for the auxiliary materials with a large quantity and low cost is provided in terms of classification.

The net realizable value of these inventories, such as finished goods, work in process and materials for sale, is the estimated price after deducting estimated sales expenses and relevant taxes. The net realizable value of materials that are for production is estimated price of relevant finished goods after estimated cost for finished goods, estimated sales expenses and relevant taxes.

The Group adopts perpetual inventory method to account inventories.

14. Long-term equity investment

Long-term equity investment includes the Company's long-term equity investments in subsidiaries, in associates, in jointly controlled entities, and in investees without control, common control or significant influence, and there is no quoted price in active market or the fair value cannot be measured reliably.

Subsidiaries are the companies of which the Company can exercise control over; joint ventures are joint arrangements whereby the Group and other parties that have joint control of the arrangement.

(1) Basis for determining control, jointly control and significant influence

Control, is that the Group has control over an investee when it has power over the investee, it is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Jointly control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of investee but is not control or joint control over those policies. The evidence of significant influence is the direct ownership or indirect ownership through subsidiaries of from 20% up to 50% voting rights from investees, if there is solid evidences showing investors cannot be involved in investees' decision making under such conditions, the significant influence cannot be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) *Initial measurement for long-term equity investment*

For the merger of enterprises under the same control, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

The long-term equity investment acquired through a business combination but not involving an enterprise under common control shall be the combination cost, which contains assets given, liabilities incurred or assumed and equity securities issued as consideration of business combination on the acquisition date. Goodwill is measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognized. When cost of the business combination is less than the acquirer's interest in the net fair value of the acquiree's recognized identifiable assets, liabilities and contingent liabilities recognized, after review that the cost of the business combination is still less than the net fair value of the recognized acquiree's identifiable assets, liabilities and contingent liabilities, the difference would be charged to profit or loss for the year.

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement.

The initial cost of a long-term equity investment obtained from debt restructuring, non-monetary asset exchanges should be determined according to related accounting principles.

(3) *Subsequent measurement for long-term equity investment*

Long-term equity investment to subsidiaries shall be accounted using the cost method and use the equity method to make adjustment when the Company prepares the consolidated financial statements. Long-term equity investment to joint ventures and associates shall be accented using the equity method. Long-term equity investment shall be accounted using the cost method where the Group has no control or joint control or significant influence over the investee company and the investment is not quoted in an active market as well as the fair value cannot be measured reliably. Where the Group has no control or joint control or significant influence over the investee company but the investment is quoted in an active market and the fair value can be measured reliably, the investment can be recognized as financial assets available for sale.

Under the cost method, long-term equity investments are measured initially at its investment cost, and adjusted by the amount of additional investment and the amount recovered. The announced cash dividends or profit should be recognized as Investment income.

When equity method is adopted, the current investment gain or loss referring to the net gain or loss distributed quota which the investee should be on the responsibility of sharing or taking in Current Year, is adjusted to the book value of long-term equity investment; the other change in equity except for the reason of investee's gain or loss, when share percentage maintains unchanged, is adjusted to the book value of long-term equity investment and capital reserve (other capital reserve). When the company conform the net profit quota getting from investee, it should base on the investees assets identification in fair value, then according to the company's accounting policies and accounting period, counteracting the parts the inner related dealings gain or loss in the light of holding shares quota arising from combine company and associated company, at last affirming the net profit of investee after adjusting. The share profit in investment is calculated according with the profit or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

cash dividends declared of the investee, and corresponding reduction in the carry amount of long-term investment. The Group recognizes the investees' net loss based on reducing the book value of the long-term equity investments and other long-term equity substantially forming the net investments to the investees limited to zero, except the investment contracts with obligations for additional losses. In addition, if the Group has investment with extra obligation contract, the loss will be recorded in the current income statement and estimated liabilities is recorded in the statement of financial position. If the investment recorded net profit in subsequent periods, the unrecognized share of loss will be revised, and record the share profit in the income statement.

Where the Group has no longer joint control or significant influence in the investee company as a result of reduction of the investment and there are no quoted prices for the investment in active market and its fair value cannot be measured reliably, it will be changed to be accounted for using cost method. Where the Group obtains control over the investee company as results from such as making additional investment, the long-term equity investments will also changed to account for using cost method. Where the Group obtain joint control or significant influence over the investee company as results from such as making additional investment or where Group has no longer control but remain joint control or significant influence over the investee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method.

(4) Disposal of long-term equity investment

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the changes of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

(5) Long-term equity investment impairment

At the balance sheet date, the Group estimates the recoverable amounts of long-term equity investments of subsidiaries, joint-ventures and associated enterprise if there is an indication of possibility that impairment may occur, and the amount that recoverable amount less than book value are recorded as long-term equity impairment, and assets losses impairment in current profit and loss as well. If impairment occurs on other investment, the amount that the present value of future cash flow of similar financial assets' market profitability less book value is recognized as impairment and assets losses impairment in current profit and loss as well. The above provision cannot be reversed in the future.

15. Investment properties

The investment properties of the Group include leased buildings.

The investment property is initially recognized at its cost. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset. The cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The subsequent expenses related to Investment property, when economic benefit would probably flow into and the amount would be reliably measured, are recognized as cost of an investment real estate; otherwise, recognized in profit or loss account when incurred.

The Group subsequently measures the investment property through the cost pattern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The investment property is depreciated in the straight-line method based on its estimated useful life and net salvage value. Hereby the table below presents the estimated useful life, net salvage value and annual depreciation rate:

Classes	Estimated useful life (Year)	Estimated residual percentage (%)	Annual depreciation (amortization) rate (%)
Building	45-70	3	1.39-2.16

The Group will review the useful life, the estimated salvage value and the amortization method of investment property on each balance sheet date, and make an appropriate adjustment when necessary.

When the investment property is changed for self-use, it shall be converted to fixed assets or intangible assets since the conversion date. When the real estate for owner occupied is changed for generating rents or capital appreciation, it is converted to the investment property since the conversion date. The book value of the real estate prior to the conversion shall be the entry value after conversion.

If an investment property is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an Investment property shall be terminated. When an enterprise sells, transfers, damaged or destroys investment property, the enterprise shall deduct the book value of the Investment property as well as the relevant taxes from the disposal income, and include the amount in the current profit and loss.

16. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

Fixed assets consist of buildings, machinery, transportation facilities and others.

The cost of an item of fixed assets shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets of the Group are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, value-added tax, import custom duties and other related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use. The cost of a fixed asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair. A fixed asset that is obtained under a finance lease is measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent expenditure incurred on a fixed asset, such as repairs and maintenance cost, and renovation cost, etc. which are included in the cost of the fixed asset, only if it meets the recognition criteria of a fixed asset. The carrying amount of the replaced part is derecognized. Other subsequent expenditure that fails to meet the recognition criteria of a fixed asset shall be recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Except for those fixed assets that are fully depreciated but still in use and lands that are separately recorded, depreciation is provided for fixed assets over their estimated useful life using the average life method. Depreciation charge is included in the cost of fixed assets or expenses for the period according to the usage of the assets. The useful life, estimated residual value and annual depreciation rate of each classification of the Group's fixed assets are as follows:

No.	Classification	Useful life (year)	The rate of salvage value (%)	Depreciation rate (%)
1	Building	8-50	3-10	1.8-12.13
2	Machinery	6-20	3-10	4.5-16.17
3	Transportation Equipment	10-15	3-10	6.47-9.7
4	Others	5-50	3-10	2.57-12.13

The Group reviews the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes are accounted for as a change in an accounting estimate.

For the fixed assets of financial lease nature, if the ownership can be determined reasonably at the end of lease, then same depreciation method as other fixed assets will be adopted during the leased assets' useful life; if the ownership cannot be determined reasonably at the end of lease, the same depreciation method as other fixed assets will be adopted for either useful life of the leased assets or lease term whichever is shorter.

A fixed asset is derecognized when it is disposed or expected not bringing economic benefit from its use or disposal. The net amount of proceeds from disposal, transfer, retirement or damage of the asset after the carrying amount and related taxes is recognized in profit or loss for the Current Year.

17. Construction in progress

The cost of construction in progress is measured based on actual construction expenditures incurred which includes construction expenditures, borrowing expenditures in accordance with condition of capitalism and other essential expenditures which could make construction in progress be ready for their intended use.

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed, but it is not necessary to adjust the previous recorded depreciation or amortization amount.

18. Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset commence capitalized as part of the cost of assets when expenditures for the asset have been incurred; the borrowing costs have been incurred; and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying assets under acquisition, construction or production become ready for their intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Qualifying assets are assets (fixed assets, investment property, inventories) that necessarily take a substantial period of time (usually more than 1 year) for acquisition, construction or production to become ready for their intended use or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The current actual interest expenses from specific borrowings used to build and produce assets eligible for capitalization are capitalized, after deducting interest income as deposit in bank or short-term investment gains. The capitalized amount for the general borrowing is calculated as weighted average of the part of the accumulated asset expenditure exceeding that of the specific borrowings times the weighted average of the interest rate of the general borrowing. The capitalized rate is calculated by weighted average of the interest rate of the general borrowing.

During capitalization period, exchange differences of specific foreign currency borrowing will be capitalized; exchange differences for general foreign currency borrowing will be accounted for the Current Year profit and loss.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production activities is resumed.

19. Intangible assets

The intangible assets include the land use right and non-patent technology.

Intangible assets are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

For intangible assets with limited useful lives, the Group adopts straight-line method at the month of acquisition. The Group amortizes land use right on the basis of its useful life by straight-line method since it is acquired. The non-patent technology are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss.

The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

The Group does not amortize intangible assets with uncertain useful life, and make an impairment loss test at each financial year-end. The Group would assess the estimated useful life of intangible assets with uncertain useful life during each accounting period. If there are evidences to prove the useful life of intangible assets is limited, the Group will estimate their useful life and amortize the intangible assets within the estimated lifetime.

When there is evidence to indicate impairment loss of intangible assets, the Group will perform impairment test on the intangible assets with certain useful life at the year-end. For the intangible assets without certain useful life, Group will perform impairment test regardless whether there is evidence to indicate impairment loss.

20. Research and development expenses

Research and development expenses of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognized in profit or loss for the period as incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Expenditure on the development phase is recognized as an intangible asset only if all of the following conditions are satisfied:

- 1) It is technically feasible that the intangible asset can be used or sold upon completion;
- 2) There is intention to complete the intangible asset for use or sale;
- 3) There is evidence that the products produced using the intangible asset having a market or the intangible asset itself has a market;
- 4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- 5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period. Capitalized expenditure on the development phase are stated in the balance sheet as 'Development Expenditure' and transfer to as 'Intangible assets' when they become ready for their intended use.

21. Long-term deferred expenses

Long-term deferred expenses of the Group are expenses incurred and amortized in a period longer than 1 year (excluding 1 year). Long-term deferred expenses should be amortized evenly in the period and presented as the net difference of actual expenditures and accumulated amortizations.

If the long-term prepayments are no longer beneficial to the subsequent accounting periods, the unamortized balance is then transferred to profit or loss for the period.

22. Impairment of non-financial assets

At balance sheet date, the impairment test would be made for any assets which exists indications of impairment like fixed assets, construction in progress, intangible assets with limited useful life, investment property measured by cost model and long-term equity investment in subsidiaries, joint companies and associated companies. The difference should be accrued as impairment and accounted for impairment losses if the result of impairment test indicates that the book value of assets over recoverable amount. Recoverable amount should be measured at the higher of the fair value after subtracting the costs of disposal of the net and the present value of estimated future cash flows. Assets' provision for impairment is calculated based on the single asset; if the recoverable amount of single asset is difficult to estimate then the portfolio of which the single asset belonged to should be used as calculation unit. The portfolio is the minimal combination of assets that can generate cash inflow independently.

Impairment test should be made for goodwill, separately listed in the balance sheet, at least once a year regardless of whether there is indication of impairment loss. The book value of goodwill is distributed to assets portfolio or combination of assets portfolio that is expected to benefit from business combination agreement. Loss needs to be recognized when the result of the test indicates that recoverable value of asset portfolio or combination of asset portfolios, which contains goodwill, is lower than its book value. The provision of impairment amount is offset against the book value of distributed goodwill first, and then offset book value of other assets based on the proportion of other assets of the asset portfolio or combination of asset portfolios.

The impairment loss of the above assets shall not be reversed in subsequent accounting periods once confirmed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

23. Employee benefits

Employee benefits are various remunerations or compensations provided for services rendered by employees or the termination of labor relation, including short-term compensation, post-employment benefits, termination benefits and other long-term employee welfare.

Short-term compensation refers to the compensation to be paid within the twelve months after employees' service period until the date of annual report by the Group, except for after leaving welfare and employee benefits. Short-term compensation including: wages, bonuses, allowances and subsidies, welfare, medical insurance, employment injury insurance and maternity insurance and social insurance, housing fund, union funds and workers education, short-term compensated absences, short-term profit sharing plan, non-monetary welfare and other short-term compensation. Within the accounting period when employees provide services, the short-term compensation payable is recognized as a liability, included in the relevant costs and expenses by the Group according to beneficiaries from employees' service.

Post employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services' from employees, except for the short-term compensation and employee benefits. Post employment benefits including the endowment insurance, pension, unemployment insurance, retirement benefits and other post employment benefits.

The Group classifies the post employment benefits as defined contribution plan and defined benefit plan. Post employment benefit refers to the agreement reached between the Group and its staffs about the welfare provided to the staffs after their employment with the Group or the provisions relevant to the staffs' welfare, provided by the Group, after their employment. Defined contribution plan refers to the post employment benefit under which the group consumed no obligation of making further payment after depositing fixed expenditure to independent funds. Defined benefit plan refers to the post employment plan other than defined contribution plan. Within the accounting period when staffs provide services to the Group, deposits payable under defined contribution plan are recognized as liabilities and accounting into current profit and loss or the cost of related assets. So far, the Group applies only defined contribution plan other than post employment benefit.

The Group offers voluntary redundancy welfare to the employees who accept voluntary redundancy. Voluntary redundancy welfare is the salaries paid to and social insurance paid for the employees who voluntarily resign from their current position after management's approval and before the statutory retirement age. When qualified, the Group applies accounting treatment on the above-mentioned welfare based on the one on dismiss welfare. Voluntary redundancy welfare estimated from the day of service ceased to the day of normal retirement is recognized as contingent liability and accounted into current profit and loss.

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. The compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the Current Year at the earlier of the following dates: ① when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; ② when the Group recognize and pay the related costs for a restructuring of termination benefits.

Other long-term employee welfare refers to the employee compensation except for short-term compensation, post employment benefits, and termination benefits.

24. Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfillment of obligations will probably to cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Estimated liabilities are initially recognized at the most appropriate estimation of obligations by considering relative risks, uncertainties and time value etc. If the effect from time value of currency is significant, the most appropriate estimation will be discounted into present value. The increase amount of book value of estimated contingent liability due to over time discounted is recognized as interest expenses.

The Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes, in order to indicate the most appropriate estimation of obligations.

25. Work safety fees

According to *The regulation for accrued work safety fees and usage* (Caiqi [2012] No.16), the Group's shipbuilding companies and supporting manufacturing enterprises should standardize the work safety fees accrual and usage.

The accrued work safety fees were charged into the product's cost, and specific reserves. When writing off work safety fees within specified range, it should directly write off specific reserves when accounted for as expenses; If capitalizing work safety fees into Fixed assets, it should be pooled in Work in progress and transfer to Fixed assets when the projects reach intended use state, the cost of which should write off Special reserves, and recognize accumulated depreciation at the same amount. This Fixed asset would not be depreciated in the future fiscal years.

The balance of work safety fees can be transferred to next fiscal year. If the work safety fees are not enough, the difference can be recorded as normal costs or expenses, and no supplementary work safety fees would be accrued.

26. Recognition of revenue

The revenue of the Group is mainly revenue from sales of goods, provision of services, transference of right to use assets and revenue from construction contracts. Revenue recognition principles are as follows:

(1) Sales of goods

The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group doesn't hold continuing management rights or effective control rights of goods, and the relevant economic benefits may flow into the Group, and the amount of this relevant revenue can be measured reliably.

(2) Provision of services

The revenue from rendering service will be recognized when the total income and cost of service can be measured reliable, relative economic benefits likely flow into the Group, and the percentage of completion of the service can be measured reliably.

As at the balance sheet date, the amount of rendering could be reliably measured, is recognized at percentage of completion, which is determined by the completed actual divided by total costs; The amount of rendering could not be reliably measured, is subject to estimated revenue generated from incurred costs, carry forward same amount into labor costs. If the amount of rendering could not be reliably measured, the incurred costs could not generate future benefit; the costs are accounts to current profits and losses, not recognized as services revenue.

(3) Transference of right to use assets

The revenue from the property alienation will be recognized on the contract date by the contract method, when the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

27. Construction contracts

When the outcome of a construction contract can be estimated reliably at the balance date, contract related economic benefits could be probably flow into the Group, the percentage of completion and estimated future costs could be reliably measured, contract revenue and contract expenses will be recognized by using the percentage of completion method. The percentage is calculated by completion contract workload divided by estimated total contract workload.

When the outcome of a construction contract cannot be estimated reliably, if contract costs can be recovered, contract revenue will be recognized to the extent of the contract costs that can be recovered; and contract costs will be recognized as contract expenses in the period in which they are incurred; if contract costs cannot be recovered, they will be recognized as contract expenses immediately when incurred and contract revenue will not be recognized.

Long term ship construction contract, such as a first-made shipbuilding contract, the contract result is reasonable foreseeable when the construction progress reached 50%; and for the ships of batch production, the Company could anticipate the result when the construction progress reached 30%. If progress of ship constructions could not be reasonably estimated, construction costs is recognized at the actual amount of incurred expenditure, and equivalent amount as revenue, zero margin as a result.

Foreign currency revenue is recognized based upon contracted currency. For the foreign currency received when revenue recognized, the revenue is subject to the received amount; for the foreign currency not received when revenue recognized, the revenue is subject to the amount calculated by spot rate at balance date. The amount of combination is recognized as accumulated RMB revenue. The accumulated RMB revenue less prior accounting period accumulated RMB revenue is recognized as Current Year RMB revenue.

At the balance sheet date, if estimated total construction contract costs exceed estimated total construction contract revenue, the provision is made and estimated loss is recognized as Current Year expenses.

28. Government grants

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor. The special grant of investment from government, which should recognized as capital reserves according to related Federal documents, should also be capitalized in nature, and therefore shouldn't be recognized as government grants.

A government grant of the Group shall be recognized if the Group can meet the conditions for the government grant and also can obtain the government grant.

If a government subsidy is a monetary asset, it is measured at actual received amount; if the amount is fixed or reasonable evidence indicates legal compliance is satisfied and amount is likely to be received in the future, it is measured at receivable amount.

If a government grant is a non-monetary asset, it is measured at its fair value. If the fair value of a non-monetary asset cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

The Group classifies government subsidies as grants pertinent to assets and grants pertinent to incomes, and the base of determination is as the following: grants pertinent to assets are the government subsidy used in the generation of long-term assets through construction or others. Grants pertinent to incomes are the government subsidy other than grants pertinent to assets.

The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses are directly recognized in profit or loss.

When the deferred income exists when the recognized government grant should be returned, reverse the deferred income, the exceed amount is accounts to current profits and losses; if deferred income does not exist, the amount is directly accounts to current profits and losses.

29. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liability are recognized at the differences (temporary tax differences) between the tax base of an asset or liability and its book value. According to Taxation Law, the Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the temporary difference arise from goodwill recognition is not recognized as deferred tax liability. For assets or liabilities arise from non-consolidation transactions, which do not give any influence on the temporary difference, arise from neither accounting profits nor taxable profits, is not recognized as deferred tax assets or deferred tax liability. On the balance sheet date, deferred tax assets and deferred tax liability are measured at applicable tax rate which is relevant to the period of expected assets return or pay liability.

The Group recognizes deferred tax assets as a result of deductible temporary difference, limited to the most probably received deductible temporary difference. When the Group estimates that there is not sufficient tax loss could recouped, the initial recognized deferred tax assets should be impaired. When the Group estimates that there is sufficient tax loss could recouped, the initial recognized deferred tax assets should be reversed.

The taxable temporary differences arise from investments on subsidiaries or joint ventures, is recognized as deferred tax liabilities, unless the Group could control the time of temporary differences reverse and highly probably the temporary difference could not be reversed in the foreseeable future. The deductible temporary difference arise from investments on subsidiaries or joint ventures, the temporary difference is highly probable to be reversed in the foreseeable future and the tax losses could recouped, is recognized as deferred tax assets.

The Group shall offset deferred tax assets and deferred tax liability if, and only if the Group:

- 1) Deferred tax assets and deferred tax liabilities are related to the same tax collection and administration department to the same entity in the Group; and
- 2) Has a legally enforceable right to settle current deferred tax assets and deferred tax liabilities by net value.

30. Lease

The Group divided lease by financing lease and operating lease on the start date of the lease. Financing lease refers to the lease that essentially transfers all the risks and compensations related with the ownership of the asset; Operating lease refers to the lease other than financing lease.

(1) Asset of financing lease

From the start date of the lease, comparing the fair value of the lease asset and the present value of the minimum lease payment, the lower one would be the entry value as asset of financing lease. The unconfirmed financing expenses refers to the balance of the entry value as asset of financing lease and the minimum lease payment; the amortization applied by effective interest method over the lease term. The minimum lease payment deducts the unconfirmed financing expenses account to long-term liabilities and the long-term liabilities due within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The lease assets accrue depreciation during the working life if the ownership is reasonable confirmed before expiration. Otherwise, the lease assets would accrue depreciation in the shorter term between the lease term and its working life.

(2) *Asset of financing leaser*

From the start date of the lease, the entry value of receivable financing lease is the sum of the minimum lease payment and the initial direct expenses, and the unguaranteed residual value would be accounted; the balance of the total value of minimum lease payment, initial direct expenses and unguaranteed residual value and the sum of the present value is recognized as unrealized financing income, and distributed during the lease term. The current financing income is calculated by effective interest rate method.

The unguaranteed residual value would be reviewed at the end of each year. There is no adjustment while the unguaranteed residual value increases. If the evidence indicates that unguaranteed residual value has been decreased, the lease implicit interest rate would be recalculated. The caused decrease of net value of lease investment is accounted to the current profit or loss; the financing revenue would be recognized according to modified net value of lease investment and the lease implicit interest rate. The net value of lease investment refers to the balance of the minimum lease payment and unguaranteed residual value and unrealized financing income.

The recognized loss of unguaranteed residual value that might be recovered, which would be return in the original recognized amount of investment and recalculated lease implicit interest rate. The financing revenue would be recognized according to modified net value of lease investment and the lease implicit interest rate.

It might be accounted to the current profit or loss when the contingent rental actual occurs.

(3) *Assets of operating lease*

The rental expenses of assets of operating lease are recognized as relevant asset cost or current profit or loss due to the straight-line method during the period of the lease. The initial direct expenses would be accounted to the current profit or loss. It might be accounted to the current profit or loss when the contingent rental actual occurs.

(4) *Assets of operating leaser*

The rental income of assets of operating lease is recognized as revenue due to the straight-line method during the period of the lease. As to the initial direct expenses of assets of the operating lease, the bigger amount would be capitalization and the whole lease period may accordance with the basic stages that are same as the recognized rental income; the smaller amount would be directly accounted to current profit or loss. It might be accounted to the current profit or loss when the contingent rental actual occurs.

31. *Accounting for income tax*

Income tax is accounted for using liability method. Income tax expenses represent the sum of current tax and deferred tax. Current tax and deferred tax relating to the transactions or matters that are directly recorded in shareholders' equity are deal with in shareholders' equity. Deferred tax arising from business combination is adjusted to the carrying amount of goodwill. All other current tax and deferred tax are recognized in the profit or loss for the period.

The tax currently payable is the amount of tax payable to taxation bureau by the enterprise in respect of the transactions and matters of the Current Year calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred tax assets and deferred tax liabilities at the end of period that should be recognized using the balance sheet liabilities approach and their balances originally recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

32. Segment report

Business segment is confirmed in accordance with governance structure, management requests, internal reporting system, and the Group confirms the report segment on the basis of business segment.

Business segment is a component of the Group that satisfies the following conditions simultaneously: the component can take revenue and expenses; the management level can appraise the operating performance of the component in order to allocation of resource and appraise the performance; and the Group can acquire the financial position, operating performance and cash flow of the component etc. If two or more than two segments carry similar economic characteristics, and satisfied certain condition, could merge as one operation segment.

33. Changes in accounting policies and accounting estimates

(1) Effect on the changes in accounting policies

The Group adopted *Accounting Standards for Business Enterprises – Basic Standards and 38 specific accounting standards, The Application Guide of Accounting Standards for Business Enterprises, Interpretation of the Accounting Standards for Business Enterprises*, and other relevant provisions promulgated by the Ministry of Finance of the People's Republic of China on February 15, 2006. On January 26, 2014, Ministry of Finance released five accounting principles (known as new accounting principles) including: *No. 9 of Accounting Standards for Business Enterprises-Employee Compensation, No. 30 of Accounting Standards for Business Enterprises-Presentation of Financial Statements, No. 33 of Accounting Standards for Business Enterprises-Consolidated Financial Statements, No. 39 of Accounting Standards for Business Enterprises-Fair Value Measurements, and No. 40 of Accounting Standards for Business Enterprises-Arrangement for Joint Venture*. Accounting new accounting principles, since January 1, 2013, the group started to adopt the above five new principles. This change in accounting policy adopts retrospective adjustment method, the comparative financial statements for the financial year of 2013 have been restated.

1) Accounting Standard for Business Enterprises No. 9 – Employee Benefits (revised)

The Group modified the accounting policy of employee benefits according to Accounting Standard for Business Enterprise No.9. According to its liquidity, employee benefits under other payable and estimated liabilities are reclassified to employee salaries payable and other non-current liabilities (See Note II/23, Note V/27, Note V/37, Note XIII/25, and Note XIII/35). Implementation on this accounting standard has no material impact on the Group's Financial Statements.

2) Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (revised)

According to the accounting standard for presentation of financial statements, the Group modified "financial assets/liabilities held-for-sale" to "financial assets/liabilities at fair value through profit or loss" in balance sheet and added "items to be reclassified to profit and loss when qualified in future accounting periods" and "items cannot be classified in the future accounting periods" bellow the line of other comprehensive income. The Group also added breakdown of expenses categorized by nature ("expense" include: operating cost, selling expense, and administrative expense), see Note V/62 and Note XIII/57

3) Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements (revised)

According to the accounting standard for consolidated financial statements, the Group modified the definition of "control" (see Note II/7). The implementation on this accounting standard has no material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

4) *Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement*

According to the accounting standard for fair value measurement, the Group modified its accounting policies for fair value measurement and added the measurement methods for the fair value of “forward foreign exchange rate contract” (see Note VI/2). Implementation on the accounting standard has no material impact on the Group’s consolidated financial statements.

5) *Accounting Standards for Business Enterprises No. 39 – Joint Ventures Arrangement*

According to the accounting standard for joint ventures arrangement, the Group modified the definition of “joint ventures under common control” (see Note II/14). The Group has no arrangement for joint ventures. Implementation on the accounting standard has no material impact on the Group’s consolidated financial statements.

There is material impact on the recognition and measurement of items in the Group’s consolidated financial statements when adopting the above new accounting standards. These financial statements has been presented and disclosed in conformity with the above new standards. The implementation of the new accounting standards has impacts on the Group’s consolidated financial statements, which are as the followings:

<u>Items</u>	<u>Effect for 2013</u>	<u>Effect for 2012</u>
Employee benefits	2,795,580.00	2,795,580.00
Other payables	-9,256,899.85	-9,550,439.85
Estimated liabilities	-54,273,837.64	-52,405,889.64
Other non-current liabilities	60,735,157.49	59,160,749.49

(2) *Changes in accounting estimates and its effect*

There is no change in accounting estimates to be disclosed for current accounting period.

34. Corrections of prior year errors

There is no correction of previous errors for current accounting period.

35. Judgment on significant estimates

When preparing financial statements, the management of the Group needs to use assumptions and evaluations, which might influence accounting policy application and the amounts of assets, liabilities revenues and expenses. The effective result might have conflicts with these estimates. The management continues to evaluate the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognized in the Current Year or carry forward.

The following accounting estimates and key assumptions would result in significant adjustment of the book value of assets and liabilities for next fiscal year.

a. Provision for receivables

As disclosed in Note II.11, the Group would review the Accounts receivables measured with amortized costs on the balance sheet date to evaluate the existence of impairment, and determine the estimated amount of impairment. The proof for impairment includes data indicated that the future cash flow for individual or combined accounts receivable’s significant decrease; data indicated that the debtors for individual or combined accounts receivable negative financial issues. If it’s proved that the value of accounts receivable has recovered, and objectively related to the post damage, then the impairment is reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

b. Impairment for inventories

As stated in Note II.12, the Group would estimate net realizable value of Inventories on a regular basis, and the difference of inventory cost higher than net realizable value would be recognized as loss from inventory devaluation. The estimating net realizable value is based on estimated price of similar goods, net of costs, selling expense and related taxes. If the effective price is different from estimated price, the management would adjust the net realizable value. Therefore the estimation according to current experience would be different from the actual value, resulting in adjustment of book value of Inventories in the Balance sheet. Provision for Inventory impairment could be revised because of the above issues. The adjustment for Provision for Inventory impairment could impact the current profit or loss.

c. Accounting estimates for fixed assets impairment

The Group would carry out impairment test for fixed assets such as buildings, machinery and equipment, etc. The higher of collectable value and discounted future cash flow; and fair value net of the disposal costs, the calculation of which needs accounting estimates.

If the management revises the applied gross margin rate for asset group or its future cash flow calculation, and the revised gross margin rate is lower than effective discount rate applied, the Group should increase the accrual the impairment for fixed assets.

If the management revises the pre-tax cash flow discount rate, and the revised pre-tax discount rate is higher than the effective discount rate applied, the Group should increase the accrual the impairment for fixed assets.

If the effective gross margin rate or the pre-tax discount rate is higher or lower than estimated, the Group would not recover the impairment for fixed assets accrued.

d. Accounting estimates for deferred income tax assets recognized

The estimates for deferred income tax assets need include taxable income and applicable tax rate for the future years. The deferred income tax assets' existence depends on whether the Group has enough taxable income in the future. The recover spot time for tax rate change and temporary difference might also influence Income tax expenses (income) and the balance of deferred income tax. The change for above estimates might result in significant adjustment in deferred income tax.

e. The useful life for fixed assets and intangible assets

The Group would review the estimated useful life for fixed assets and Intangible assets at year-end for at least once a year. The estimated useful life is determined by the management based on previous experience, and that of the same industry, together with the upgrade of technology. If the previous experience changes significantly, the Group needs to adjust the depreciation expense and amortization expense in the future years.

f. The estimated total cost of construction contract

The Group reviews the estimated total cost of construction contract monthly. The estimated cost of uncompleted part that might incur in the future would be revised constantly based on the total cost of the same type ships, which have completed, actual cost and progress of the ships in progress, changes in materials and employees and others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

III. TAXATION

1. Turnover tax and surcharges

Items	Tax base	Tax rate
Value-Added Tax	The sale of goods and provision of processing, repairing, repair services	17%
	Sales except the oil and gas exports	0%
	Modern services	6%
Business Tax	Transportation and construction installation	3%
	Other services	5%
City Maintenance and Construction Tax	Turnover tax payable	7%
Education Surcharge	Turnover tax payable	3%
Local education Surcharge	Turnover tax payable	2%
Flood control and maintain expenses	Main business income and other incomes	0.09%

Note 1: According to finance and tax [2012]71, part of the modern service industry in Guangdong province start to pay VAT from November 1 2012.

Note 2: Guangdong province levy local education surcharge by 2% of circulation tax from January 1 2011.

2. Corporate income tax

Company name	Tax rate	Note
The Company	15%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
Guangzhou Yonglian Steel Structure Co., Ltd.	15%	
The Rong Guang Development Co., Ltd.	16.5%	Registered in HK
Fanguang Development Co., Ltd.	16.5%	Registered in HK
Other subsidiaries	25%	

3. Tax incentives and approvals

The Company and its subsidiary Guangzhou Hongfan Technology Co., Ltd. Guangzhou Yonglian Steel Structure Co., Ltd. are approved to be Hi-tech enterprises, taxed at 15% since January 1, 2011 to December 31, 2013 for the company and Guangzhou Hongfan Technology Co., Ltd, since January 1, 2012 to December 31, 2014 for Guangzhou Yonglian Steel Structure Co., Ltd.

4. The change in tax rate and tax incentives.

There is no change in the corporate income tax, tax incentive compared to Last Year for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries

Company name	Type	Registration place	Nature	Registered capital ('000)	Business scope	Investment at year end ('0000)	Other investment in nature	Holding shares (%)	Voting rights (%)	Legal representative	Organization code	Whether or not consolidated	Non-controlling interest expensed
Subsidiaries acquired through established or investment													
Guangzhou Wanda Marine Engineering Co., Ltd.	Controlled subsidiary	Guangzhou	Ships built	USD600	Designing, production, installation, repairs: ship out-fitting, ship piping, ventilation system, furniture, interior decoration, sales of production	451.4		100.00	100.00	Jin Lichao	61841220X	Yes	
Guangzhou Xingshun Marine Services Co., Ltd.	Controlled subsidiary	Guangzhou	Ship welding, outfitting, painting	RMB2,000	Hull installation, welding, outfitting, painting, repairing	60.00		100.00	100.00	Jin Lichao	231249006	Yes	
Guangzhou Yonglian Steel Structure Co., Ltd.	Controlled subsidiary	Guangzhou	Large steel structure	USD8,850	Production, designing of steel products, sales of enterprise products & providing after-sale installation services	12,239.94		100.00	100.00	Chen Jianrong	618435700	Yes	
Guangdong GSI elevator Co., Ltd.	Controlled subsidiary	Guangzhou	Production of elevator	RMB21,000	designing, manufacturing & sales, installation & modification, repairing all types of elevators	2,100.00		100.00	100.00	Chen Jianrong	231128917	Yes	
Guangzhou Hongfan Technology Co., Ltd.	Controlled subsidiary	Guangzhou	Computer sales, system integration development	RMB5,000	Computer sales, system integration development	255.00		51.00	51.00	Wang Lijian	708257645	Yes	
Guangzhou Guangli Ship Human Resources Service Co., Ltd.	Controlled subsidiary	Guangzhou	Provide labor service	RMB500	Provide labor service, ship installation, welding, copy rusting, painting etc.	315.25		100.00	100.00	Liao Yongqiang	190474652	Yes	
Guangzhou Hongfan hotel Limited	Controlled subsidiary	Guangzhou	Catering service	RMB10,000	Industry of Catering, tourist, beauty, code drinks and hair dressing	1,000		100.00	100.00	Wang Lijian	633203529	Yes	
The Rong Guang Development Co., Ltd.	Controlled subsidiary	Hong Kong	General business trade	HKD 30,000	General business trade	2,644.38		100.00	100.00	Han Guangde	190445392	Yes	
Fanguang Development Co., Ltd.	Controlled subsidiary	Hong Kong	General business trade	HKD 200	General business trade	12.35		80.00	80.00	Chen Liping	190440559	Yes	
Guangzhou Shipyard Machinery Co., Ltd.	Controlled subsidiary	Guangzhou	Designing, manufacturing and installation.	RMB188,610	Design, manufacture, installation and sales; auxiliary ships, large mechanical and electrical equipments	18,861.00		100.00	100.00	Chen Jianrong	68132734X	Yes	
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Controlled subsidiary	Zhongshan	Accessories of ship and marine engineering equipment manufacturing	RMB100,000	Design, manufacture, installation, sales of ships and auxiliaries (for fishing purpose excluded) ocean project equipments	10,000.00		100.00	100.00	Wang Lijian	684420937	Yes	
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Controlled subsidiary	Guangzhou	Ship and marine products manufacturing	RMB50,000	Offshore vessels and platform design, construction, alteration, repair	5,000.00		100.00	100.00	Zhou Xuhui	058916716	Yes	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following disclosed financial statement data, unless specifically noted, "Beginning Balance" refers to January 1, 2013; and "Ending Balance" refers to December 31, 2013. "Current Year" refers to the period from January 1, 2013 to December 31, 2013; and "Last Year" refers to the period from January 1, 2012 to December 31, 2012. The currency is in RMB.

1. Cash and cash equivalents

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Cash			260,614.03			208,049.11
RMB			183,054.63			127,328.94
USD	4,067.80	6.0969	24,800.97	3,567.80	6.2855	22,425.41
HKD	45,149.10	0.7862	35,496.23	50,601.20	0.8109	41,032.51
GBP	917.25	10.056	9,223.50	917.25	10.1611	9,320.27
EUR	954.84	8.4189	8,038.70	954.84	8.3176	7,941.98
Bank			3,832,832,344.21			3,749,900,162.61
RMB			3,045,311,248.65			2,906,952,882.66
USD	127,041,961.26	6.0969	774,562,133.59	131,097,674.60	6.2855	824,014,433.68
HKD	9,666,000.59	0.7862	7,599,409.66	22,415,555.67	0.8109	18,176,774.11
EUR	636,609.57	8.4189	5,359,552.31	90,900.28	8.3176	756,072.16
Others			2,322,507,481.82			2,374,632,817.53
RMB			2,322,507,481.82			2,374,632,817.53
Total	-	-	<u>6,155,600,440.06</u>	-	-	<u>6,124,741,029.25</u>

The ending balances of other monetary fund include credit card deposit of RMB108,182.73 (Beginning Balance: RMB100,310.53); guarantee deposit of RMB6,926,228.27 (Beginning Balance: 25,460,357.00); and fixed deposit for long-term and short-term mortgage loans amounted RMB2,315,473,070.82 (Beginning Balance: 2,349,072,150.00), this guaranteed fixed deposit would be terminated after the debt redemption.

2. Financial assets at fair value through profit and loss

Item	Ending fair value	Beginning fair value
Forward foreign exchange contract	69,210,083.75	22,862,044.25
Total	<u>69,210,083.75</u>	<u>22,862,044.25</u>

The financial assets at fair value through profit and loss are all forward foreign exchange contract. At measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The debt rate published by the PBC is chosen to be discount rate. The fair value is calculated according to the formulation as follows.

As for forward settle foreign exchange contract, choose the highest price to be input value, fair value=exchange price* (contract rate-public rate)/discount rate period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

As for forward purchase foreign exchange contract, choose the lowest price to be input value, fair value=exchange price* (public rate- contract rate)/discount rate period.

If the fair value is positive, the company disclose it as "Financial assets at fair value through profit and loss"; if negative, disclose it as "Financial liabilities at fair value through profit and loss"

3. Notes receivable

(1) Classification

Items	Ending Balance	Beginning Balance
Bank acceptance bill	9,196,551.00	3,492,665.00
Total	9,196,551.00	3,492,665.00

(2) Notes receivable endorsed but not yet due by the year end (TOP 5)

Item	Name of company	Endorsed date	Due date	Amount	Note
Bank acceptance bill	China Railway Tunneling Equipment Manufacturing Co., Ltd.	2013-10-24	2014-4-24	2,000,000.00	
	China Railway Tunneling Equipment Manufacturing Co., Ltd.	2013-10-18	2014-4-18	1,000,000.00	
	South Conghua Construction Co., Ltd.	2013-07-26	2014-01-26	1,235,560.00	
	Jiangxi Yunxing Real Estate Development Co., Ltd.	2013-11-07	2014-02-06	500,000.00	
	China Railway Tunneling Equipment Manufacturing Co., Ltd.	2013-9-13	2014-3-13	500,000.00	
Total				5,235,560.00	

4. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	675,017,170.77	786,242,618.03
Less: provision for bad debts	8,743,680.73	9,487,298.78
Total	666,273,490.04	776,755,319.25

(1) Terms of sales on credit

Items	Credit Term
Shipbuilding	1 month after insurance
Other businesses	1 to 6 months

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Aging analysis

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt		Net value	Book value		Bad debt		Net value
	Amount	%	Amount	%		Amount	%	Amount	%	
Within 1 year	613,902,663.54	90.95	3,069,513.32	0.50	610,833,150.22	711,671,717.11	90.52	3,558,358.58	0.50	708,113,358.53
1-2 years	22,482,402.12	3.33	151,316.51	0.67	22,331,085.61	43,243,685.14	5.50	1,211,218.43	2.80	42,032,466.71
2-3 years	11,312,230.43	1.68	422,223.65	3.73	10,890,006.78	2,900,115.77	0.37	778,287.45	26.84	2,121,828.32
3-4 years	2,900,115.77	0.43	778,287.45	26.84	2,121,828.32	25,002,429.29	3.18	514,763.60	2.06	24,487,665.69
4-5 years	21,218,225.33	3.14	1,120,806.22	5.28	20,097,419.11					
Over 5 years	3,201,533.58	0.47	3,201,533.58	100.00		3,424,670.72	0.44	3,424,670.72	100.00	
Total	675,017,170.77	-	8,743,680.73	-	666,273,490.04	786,242,618.03	-	9,487,298.78	-	776,755,319.25

(3) Classification by risks

Items	Ending Balance				Beginning Balance				
	Book value		Bad debt		Book value		Bad debt		
	Amount	%	Amount	%	Amount	%	Amount	%	
Accounts receivable that are individually significant and are provided for bad debts on individual basis									
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	5,395,572.74	0.80	5,395,572.74	100	5,584,005.72	0.71	5,584,005.72	100.00	
Accounts receivable accrued bad debt provision by a certain percentage of the balance	669,621,598.03	99.20	3,348,107.99	0.50	780,658,612.31	99.29	3,903,293.06	0.50	
Total	675,017,170.77	-	8,743,680.73	-	786,242,618.03	-	9,487,298.78	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- 1) Accounts receivable that are individually significant, or insignificant but are provided for bad debts on individual basis

Company Name	Book value	Bad debts	%	Reasons
WHL-FONKWANG	2,487,031.63	2,487,031.63	100.00	Liquidity problem
Chongqing Far East Fuji Electrical Company	670,000.00	670,000.00	100.00	Agents have been unable to receive the payment, risk to recover
Guilin Fortune elevator company	398,250.00	398,250.00	100.00	Long outstanding period, with operational going concern
GSI Elevator Co., Ltd., Chongqing	313,700.00	313,700.00	100.00	Agents have been unable to receive the payment, risk to recover
Chongqing South Group Company	257,884.00	257,884.00	100.00	Disagreement for the amount
Qingdao Haier Special electric freezer Co., Ltd.	208,000.00	208,000.00	100.00	Disagreement for the quality
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long outstanding period
Hunan Lian Xiang elevator company	144,037.20	144,037.20	100.00	Agents have been unable to receive the payment, risk to recover
Chongqing Yi Cheng Real Estate Company	123,465.32	123,465.32	100.00	Guarantee money, long age, risk to recover
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Disagreement for the quality
Wuhan Yuji Real Estate Co., Ltd.	105,500.00	105,500.00	100.00	Long outstanding period
Other companies	404,194.59	404,194.59	100.00	Other 17 customers receivables, long outstanding period
Total	5,395,572.74	5,395,572.74	100.00	

- 2) Accounts receivable accrued bad debt provision by a certain percentage of the balance

Items	Book value	%	Bad debts
Within 1 year	613,902,663.54	0.50	3,069,513.32
1-2 years	22,482,402.12	0.50	112,412.01
2-3 years	10,312,230.43	0.50	51,561.15
3-4 years	2,132,490.77	0.50	10,662.45
4-5 years	20,791,811.17	0.50	103,959.06
Over 5 years			
Total	669,621,598.03	-	3,348,107.99

(4) Bad debts reversed or recovered

Company Name	Accounts receivable	%	Bad Debts Before Recovery	Amounts recovered	Reasons
Chengdu Jiaxiang real estate company	187,903.01	100.00	187,903.01	187,903.01	Long outstanding period
Chengdu Xingguanghua Company	28,694.38	100%	28,694.38	28,694.38	Long outstanding period
Seven days Hotel	39,039.74	100%	39,039.74	6,539.75	Long outstanding period
Total	255,637.13		255,637.13	223,137.14	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(5) *The accounts receivable balance details exclude shareholders who hold 5% or more of the Company's shares.*

(6) *Top 5 Clients*

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)
NAVIG8PRODUCTTANKERISLANDS	External Client	117,743,332.80	Within 1 year	17.44
Shenzhen Ocean Shipping Co., Ltd.	External Client	78,300,000.00	Within 1 year	11.60
Hainan Strait maritime Co., Ltd.	External Client	52,400,000.00	Within 1 year	7.76
Dalian Ocean Shipping Co., Ltd.	External Client	51,518,805.00	Within 1 year	7.63
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Under the same control	63,209,500.17	Within 1 year	9.36
Total		363,171,637.97		53.79

(7) *Receivables from related parties referred to Notes V.3*

(8) *Accounts receivable with foreign currency balance*

Items	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
USD	40,173,174.00	6.0969	244,931,824.57	12,751,299.20	6.2855	80,148,291.12
HKD	23,858,985.58	0.7862	18,757,934.44	3,254,095.82	0.8109	2,638,746.30
MOP	3,277,585.17	0.7588	2,487,031.63			
EUR				509,078.50	8.3176	4,234,311.33
Total			266,176,790.64			87,021,348.75

(9) *The received payments after balance date*

Until the reporting date, the company received accounts receivable with the amount of RMB366,044,484.42 in total, including RMB117,743,332.80 from NAVIG8PRODUCTTANKERISLANDS, RMB78,300,000.00 from Shenzhen Ocean Shipping Co., Ltd., RMB52,400,000.00 from Hainan Strait maritime Co., Ltd., RMB47,723,668.04 from Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou), RMB19,550,150.11 from MINERA ESCONDIDA LTDA, RMB16,465,064.50 from Denmark NORDN Company, RMB17,422,268.97 from GEA Heart Exchanger, Inc, and RMB16,440,000.00 from ThyssenKruppBulk Tec (China) Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

5. Prepayments

(1) Aging analysis

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	1,573,901,503.06	95.69	465,136,534.65	92.32
1-2 years	60,823,135.66	3.70	32,559,724.57	6.46
2-3 years	8,652,256.53	0.53	5,394,379.42	1.07
Over 3 years	1,401,063.26	0.08	774,291.04	0.15
Total	1,644,777,958.51	100.00	503,864,929.68	100.00

(2) Major clients

Company Name	Relationship	Amount	%	Aging	Reasons
Guangzhou Longxue Shipbuilding Co., Ltd.	Under common control of CSSC	918,550,250.00	55.85	Within 1 year	Not arrived
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Under common control of CSSC	367,078,350.55	22.32	Within 1 year	Not arrived
Frank Mohn	External client	40,918,508.80	2.49	0-2 years	Not arrived
Poly Technology Co., Ltd.	External client	31,319,024.00	1.90	Within 1 year	Not arrived
Beijing Zirun Zhongjing Trading Co., Ltd.	External client	24,972,995.59	1.52	Within 1 year	Not arrived
Shanxi Diesel Engine Co., Ltd.	External client	20,160,000.00	1.23	Within 1 year	Not arrived
Total		1,402,999,128.94	85.31		

(3) The prepayments balance details exclude shareholders who hold 5% or more of the Company's shares.

(4) Prepayments with foreign currency balance

Items	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
USD	14,056,148.21	6.2052	87,221,077.39	10,830,393.03	6.3269	68,522,318.97
EUR	5,630,053.42	8.2749	46,587,947.60	7,389,793.45	8.6193	63,694,959.62
HKD	486,586.00	0.8810	428,700.87	502,886.00	0.8789	441,967.44
Total			134,237,725.86			132,659,246.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

6. Interests receivable

(1) Interests receivable

Items	Beginning Balance	Increase	Decrease	Ending Balance
Interest of fixed deposit	143,581,872.47	178,695,053.01	214,276,653.63	108,000,271.85
Total	143,581,872.47	178,695,053.01	214,276,653.63	108,000,271.85

(2) Note: There is no overdue interest as of the end of Current Year.

(3) Interests receivable with foreign currency balance

Items	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
USD	591,072.63	6.0969	3,603,710.71	2,959,826.84	6.2855	18,603,991.60
<i>Total</i>			<u>3,603,710.71</u>			<u>18,603,991.60</u>

7. Dividends receivable

Items	Beginning Balance	Increase	Decrease	Ending Balance	Outstanding Reason	Impairment
Aging within 1 year Including: Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	1,043,381.78	11,032,819.50	12,076,201.28		-	-
China Merchants banks Co., Ltd.	1,043,381.78	10,966,819.50	10,966,819.50		-	-
China Merchants Energy Shipping Co., Ltd.		66,000.00	66,000.00			
Total	1,043,381.78	11,032,819.50	12,076,201.28			

8. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	76,563,080.54	273,951,480.46
Less: provision for bad debts	10,728,658.38	11,715,600.39
Total	65,834,422.16	262,235,880.07

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(1) Aging analysis

Items	Ending Balance				Beginning Balance			
	Amount	%	Bad debt	Net value	Amount	%	Bad debt	Net value
Within 1 year	57,899,702.69	75.62	289,498.49	57,610,204.20	255,756,297.77	93.36	1,278,781.47	254,477,516.30
1-2 years	1,651,440.29	2.16	8,257.20	1,643,183.09	5,051,199.03	1.84	25,256.00	5,025,943.03
2-3 years	3,867,953.90	5.05	19,339.77	3,848,614.13	2,300,851.95	0.84	11,504.26	2,289,347.69
3-4 years	2,300,851.95	3.01	11,504.26	2,289,347.69	406,055.35	0.15	2,030.28	404,025.07
4-5 years	406,055.35	0.53	2,030.28	404,025.07	39,244.21	0.01	196.23	39,047.98
Over 5 years	10,437,076.36	13.63	10,398,028.38	39,047.98	10,397,832.15	3.80	10,397,832.15	
Total	76,563,080.54	-	10,728,658.38	65,834,422.16	273,951,480.46	-	11,715,600.39	262,235,880.07

(2) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt		Net value	Book value		Bad debt		Net value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables that are individually significant and are provided for bad debts on individual basis	10,340,232.15	13.50	10,340,232.15	100.00		10,340,232.15	3.78	10,340,232.15	100.00	
Other receivables that are individually insignificant but are provided for bad debts on individual basis	57,600.00	0.08	57,600.00	100.00		57,600.00	0.02	57,600.00	100.00	
Other receivables accrued bad debt provision by a certain percentage of the balance	66,165,248.39	86.42	330,826.23	0.50	65,834,422.16	263,553,648.31	96.20	1,317,768.24	0.50	262,235,880.07
Total	76,563,080.54	-	10,728,658.38	-	65,834,422.16	273,951,480.46	-	11,715,600.39	-	262,235,880.07

1) Other receivables that are individually significant and provided for bad debts on individual basis

Company Name	Book value	Bad debts	%	Reasons
Mitsuhiro International Co., Ltd., Hong Kong	10,340,232.15	10,340,232.15	100.00	Note
Total	10,340,232.15	10,340,232.15	-	-

Note: Trusted deposits have been exchanged for some assets with Guangzhou National Investment Corp. under the Company and Guangzhou National Investment Debt Restructuring Agreement. On August 17, 2005, according to "the contract of transfer rights" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB10,640,000.00 to Hong Kong Guanghong international Corp, which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Guanghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before September 2005, and pay the rest of debt with interest in Guanghong Optoelectronic Technology Corp, on which Hong Kong Guanghong international Corp has the right of disposition. On September 21, 2009, the Guangdong Province Higher People's Court of Final Appeal has made the judgment, Hong Kong Guanghong international Corp. has to settle the debt principal and interest of the Company within 10 days from the legal effective day. The company has recorded bad debt for the unreceived debt. As of December 31, 2013, the Company has not received the above mentioned debt principal and interest, and shall pay attention to further follow-up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Other receivables that are individually insignificant but are provided for bad debts on individual basis

Company Name	Book value	Bad debts	%	Reasons
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Unrecoverable
Total	57,600.00	57,600.00	–	

3) Other receivables accrued bad debt provision by a certain percentage of the balance

Items	Book value	%	Bad debts
Within 1 year	57,899,702.69	0.50	289,498.50
1-2 years	1,651,440.29	0.50	8,257.20
2-3 years	3,867,953.90	0.50	19,339.77
3-4 years	2,300,851.95	0.50	11,504.26
4-5 years	406,055.35	0.50	2,030.28
Over 5 years	39,244.21	0.50	196.22
Total	66,165,248.39	–	330,826.23

(5) The other receivables balance details exclude shareholders who hold 5% or more of the Company's shares.

(6) Top 5 Clients

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)	Nature
Export tax rebate	External client	36,517,521.87	Within 1 year	47.70	Export tax rebate
Mitsuhiro International Co., Ltd., Hong Kong	External client	10,340,232.15	Over 5 years	13.51	Trust loans
JandD Projects Limited	External client	4,774,129.01	1-4 years	6.24	Security deposit
Boldwin Structure Engineering Co. Ltd.	External client	1,415,057.89	2-5 years	1.85	Security deposit
The Finance Bureau of Zhongshan City	External client	926,000.00	1-3 years	1.21	Security deposit
Total		53,972,940.92		70.51	

(7) The other receivables balance of related parties referred to V6/3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(8) Other receivables with foreign currency balance

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
HKD	10,158,902.24	0.7862	7,986,928.93	10,097,600.19	0.8109	8,188,143.99
USD	163,015.51	6.0969	993,889.26			
EUR	10,566.30	8.4189	88,956.62			
Total			9,069,774.81			8,188,143.99

9. Inventories

(1) Classification

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	712,516,633.47	7,528,641.63	704,987,991.84	280,070,206.17	6,727,392.92	273,342,813.25
Work in progress	484,481,755.13	15,759,220.92	468,722,534.21	329,182,330.50	15,094,862.61	314,087,467.89
Merchandise inventories	8,871,784.15	465,694.36	8,406,089.79	5,876,867.52	519,865.11	5,357,002.41
Capitalized construction contracts	631,792,374.19	201,179,597.93	430,612,776.26	321,391,370.94	40,186,245.34	281,205,125.60
Goods in transit	37,316,822.00		37,316,822.00	38,576,400.38		38,576,400.38
Total	1,874,979,368.94	224,933,154.84	1,650,046,214.10	975,097,175.51	62,528,365.98	912,568,809.53

(2) Inventory impairment

Items	Beginning Balance	Accrued	Decrease		Ending Balance
			Reversal	Transferred out	
Raw materials	6,727,392.92	4,236,215.93		3,434,967.22	7,528,641.63
Work in progress	15,094,862.61	3,387,258.31	1,337,549.45	1,385,350.55	15,759,220.92
Merchandise inventories	519,865.11		21,525.76	32,644.99	465,694.36
Capitalized construction contracts (relates to inventories)	40,186,245.34	213,899,796.53		69,086,511.18	201,179,597.93
Capitalized construction contracts (relates to contingent liabilities)	379,004,142.69				362,824,075.45
Subtotal	441,532,508.67	221,523,270.77	1,359,075.21	73,939,473.94	587,757,230.29
Less: Capitalized construction contracts (relates to contingent liabilities)	379,004,142.69				362,824,075.45
Total	62,528,365.98				224,933,154.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) The methods of provision for inventory impairment

Items	Calculation basis	Reasons	%
Raw materials	Book value higher than NPV (Estimated disposal proceeds less taxes)		
Work in progress	Book value higher than NPV (Estimated disposal proceeds less related expenses)	Increase in contract price	0.1%
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)		
Capitalized construction contracts	Estimated total cost higher than estimated total revenue		

10. Other current assets

Items	Ending Balance	Beginning Balance
Advance income taxes		140,571.00
Total		140,571.00

11. Available-for-sale financial assets

(1) Category

Items	Ending fair value	Beginning fair value
Equity instrument available-for-sale		
China Merchants Bank Co., Ltd.		239,355,187.50
China Merchants Energy and Transportation Co., Ltd. (CMES)	26,620,000.00	28,160,000.00
Wuhan Jinyinhu Golf Membership	2,450,000.00	2,450,000.00
Total	29,070,000.00	269,965,187.50
	Equity instrument available-for-sale	Total
Beginning fair value	269,965,187.50	269,965,187.50
The cost of equity instrument/amortized cost of debt instrument	66,942,861.54	66,942,861.54
Ending fair value	29,070,000.00	29,070,000.00
The change in fair value that recorded into other comprehensive profits	-8,830,870.15	-8,830,870.15
The impairment		

As at December 31, 2013, the holding shares of "CMES" and "CMBC" are unrestrained outstanding shares, the fair value is calculated based on the year end closing price of the shares mentioned above. At the end of the year, the company hold 49 membership certification of Wuhan Jinyinhu Golf, according to sales price RMB60,000 per certification Last Year, and based on prudence, recognize the fair value RMB50,000 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) *The analysis is as follows*

Items	Ending Balance	Beginning Balance
Listed	26,620,000.00	267,515,187.50
China (except HK)	26,620,000.00	267,515,187.50
Subtotal	26,620,000.00	267,515,187.50
Unlisted	2,450,000.00	2,450,000.00
Total	29,070,000.00	269,965,187.50

(3) *The ending fair value has slumped to or over 50% compared to cost, or the continued falling period has arrived or over 12 months, equity instrument available-for-sale that not provide the impairment according to the difference between the cost and fair value are as follows:*

None.

12. Long-term equity investment

(1) *Classifications*

Items	Ending Balance	Beginning Balance
Cost method	1,900,000.00	1,900,000.00
Equity method	42,864,184.35	42,004,311.39
Associate company	42,864,184.35	42,004,311.39
Total	44,764,184.35	43,904,311.39
Less: Provision for impairment		
Net value	44,764,184.35	43,904,311.39

(2) *Analysis*

Items	Ending Balance	Beginning Balance
Unlisted	44,764,184.35	43,904,311.39
Total	44,764,184.35	43,904,311.39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Detailed classification by method

Investee	Share holding (%)	Voting rights (%)	Initial investment	Beginning balance	Increase or decrease	Adjustments	Cash dividends	Ending balance	Provision for impairment	Provision for impairment
Cost method										
The CSSC Information Technology Co., Ltd.	5.63	5.63	900,000.00	900,000.00		N/A		N/A	900,000.00	
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	4.05	4.05	1,000,000.00	1,000,000.00		N/A	33,010.00	N/A	1,000,000.00	
Subtotal			1,900,000.00	1,900,000.00		N/A		N/A	1,900,000.00	
Equity method										
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	25.00	25.00	1,722,060.00	3,641,933.33		863,941.61			4,505,874.94	
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	40.00	40.00	800,000.00	838,480.32		82,340.84			920,821.16	
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	32.00	32.00	15,558,800.00	37,523,897.74		1,353,590.51	1,440,000.00		37,437,488.25	
Subtotal			18,080,860.00	42,004,311.39		2,299,872.96	1,440,000.00		42,864,184.35	
Total			19,980,860.00	43,904,311.39		2,299,872.96	1,440,000.00		44,764,184.35	

(4) Investment in associated companies and joint ventures

Investee	Nature	Registration place	Operation place	Legal representative	Organization code	Business type	Share Registered capital ('000)	Voting holding %	rights %	
Associate companies										
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	Company with limited liability (the PRC and foreign countries of joint venture)	Guangzhou	Guangzhou	Li Tong'an	618428789	Developing a special coating technology, undertaking special coating works at home and abroad, setting up scaffolding structures, cleaning cabin	USD1,200	25	25	
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Company with limited liability	Zhanjiang	Zhanjiang	Chen Miaogen	74915066-8	Repairing, debugging, maintenance, training, software development and technical application of ship equipment & system	RMB2,000	40	40	
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	Company with limited liability (Taiwan, Hong Kong, Macao and the PRC of joint venture)	Zhenjiang	Zhenjiang	Wang Wenju	78206731-3	Production and sales of generators, marine and land use generator sets and accessories	RMB8,500	32	32	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Investee	The Ending Balance of total assets	The Ending Balance of total liabilities	The Ending Balance of net assets	Total operating revenue	Net profit
Associated companies					
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	21,523,919.90	3,218,159.60	18,305,760.30	39,969,972.29	3,455,766.42
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	6,306,498.21	4,011,921.71	2,294,576.50	10,628,336.83	205,852.10
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	238,371,212.36	106,265,525.02	132,105,687.34	162,519,817.52	5,777,624.14

Notes: The significant accounting policies, accounting estimates of the associated companies of the group are consistent with the group.

13. Investment property

(1) Cost method

Items	Beginning Balance	Increase	Decrease	Ending Balance
Original cost	36,977,375.29			36,977,375.29
Buildings	36,977,375.29			36,977,375.29
Accumulated depreciation and amortization	4,803,136.40	751,330.01		5,554,466.41
Buildings	4,803,136.40	751,330.01		5,554,466.41
Carrying amount	32,174,238.89	–	–	31,422,908.88
Buildings	32,174,238.89	–	–	31,422,908.88
Provision for impairment	1,855,011.59			1,855,011.59
Buildings	1,855,011.59			1,855,011.59
Net book value	30,319,227.30	–	–	29,567,897.29
Buildings	30,319,227.30	–	–	29,567,897.29

Note: The depreciation and amortization of Investment Property through profit and loss for Current Year is RMB751,330.01. (Last Year: RMB751,330.04)

(2) Investment properties analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	29,567,897.29	30,319,227.30
Total	29,567,897.29	30,319,227.30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

14. Fixed assets

(1) Fixed assets category

Items	Beginning Balance	Increase	Decrease	Ending Balance
Total original cost	2,770,077,222.92	97,986,564.30	41,594,782.79	2,826,469,004.43
including: Buildings	1,447,392,989.46	22,393,949.07	19,632,819.79	1,450,154,118.74
Machinery	1,257,685,293.67	71,436,467.22	19,009,836.99	1,310,111,923.90
Transportation facilities	42,481,207.36	1,583,052.75	2,289,999.77	41,774,260.34
Office equipments	22,517,732.43	2,573,095.26	662,126.24	24,428,701.45
Total accumulated depreciation	1,106,774,577.71	137,392,371.81	39,515,043.65	1,204,651,905.87
including: Buildings	382,415,002.21	37,096,345.84	18,651,178.80	400,860,169.25
Machinery	693,816,667.50	92,309,439.08	18,059,345.14	768,066,761.44
Transportation facilities	17,569,934.11	4,742,667.36	2,175,499.78	20,137,101.69
Office equipments	12,972,973.89	3,243,919.53	629,019.93	15,587,873.49
Total carrying amount	1,663,302,645.21			1,621,817,098.56
including: Buildings	1,064,977,987.25			1,049,293,949.49
Machinery	563,868,626.17			542,045,162.46
Transportation facilities	24,911,273.25			21,637,158.65
Office equipments	9,544,758.54			8,840,827.96
Total provision for impairment	2,941,797.71			2,941,797.71
including: Buildings				
Machinery	2,941,797.71			2,941,797.71
Transportation facilities				
Office equipments				
Total net book value	1,660,360,847.50			1,618,875,300.85
including: Buildings	1,064,977,987.25			1,049,293,949.49
Machinery	560,926,828.46			539,103,364.75
Transportation facilities	24,911,273.25			21,637,158.65
Office equipments	9,544,758.54			8,840,827.96

- 1) The amortization of fixed assets recognized through profit or loss is RMB137,392,371.81 for Current Year. (Last Year: RMB118,233,124.26)
- 2) The increased fixed assets included RMB97,986,564.30 of capitalized construction in progress transferred-in.
- 3) The profit or loss for disposal of fixed assets for Current Year is RMB237,470.71.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Buildings analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	1,033,825,409.13	1,049,314,047.18
Outside China		
Long-term (over 50 years)	15,468,540.36	15,663,940.07
Total	1,049,293,949.49	1,064,977,987.25

(3) Fixed assets with no certificate of title

Items	Ending Balance		Beginning Balance	
	Original value	Book value	Original value	Book value
Mechanical and electrical suppliers storage	29,498,733.13	26,415,072.33	29,263,463.08	27,050,784.17
Company 5 floors office building	8,060,675.25	7,148,371.91	8,555,169.31	7,860,457.53
Zhongshan Base B & C dormitory and dining rooms	43,060,821.14	41,018,695.70	33,653,545.46	32,740,053.62
Ship joining workshop	138,985,419.99	134,688,408.03	135,689,400.70	135,689,400.70
Adjacent building to production and living	12,720,815.66	12,396,032.46	11,473,172.38	11,473,172.38
Company's job shop	118,623,167.42	106,438,637.26	116,751,095.22	108,224,989.92
Total	350,949,632.59	328,105,217.69	335,385,846.15	323,038,858.32

Items	Reasons	Expected time to obtain
Mechanical and electrical suppliers storage	In process	Unpredictable
Company 5 floors office building	In process	Unpredictable
Zhongshan Base B & C dormitory and dining rooms	In process	Unpredictable
Ship joining workshop	Not complete real estate cancellation mortgage registration	Unpredictable
Adjacent building to production and living	Not complete real estate cancellation mortgage registration	Unpredictable
Company's job shop	In process	Unpredictable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

15. Construction in progress

(1) Category

Items	Ending Balance			Beginning Balance		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
"1" development the construction of security conditions	4,250,000.00		4,250,000.00	4,250,000.00		4,250,000.00
Preconstruction cost for Zhongshan shipping industry base	3,239,778.42		3,239,778.42	7,245,333.40		7,245,333.40
The shipbuilding division stern work platform	2,224,039.02		2,224,039.02			
Comprehensive building network wiring, security products expansion and renovation project	2,059,126.00		2,059,126.00			
The shipbuilding division 150 ton platform trailer 1 set	1,959,066.78		1,959,066.78			
The old dock berth local dredging projects	1,502,683.48		1,502,683.48			
Electrical goods distribution base project of the old district berths local dredging projects	1,150,454.29		1,150,454.29			
Comprehensive technical advance fee	1,096,917.01		1,096,917.01			
Research and conservation projects in the prophase of the project funds	693,469.77		693,469.77			
The comprehensive office building design department office space renovation	655,018.03		655,018.03			
12.5m CNC Double Column Vertical Lathe				12,450,297.65		12,450,297.65
1 set 200 tons Fixed cranes				10,133,137.79		10,133,137.79
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)				6,317,606.64		6,317,606.64
Ship generator load test integrated system				3,312,054.35		3,312,054.35
200 tons of fixed pier crane base				2,037,466.56		2,037,466.56
Shelter				1,836,085.54		1,836,085.54
Comprehensive ship construction project				1,350,046.56		1,350,046.56
Shunde shipyard 11 roller leveler				1,328,197.48		1,328,197.48
Infrastructure and energy-saving emission reduction transformation front-end fee				1,088,459.01		1,088,459.01
General Assembly general Changzhou Island terminal fixed tower crane				1,024,350.27		1,024,350.27
Large Firm renovation project				810,238.45		810,238.45
Other projects	5,903,889.22		5,903,889.22	8,018,542.21		8,018,542.21
Total	24,734,442.02		24,734,442.02	61,201,815.91		61,201,815.91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) The changes in significant Construction in progress

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Decrease	
12.5m CNC Double Column Vertical Lathe	12,450,297.65		12,450,297.65		
1 set 200 tons Fixed cranes	10,133,137.79	28,332.94	10,161,470.73		
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)	6,317,606.64		6,317,606.64		
"1" development the construction of security conditions	4,250,000.00				4,250,000.00
Ship generator load test integrated system	3,312,054.35		3,312,054.35		
200 tons of fixed pier crane base	2,037,466.56		2,037,466.56		
Shelter	1,836,085.54	2,899,659.80	4,735,745.34		
The total period of transport platform	680,444.34	1,043,957.44	1,724,401.78		
Renovation project of Guangchuan large-scale machinery and equipment company	810,238.45	20,106,764.92	6,446,397.45	14,402,602.50	68,003.42
The shipbuilding division 150 ton platform trailer 1 set		1,959,066.78			1,959,066.78
The old dock berth local dredging projects		1,502,683.48			1,502,683.48
Electrical goods distribution base engineering		1,150,454.29			1,150,454.29
Comprehensive building network wiring, security products expansion and renovation project		2,059,126.00			2,059,126.00
Zhongshan base construction	7,245,333.40	23,721,314.40	23,100,112.51	4,626,756.87	3,239,778.42
Total	49,072,664.72	54,471,360.05	70,285,553.01	19,029,359.37	14,229,112.39

Note: The decrease of Current Year is the intangible asset -land use right that transferred to large-scale machinery and equipment company and Zhongshan marine.

Project Name	Budget	Budget use-up ratio %	Press of work	Accumulated capitalized interest	Capitalized interest for Current Year	Capitalization %	Source of capital
12.5m CNC Double Column Vertical Lathe	15,260,000.00	81.59	100				Self financed
200 tons of fixed pier crane base	11,000,000.00	92.38	100				Self financed
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)	4,920,000.00	128.41	100				Self financed
"1" development the construction of security conditions	14,020,000.00	30.31	30.31				Self financed
Ship generator load test integrated system	3,560,000.00	93.04	100				Self financed
200 tons of fixed pier crane base	1,920,000.00	106.12	100				Self financed
Shelter	4,000,000.00	118.39	100				Self financed
The total period of transport platform	1,200,000.00	143.7	100				Self financed
Renovation project of Guangchuan large-scale machinery and equipment company	188,610,000.00	111.68	100				Self financed
The shipbuilding division 150 ton platform trailer 1 set	1,900,000.00	96	96				Self financed
The old dock berth local dredging projects	2,000,000.00	75.13	75.13				Self financed
Electrical goods distribution base engineering	22,280,000.00	5.16	5.16				Self financed
Comprehensive building network wiring, security products expansion and renovation project	2,300,000.00	89.53	89.53				Self financed
Zhongshan base construction	839,830,000.00	96.00	96.00				Self financed
Total	1,112,800,000.00	-	-				Self financed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

16. Fixed assets disposal

Items	Ending Balance	Beginning Balance	Reasons
Machinery and equipment	29,376.32	33,554.52	Scrapped
Total	29,376.32	33,554.52	

17. Intangible assets

Items	Beginning Balance	Increase	Decrease	Ending Balance
Total original cost	441,877,884.18	22,656,502.57	2,823,111.55	461,711,275.20
including: Land use right	378,085,665.69	19,029,359.37		397,115,025.06
Non-patent technology	63,792,218.49	3,627,143.20	2,823,111.55	64,596,250.14
Total accumulated amortization	85,509,824.87	11,778,086.85	2,823,111.55	94,464,800.17
including: Land use right	39,505,827.34	7,050,116.93		46,555,944.27
Non-patent technology	46,003,997.53	4,727,969.92	2,823,111.55	47,908,855.90
Total carrying amount	356,368,059.31			367,246,475.03
including: Land use right	338,579,838.35			350,559,080.79
Non-patent technology	17,788,220.96			16,687,394.24
Total provision for impairment				
Total net book value	356,368,059.31			367,246,475.03
including: Land use right	338,579,838.35			350,559,080.79
Non-patent technology	17,788,220.96			16,687,394.24

Land use right analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	350,559,080.79	338,579,838.35
Total	350,559,080.79	338,579,838.35

The amortization of Intangible assets recognized through profit or loss is RMB11,778,086.85 for Current Year. (Last Year: RMB12,158,395.46)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

18. Research and development expenses

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Expensed	Capitalized	
76000 tons of semi submerged ship design and construction technology R & D and industrialization		70,416,794.96	70,416,794.96		
Research on typical cabin arrangement and decoration design manufacturing technology and luxury cruise		13,277,179.04	13,277,179.04		
50000 ton handymax products tanker replacement exploitation		12,755,678.00	12,755,678.00		
Study on technology of shipbuilding		8,022,033.38	8,022,033.38		
Flights across the Taiwan Strait for RO ro passenger ship of independent research and development		5,439,159.28	5,439,159.28		
The key technology of complex component molding technology and equipment		3,840,475.40	3,840,475.40		
Energy conservation and environment protection VLOC research and development		2,708,618.46	2,708,618.46		
Research on special innovative enterprises in Guangzhou		2,196,877.29	2,196,877.29		
Haian line passenger ship development		2,168,898.99	2,168,898.99		
System integration research and equipment development of electric propulsion ship		2,140,511.75	2,140,511.75		
Shipbuilding computer integrated manufacturing system GSI-SCIMS II		1,812,498.00	1,812,498.00		
Other research projects		27,718,043.95	27,718,043.95		
Total		152,496,768.50	152,496,768.50		

19. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Decrease	Ending Balance	Reasons
Long Island Ferry additional Dolphins Engineering	4,661,152.86		1,184,738.90		3,476,413.96	
Total	4,661,152.86		1,184,738.90		3,476,413.96	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

20. Deferred tax assets and Deferred tax liabilities

(1) Recognized deferred tax assets and deferred tax liabilities

Items	Ending Balance	Beginning Balance
Deferred tax assets		
Provision for impairment of assets	91,416,518.82	71,446,615.47
Deductible loss	7,261,061.73	7,353,644.98
Prepaid housing subsidy	2,765,585.89	3,400,465.30
Monetary housing allowance for retired employees	8,141,075.65	7,860,883.45
Medical insurance for retired employees within 10 years	129,034.47	129,034.47
Payroll for retiring employees	57,021.74	118,282.91
Accrued expenses	107,252.09	110,548.12
Payroll balance owing at year end	117,803.41	
Financial liabilities held-for-trading		33,531.11
Available-for-sale financial assets	1,572,000.00	
Employee education expense	2,113,212.61	
Total	113,680,566.41	90,453,005.81
Deferred tax liabilities		
Available-for-sale financial assets	13,611.16	30,453,348.90
Financial assets held-for-trading	10,381,512.56	3,429,306.63
Realized gain on investments	934,963.88	573,370.17
Total	11,330,087.60	34,456,025.70

(2) Unrecognized Deferred tax asset

Items	Ending Balance	Beginning Balance
Deductible temporary difference	2,169,877.35	14,431.74
Deductible loss	126,084,594.43	60,666,027.05
Total	128,254,471.78	60,680,458.79

Note: One of the subsidiaries, Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., is uncertain about whether or not be able to generate enough taxable income, and is judged there's no deductible temporary difference and deductible loss recognized as deferred tax assets

(3) Unrecognized Deferred tax assets, deductible loss carry forward

Items	Ending Balance	Beginning Balance
2017	60,666,027.05	60,666,027.05
2018	65,418,567.38	
Total	126,084,594.43	60,666,027.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) Taxable differences and deductible differences items

Items	Ending Balance	Beginning Balance
Deductible temporary difference		
I. Deductible temporary difference	708,696,929.29	544,567,579.52
(I). Recognized deferred tax assets	706,527,051.94	544,553,147.78
1. Provision for impairment of assets	607,125,196.17	467,517,785.40
2. Prepaid housing subsidy	17,949,437.96	22,020,162.00
3. Monetary housing allowance for retired employees	54,273,837.64	52,405,889.67
4. Medical insurance for retired employees within 10 years	860,229.78	860,229.80
5. Payroll for retiring employees	380,144.94	788,552.73
6. Accrued expenses	715,013.93	736,987.45
7. Financial liabilities held-for-trading		223,540.73
8. Payroll balance owing at year end	655,107.45	
9. Fair value changes in Available-for-sale financial assets	10,480,000.00	
10. Employee education fees	14,088,084.07	
(II). Unrecognized deferred tax assets	2,169,877.35	14,431.74
1. Provision for impairment of assets	2,169,877.35	14,431.74
II. Deductible loss	155,128,841.34	90,080,606.97
(I). Recognized deferred tax assets	29,044,246.91	29,414,579.92
(II). Unrecognized deferred tax assets	126,084,594.43	60,666,027.05
Subtotal	863,825,770.63	634,648,186.49
Taxable temporary difference		
Fair value changes in Available-for-sale financial assets	90,741.07	203,022,326.00
Financial instruments held-for-trading	69,210,083.75	22,862,044.19
Realized gain on investments	9,349,638.80	3,474,970.73
Subtotal	78,650,463.62	229,359,340.92

21. Provision for impairment of assets

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Bad debts	21,202,899.17	-1,452,788.55	223,137.14	54,634.37	19,472,339.11
Provision for devaluation of Inventories (Inventory)	62,528,365.98	221,523,270.77	1,359,075.21	73,939,473.94	224,933,154.84
Provision for devaluation of Inventories (Provision)	379,004,142.69				362,824,075.45
Provision for impairment of Investment property	1,855,011.59				1,855,011.59
Provision for impairment of Fixed assets	2,941,797.71				2,941,797.71
Total	467,532,217.14	220,070,482.22	1,582,212.35	73,994,108.31	612,026,378.70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

22. Short-term loans

(1) Category

Type	Currency	Ending Balance			Beginning Balance		
		Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Mortgage loans	USD	5,000,000.00	6.0969	30,484,500.00	7,000,000.00	6.2855	43,998,500.00
Unsecured loans	USD				7,000,000.00	6.2855	43,998,500.00
Unsecured loans	EUR	1,851,642.45	8.4189	15,588,792.62	501,442.30	8.3176	4,170,796.47
Total				46,073,292.62			92,167,796.47

Mortgage: As at December 31, 2013, the short-term loans of RMB30,484,500.00 are granted with other cash fund of RMB30,540,000.00 of the Group as the pledge.

Interest rate: As at December 31, 2013, the weighted average annual interest rate of the short-term loans is 1.4%. (January 1, 2013: 2.8%)

The company has paid back RMB7,113,338.66 after the balance date.

23. A financial liability which is measured by fair value and changes in fair value is recognized in current profit and loss account.

Items	Ending fair value	Beginning fair value
Forward foreign exchange contract		223,540.75
Total		223,540.75

Financial liabilities held-for-trading of the group are all forward foreign exchange contract, the measurement please refer to V5/2

24. Notes payable

Items	Ending fair value	Beginning fair value
Bank acceptance bill	616,401,532.69	591,450,235.02
Total	616,401,532.69	591,450,235.02

The amount due until next year is RMB616,401,532.69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

25. Accounts payable

(1) Category

Items	Ending Balance	Beginning Balance
Materials purchased	1,055,438,339.42	887,154,234.55
Settlements for projects	41,332,363.88	48,552,188.90
Product settlement	79,212,364.48	92,452,583.15
Warranty	78,763,970.61	76,688,947.17
Other Projects and Labor Costs	149,823,222.69	140,402,116.11
Total	1,404,570,261.08	1,245,250,069.88

(2) Aging analysis of Accounts Payable ended on December 31, 2013 as following:

Items	Ending Balance	Beginning Balance
Within 1 year	1,274,386,548.09	1,136,232,351.51
1-2 years	88,770,791.29	91,610,228.23
2-3 years	33,803,421.40	10,068,525.10
Over 3 years	7,609,500.30	7,338,965.04
Total	1,404,570,261.08	1,245,250,069.88

Large-amount Accounts payable aged more than 1 year:

Clients	Amount	Nature	Reasons
CSIC material trade group Guangzhou Co., Ltd.	14,589,593.57	Money owed to suppliers	Not settled
Research Institute A of China Shipbuilding Industry Corp	12,780,744.11	Money owed to suppliers	Not settled
Huo Gaowen building systems (Guangzhou) Co. Technique Co., Ltd.	6,250,559.31	Money owed to suppliers	Not settled
Guangzhou Construction Group Co. Ltd.	6,016,507.97	Construction cost payable	Not settled
Hubei Huaxin Industrial Technology and Trading Co., Ltd.	5,854,242.99	Construction cost payable	Not settled
Chinese Academy of Science Institute of Automation (Shenyang)	4,332,762.92	Money owed to suppliers	Not settled
Guangzhou Xiean Construction Engineering Co., Ltd.	3,484,000.00	Money Owed to suppliers	Not settled
Chinese aquatic Guangzhou Port Construction Engineering Co., Ltd.	3,223,224.62	Construction cost payable	Not settled
Atlas Copco (Shanghai) Trading Co., Ltd.	2,603,284.29	Construction cost payable	Not settled
	2,156,950.00	Construction cost payable	Not settled

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- (3) The accounts payable balance details exclude shareholders who hold 5% or more of the Company's shares.
- (4) See accounts payable to related parties in Note VI/3.
- (5) Accounts payable with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	8,484,100.56	6.0969	51,726,712.71	879,227.11	6.2855	5,526,382.00
HKD	1,063,782.82	0.7862	836,346.05	665,550.50	0.8109	539,694.90
Total			52,563,058.76			6,066,076.90

26. Advances from customers

(1) Aging Analysis

Items	Ending Balance	Beginning Balance
Within 1 year	212,990,058.08	122,683,278.46
Total	501,585,933.16	434,610,806.03

(2) Large-amount Advances from customers aged more than 1 year

Clients	Amount	Nature	Reasons
Guangdong Hydropower Second Board Co., Ltd.	116,228,886.35	Engineering projects	Not settled
Sihui Highway Administration	9,029,362.00	Engineering projects	Not settled
Greece Pioneer Ocean Shipping Co., Ltd	50,453,800.00	Vessel engineering projects	Not settled
Qingyuan Storage Power Generation Co., Ltd.	22,086,926.13	Subcontract engineering project	Not settled
Guangdong Changhong Highway Engineering Co., Ltd.	6,676,417.10	Subcontract engineering project	Not settled
Total	204,475,391.58		

- (3) The Advances from customers balance details exclude shareholders who hold 5% or more of the Company's shares.
- (4) See advances from customers from related parties in Note VI/3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(5) Advances from customers with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	35,308,035.37	6.2177	219,535,119.11	28,923,569.09	6.3908	184,843,695.26
HKD				167,538.81	0.8471	141,918.46
Total			219,535,119.11			184,985,613.72

27. Payroll payable

Items	Beginning Balance	Increase	Decrease	Ending Balance
(1) Compensation while employment	16,643,400.09	1,109,455,782.65	1,103,989,922.63	22,109,260.11
1.1. Wages or salaries, bonuses, allowances and subsidies	952,995.15	691,937,523.58	692,373,517.80	517,000.93
1.2. Staff welfare	5,072,421.30	42,314,834.16	42,314,834.16	5,072,421.30
1.3. Basic medical insurance		47,878,658.93	47,791,509.50	87,149.43
1.4. Work-related injury insurance		3,617,064.37	3,617,064.37	–
1.5. Maternity insurance		3,482,867.13	3,482,867.13	–
1.6. Supplementary medical insurance		2,901,311.65	2,898,574.94	2,736.71
1.7. Housing fund (Note 5)	326,024.00	72,038,479.00	71,592,247.00	772,256.00
1.8. Union & Education funds	10,291,959.64	15,072,658.05	9,706,921.95	15,657,695.74
1.9. Outsourcing Labor compensation		230,212,385.78	230,212,385.78	–
1.10. Non- monetary benefits				–
(2) Compensation after employment ended	2,490,490.37	99,137,751.73	101,052,435.21	575,806.89
2.1. Basic pension		91,409,168.77	91,181,618.05	227,550.72
2.2. Unemployment Insurance		7,728,582.96	7,717,120.21	11,462.75
2.3. Corporate annuity	1,701,937.69		1,701,937.69	–
2.4. Share-based payment in cash	788,552.68		451,759.26	336,793.42
(3) Severance benefits		1,051,940.42	1,051,940.42	
(4) Other long-term Staff Welfare payable within 1 year	2,795,580.00			2,795,580.00
4.1. Housing subsidies for retirees	2,502,040.00			2,502,040.00
4.2. Housing assistance for employees	293,540.00			293,540.00
Total	21,929,470.46	1,209,645,474.80	1,206,094,298.26	25,480,647.00

As stipulated by the relevant regulations of the PRC government, the Company and its local subsidiaries had provided existing and upon retiring employees with Basic medical insurance, Basic pension, Unemployment insurance, Work-related injury insurance, Maternity insurance, Supplementary medical insurance, Corporate annuity, Housing fund, etc. Other than those disclosed employee benefit plans, the Group had no other significant legal or constructive obligations for retiring payment to retiree or existing employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Note 1: Basic medical insurance: Since 2001, the Company and its local subsidiaries had joined the Guangzhou City scheme of basic medical insurance for workers and paid the basic medical insurance for workers based on 8% of the Last Year's average salary of the Group or the average salary of Guangzhou City.

Note 2: Housing fund: The Company and its local subsidiaries were required to pay housing allowance, based on 12% of total staff salary.

Note 3: Basic pension: Since 1994, the Company and its local subsidiaries had joined the pension fund plan proposed by the Guangdong Province and paid the basic medical for workers based on 18% of the Last Year's average salary of the Group or the average salary of Guangzhou City. Guangzhou Province Social Insurance Fund Management Authority, the underwriting unit, will pay the retired workers monthly

Note 4: Unemployment insurance: Since 1999, the Company and its local subsidiaries had joined the unemployment insurance plan proposed by the Guangdong Province and paid the unemployment insurance based on 2% of the Last Year's average salary of the Group or the average salary of Guangzhou City.

Note 5: Corporate annuity: According to the State Regulation, the proposed annuity program of the Group was examined and approved by the representatives of the employees of the General Assembly and board of directors of the Group, which was reported to and reviewed by the Guangdong Provincial Labor and Social Security Department. The Group had established the Annuity Council, which is responsible for daily management of annuity. Segregation of management of annuity assets and the Group's assets was implemented. Annuity Council had engaged independent third party to act as the annuity account-in-charge and investment management-in-charge. The Group should account the annuity in the profit and loss in the respective period and pay the annuity into the bank account opened by the employees at the annuity account-in-charge on a quarterly basis. No significant changes in the annuity program occurred during the year.

28. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-114,923,013.57	24,331,012.14
Business Tax	8,434,583.91	385,774.93
Corporate Income Tax	23,254,911.17	24,751,773.08
Individual Income Tax	7,862,618.60	7,135,644.42
City Maintenance and Construction Tax	1,674,955.51	9,490,735.82
Real Estate Tax	3,727,545.63	2,415,372.23
Land Appreciation Tax	1,682,911.05	280,593.80
Education Surcharge	1,196,705.90	6,789,945.68
Flood control and maintain expenses	2,550,212.42	2,693,533.56
Total	-64,538,569.38	78,274,385.66

As of December 31, 2013, The corporate income tax payable of RMB208,746.85 of Hong Kong subsidiary is included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

29. Interest payable

Items	Ending Balance	Beginning Balance
Long-term loans with installment interest and principal return	10,703,500.67	13,681,940.14
Short-term loans	59,275.40	75,286.34
Total	10,762,776.07	13,757,226.48

Interest payable with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	1,614,937.01	6.0969	9,846,109.44	2,042,885.67	6.2855	12,840,557.88
Total			9,846,109.44			12,840,557.88

30. Dividend payable

Company Name	Ending Balance	Beginning Balance	Reasons for unsettlement over 1 year
A stock	66,449.1959,	118.75	In progress of confirming rights of individual dividend payable
H stock	110,711.24	98,794.23	In progress of confirming rights of individual dividend payable
Dividend Payable to Non controlling Interest	260,000.00		
Total	437,160.43	157,912.98	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

31. Other Payables

(1) Aging analysis

Items	Ending Balance	Beginning Balance
Within 1 year	3,356,962.82	3,642,594.73
Total	21,088,537.32	17,512,847.63

(2) Large-amount Other payables aged more than 1 year

Client	Amount	Nature
Wuhan Yinhu golf membership	1,210,000.00	Golf membership down payment
Guarantees from unemployed labor	2,647,000.00	
Accounting firm	932,075.50	Auditing Service Fee
Stamp Tax	858,935.70	
Total	5,648,011.20	

(3) The Other payables balance details exclude shareholders who hold 5% or more of the Company's shares.

(4) See other Accounts Payable to related parties in Note VI/3.

32. Non-current liabilities due within one year

(1) Category

Items	Ending Balance	Beginning Balance
Non-current liabilities due within one year	789,219,805.15	1,057,958,531.65
Total	789,219,805.15	1,057,958,531.65

RMB121,938,000.00 has been paid after balance sheet ended date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

33. Other current liabilities

Items	Ending Balance	Beginning Balance
Long-term project settlement	2,814,570,920.11	1,370,386,546.93
Shipbuilding products	2,814,570,920.11	1,370,386,546.93
Deferred income	4,169,927.98	2,205,633.55
Government Subsidies	4,169,927.98	2,205,633.55
Total	2,818,740,848.09	1,372,592,180.48

Note: See items and descriptions of government subsidies in V/37.

34. Long-term loans

(1) Category

Classification	Ending Balance	Beginning Balance
Mortgage loans	2,077,624,278.31	1,871,591,867.49
Guarantee loans	600,000,000.00	600,000,000.00
Less: Due within 1 year	789,219,805.15	1,057,958,531.65
Total	1,888,404,473.16	1,413,633,335.84

Mortgage: As at December 31, 2013, the long-term loans of RMB2,077,624,278.31 are granted with other monetary fund of RMB2,315,473,070.82 of the Group as the pledge.

Guarantee: As at December 31, 2013, the long-term loans of RMB600,000,000.00 are granted with the pledge of Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.

Interest rate: As at December 31, 2013, the weighted average annual interest rate of the long-term loans is 2.94%. (January 1, 2013: 3.68%)

(2) Long-term loans due date

Items	Ending Balance	Beginning Balance
1-2 years	1,288,404,473.16	813,633,335.84
2-5 years		
Over 5 years	600,000,000.00	600,000,000.00
Total	1,888,404,473.16	1,413,633,335.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Top 5 clients

Company Name	Start date	Ending date	Currency	%	Ending Balance		Beginning Balance	
					Foreign currency	Functional currency	Foreign currency	Functional currency
Finance Co., CSSC	2012-7-8	2019-7-15	RMB	5.00		600,000,000.00		600,000,000.00
Bank of Communications Guangzhou Zhuhai Branch					95,100,000.00	579,815,190.00	477,698,000.00	76,000,000.00
JP Morgan Chase Bank Guangzhou Branch	2012-1-31	2014-1-31	USD	3.80	20,000,000.00	121,938,000.00		
Citibank (China) Co., Ltd. Guangzhou Branch	2012-4-24	2014-4-24	USD	3.45	10,000,000.00	60,969,000.00		
	2012-5-17	2014-5-17	USD	3.45	36,000,000.00	219,488,400.00		
	2013-5-8	2015-5-8	USD	1.80	19,100,000.00	116,450,790.00		
	2013-5-24	2015-5-24	USD	1.80	10,000,000.00	60,969,000.00		
Finance Co., CSSC					89,620,000.00	546,404,178.00		
Bank of Communications Guangzhou Zhuhai Branch	2013-8-14	2015-8-13	USD	2.10	30,000,000.00	182,907,000.00		
	2013-9-3	2015-8-13	USD	2.10	6,000,000.00	36,581,400.00		
	2013-10-9	2015-10-8	USD	2.10	30,250,000.00	184,431,225.00		
	2013-10-17	2015-10-16	USD	2.10	9,700,000.00	59,139,930.00		
	2013-10-24	2015-10-23	USD	2.10	2,100,000.00	12,803,490.00		
	2013-11-27	2015-11-26	USD	2.10	1,570,000.00	9,572,133.00		
	2013-12-26	2015-12-25	USD	2.10	10,000,000.00	60,969,000.00		
JP Morgan Chase Bank Guangzhou Branch					47,531,100.00	289,792,363.59	4,977,790.83	312,878,995.67
Citibank (China) Co., Ltd. Guangzhou Branch	2013-5-8	2015-5-8	USD	1.72	9,263,500.00	56,478,633.15		
	2013-5-24	2015-5-22	USD	1.72	9,777,600.00	59,613,049.44		
	2013-6-25	2015-6-25	USD	1.80	16,490,000.00	100,537,881.00		
	2013-6-28	2015-6-28	USD	1.72	1,247,351.00	7,604,974.31		
	2013-7-3	2015-7-3	USD	1.72	3,303,607.15	20,141,762.43		
	2013-7-9	2015-7-9	USD	1.72	449,041.85	2,737,763.26		
	2013-7-18	2015-7-18	USD	1.80	7,000,000.00	42,678,300.00		
Shanghai Pudong Development Bank Guangzhou Branch					36,446,080.00	222,208,105.15	31,446,080.00	197,654,335.84
	2012-5-23	2014-5-23	USD	2.15	31,446,080.00	191,723,605.15		
	2013-9-13	2015-9-12	USD	2.00	5,000,000.00	30,484,500.00		

(4) Long-term loans with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	340,767,320.82	6.0969	2,077,624,278.31	297,763,402.67	6.2855	1,871,591,867.49
Including: Long-term loans due in 1 year	129,446,080.00	6.0969	789,219,805.15	168,317,322.67	6.2855	1,057,958,531.65
Total	340,767,320.82	6.0969	2,077,624,278.31	297,763,402.67	6.2855	1,871,591,867.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

35. Special payables

Items	Beginning Balance	Increase	Decrease	Ending Balance	Note
High-speed rolling passenger ships technological transformation projects	6,720,000.00			6,720,000.00	
18000 tons Semi-submersible	17,850,000.00			17,850,000.00	
Total	24,570,000.00			24,570,000.00	

Note: The above projects have been completed and the special purpose payable belongs to the state exclusively. According to resolution of board of directors, these special purpose payables can be converted into investment of CSSC.

36. Estimated liabilities

Items	Beginning Balance	Increase	Decrease	Ending Balance
Product quality warranties	106,158,954.38	-8,758,299.41	23,270,527.83	74,130,127.14
Onerous contract	9,327,748.41		9,327,748.41	
Onerous construction contract	379,004,142.69			362,824,075.45
Total	494,490,845.48	-8,758,299.41	32,598,276.24	436,954,202.59

Note: According to the Accounting Standards of construction contract, the company makes "The Provision for Inventory Shrinkage Reserve-Estimated Loss on Contracts" for the construction contracts that have impairment loss. When preparing the year-ended financial statements, The Company reclassified the negative amount of which Inventory Shrinkage Reserve-Estimated Loss on Contracts exceeds the ending balance of Inventory to Estimated Liabilities to disclose, as same disclosing measure as the beginning balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

37. Other non-current liabilities

(1) Category

Items	Ending Balance	Beginning Balance
1) Deferred Revenue	92,451,556.51	69,781,586.79
1.1 Upfront fees for comprehensive technology upgrading	43,700,000.00	35,000,000.00
1.2 Research & Development of manufacturing technology of ships	21,977,966.62	
1.3 Integrated ship building project	14,387,126.53	18,943,083.81
1.4 Upfront fees for infrastructure development of the quality Department metering station	2,698,430.60	4,368,270.37
1.5 Upfront fees for infrastructure development of Zhongshan Torch development area	1,809,848.91	1,872,031.69
1.6 Enterprise Technology Center innovative capacity-building projects	1,500,000.00	1,800,000.00
1.7 150 tons self-propelled hydraulic flatbed	1,208,333.27	1,374,999.95
1.8 Coating technology and transformation (coating workshop building)	1,101,506.80	1,254,590.13
1.9 Technological transformation potential fund- 4000 tons ship to develop new equipment and technological transformation	995,342.16	1,137,534.00
1.10 Dock adaptive transformation (1)	733,333.12	766,666.48
1.11 Dock adaptive transformation	586,666.88	613,333.52
1.12 High performance large curvature complex curved hull plate forming intelligent robot	511,492.56	
1.13 2011's Funding for technology research and development for Lizhi area-Engineering Center	500,000.00	500,000.00
1.14 Key technology and equipment of large ship and special ship	260,000.00	
1.15 Noise control engineering for new area	195,493.52	203,733.50
1.16 Noise control engineering for painting workshop	189,473.64	205,263.12
1.17 Transferring capabilities of regional value integration and upgrading technologies	64,041.63	109,854.93
1.18 Metering scientific instruments for the Group	32,500.27	42,500.23
1.19 Special funds for innovative enterprises		1,589,725.06
2) Long-term Staff Welfare	60,735,157.49	59,160,749.49
2.1 Monetary housing subsidies for retirees	52,571,797.64	50,703,849.64
2.2 Housing assistance for employees	7,303,130.00	7,596,670.00
2.3 Medical insurance for retirees	860,229.85	860,229.85
Total	153,186,714.00	128,942,336.28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Government Subsidies

Items	Beginning balance	Amount Increase Current Year	Flow to Non-operating Income	Other Changes	Ending Balance	Asset/Profit Related to
Upfront fees for comprehensive technology upgrading	35,000,000.00	8,700,000.00			43,700,000.00	Related to Asset
Research & Development of manufacturing technology of ships		30,000,000.00	8,022,033.38		21,977,966.62	Related to Profit
Integrated ship building project	20,172,585.95		3,323,578.30	2,461,881.12	14,387,126.53	Related to Asset
Upfront fees for infrastructure development of the quality Department metering station	4,368,270.37	131,729.63	1,063,571.92	737,997.48	2,698,430.60	Related to Asset
Upfront fees for infrastructure development of Zhongshan Torch development area	1,934,214.47		62,182.78	62,182.78	1,809,848.91	Related to Asset
Enterprise Technology Center innovative capacity-building projects	2,100,000.00		300,000.00	300,000.00	1,500,000.00	Related to Asset
150 tons self-propelled hydraulic flatbed	1,541,666.63		166,666.68	166,666.68	1,208,333.27	Related to Asset
Coating technology and transformation (coating workshop building)	1,408,904.08		153,698.64	153,698.64	1,101,506.80	Related to Asset
Technological transformation potential fund- 4000 tons ship to develop new equipment and technological transformation	1,279,725.84		142,191.84	142,191.84	995,342.16	Related to Asset
Dock adaptive transformation (1)	799,999.84		33,333.36	33,333.36	733,333.12	Related to Asset
Dock adaptive transformation	640,000.16		26,666.64	26,666.64	586,666.88	Related to Asset
High performance large curvature complex curved hull plate forming intelligent robot		800,000.00	288,507.44		511,492.56	Related to Profit
2011's Funding for technology research and development for Lizhi area-Engineering Center	500,000.00				500,000.00	Related to Profit
Key technology and equipment of large ship and special ship		260,000.00			260,000.00	Related to Profit
Noise control engineering for new area	214,533.44		9,519.96	9,519.96	195,493.52	Related to Asset
Noise control engineering for painting workshop	221,052.60		15,789.48	15,789.48	189,473.64	Related to Asset
Transferring capabilities of regional value integration and upgrading technologies	164,041.71		50,000.04	50,000.04	64,041.63	Related to Asset
Metering scientific instruments for the Group	52,500.19		9,999.96	9,999.96	32,500.27	Related to Asset
Special funds for innovative enterprises	589,725.06		589,725.06			Related to Profit
Special funds for innovative enterprises	1,000,000.00		1,000,000.00			Related to Profit
High performance large curvature complex curved hull plate forming intelligent robot			-			Related to Profit
Key equipment and technology of complex component modeling		2,700,000.00	2,700,000.00			Related to Profit
Research & Development of designing and manufacturing technology of classical cabin layout and decoration luxury cruise ship		12,000,000.00	12,000,000.00			Related to Profit
Total	71,987,220.34	54,591,729.63	29,957,465.48	4,169,927.98	92,451,556.51	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

38. Share capital

The Company's shares are ordinary shares of nominal value of RMB1 per share. Changes of share capital in Current Year are listed as below:

Current Year

Classification	Beginning Balance		Changes				Ending Balance		
	Amount	%	Insurance	Stock dividends	Amount	%	Insurance	Amount	%
Unlimited shares									
Ordinary shares	438,463,454.00	68.18%						438,463,454.00	68.18%
Foreign shares	204,617,400.00	31.82%						204,617,400.00	31.82%
Subtotal	643,080,854.00	100.00%						643,080,854.00	100.00%

Last Year

Classification	Beginning Balance		Changes				Ending Balance		
	Amount	%	Insurance	Stock dividends	Amount	%	Insurance	Amount	%
Unlimited shares									
Ordinary shares	438,463,454.00	68.18%						438,463,454.00	68.18%
Foreign shares	204,617,400.00	31.82%						204,617,400.00	31.82%
Subtotal	643,080,854.00	100.00%						643,080,854.00	100.00%

39. Capital reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital surplus	502,982,007.95	2,498,672.36		505,480,680.31
Other capital reserves	173,151,908.32	-1,309,000.00	180,090,847.22	-8,247,938.90
Total	676,133,916.27	1,189,672.36	180,090,847.22	497,232,741.41

Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	502,982,007.95			502,982,007.95
Other capital reserves	145,971,353.78	27,188,424.69	7,870.15	173,151,908.32
Total	648,953,361.73	27,188,424.69	7,870.15	676,133,916.27

Note: The increase in Share Capital Surplus Current Year was derived from the investment cost of which the company acquired 49% non controlling interests of its subsidiary Guangzhou Yonglian Steel Structure Co., Ltd and 10% non controlling interest of Fanguang Development Co., Ltd. and the book value of the net assets, calculated continuously as of the acquisition day, owned by the company. The change of other Capital Reserves is derived from the after-tax change of fair value of the securities available for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

40. Specific reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		49,654,685.79	48,698,659.38	956,026.41
Total		49,654,685.79	48,698,659.38	956,026.41

Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		25,243,913.96	25,243,913.96	
Total		25,243,913.96	25,243,913.96	

41. Surplus reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	413,120,806.34	12,600,899.48		425,721,705.82
Discretionary surplus reserves	18,926,387.43			18,926,387.43
Total	432,047,193.77	12,600,899.48		444,648,093.25

Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	407,404,508.75	5,716,297.59		413,120,806.34
Discretionary surplus reserves	18,926,387.43			18,926,387.43
Total	426,330,896.18	5,716,297.59		432,047,193.77

Note: The Company increases its Statutory Surplus Reserves by 10% of profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

42. Retained earnings

Current Year

Items	Current Year	Appropriation %
Ending Balance of Last Year	2,393,852,509.26	
Add: Beginning retained earnings adjustment		
Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	2,393,852,509.26	
Add: Net profit attributable to Parent Company	13,599,718.51	
Less: Provision of statutory surplus reserve	12,600,899.48	10% of parent company's profit
Provision of statutory surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	77,169,702.48	
Capitalized ordinary share dividend		
Ending Balance of Current Year	2,317,681,625.81	

Last Year

Items	Current Year	Appropriation %
Ending Balance of Last Year	2,389,241,266.41	
Add: Beginning retained earnings adjustment		
Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	2,389,241,266.41	
Add: Net profit attributable to Parent Company	10,327,540.44	10% of parent company's profit
Less: Provision of statutory surplus reserve	5,716,297.59	
Provision of statutory surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable		
Capitalized ordinary share dividend		
Ending Balance of Current Year	2,393,852,509.26	

Authorized by the Board of Directors on March 26, 2013, the Company, based on the total 643,080,854 shares, issued cash dividend of RMB1.20 (including tax) for every 10 shares to all shareholders, to a total amount of RMB77,169,702.48.

As at December 31, 2013, the undistributed profits attributable to the Parent Company consist of Surplus reserves of RMB28,740,578.70 from the subsidiaries (Beginning of the year: RMB16,013,138.24, among which the Surplus reserve attributable to the Parent Company from the subsidiaries is RMB3,097,596.79. (Last Year: RMB1,465,556.40).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

43. Non-controlling interest

Non-controlling interest to non-controlling shareholders of each subsidiary

Subsidiary	Holding rights %	Ending Balance	Beginning Balance
Guangzhou Yonglian Steel Structure Co., Ltd.	0		87,179,555.48
Guangzhou Hongfan Technology Co., Ltd.	49	11,876,132.84	10,645,609.18
Fanguang Development Co., Ltd.	20	640,912.40	3,636,479.63
Total	–	12,517,045.24	101,461,644.29

Note 1: As the company's seventh board of director meeting of 2012 approved, the company's subsidiary The RongGuang Development Co., Ltd. has acquired Guangzhou Yonglian Steel Structure Co., Ltd 49% stock, the parent company takes 24%, and the subsidiary takes the rest 25%, the acquisition price is according to the evaluated price on December 31, 2011. On December 31, 2012, the company paid USD661,000,000 turned to RMB4,157,370,000.00; On February 5, 2013, the subsidiary paid USD6,890,000.00, turned to RMB4,330,370,000.00. The related legal procedure has been completed on March 13, 2013, as well as the stock has been transferred. As the date of financial statement, the company takes 100% controlling interest of Guangzhou Yonglian Steel Structure Co., Ltd.

Note 2: As the company's subsidiary Fanguang Development Co., Ltd. 4th board of director meeting approved and the "agreement of transfer of stock of Fanguang Development Co., Ltd." approved, The RongGuang Development Co., Ltd. agreed to pay HKD20,000.00 to acquire 10% stock of Fanguang which was held by Zhiming Ou. The RongGuang Development Co., Ltd. takes 80% stock while Zhimin Ou takes 20% stock after acquisition date. From 2013, the stockholder's equity distributes as the new holders and percentage.

44. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	10,368,939,431.47	8,751,286,502.28
Less: Current liabilities	6,169,822,224.23	4,925,885,003.49
Net current assets	4,199,117,207.24	3,825,401,498.79

45. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	12,600,384,087.70	11,268,553,664.38
Less: current liabilities	6,169,822,224.23	4,925,885,003.49
Total assets less current liabilities	6,430,561,863.47	6,342,668,660.89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

46. Loans

Category:

Items	Ending Balance	Beginning Balance
Short-term loans	46,073,292.62	92,167,796.47
Long-term loans	2,677,624,278.31	2,471,591,867.49
Total	2,723,697,570.93	2,563,759,663.96

(1) Analysis of loans

Items	Ending Balance	Beginning Balance
Bank loans	2,723,697,570.93	2,563,759,663.96
- Due within 5 years	2,123,697,570.93	1,963,759,663.96
- Due after 5 years	600,000,000.00	600,000,000.00
Total	2,723,697,570.93	2,563,759,663.96

(2) Due date analysis

Items	Ending Balance	Beginning Balance
Pay back as required or within 1 year	835,293,097.77	1,150,126,328.12
1-2 years	1,288,404,473.16	813,633,335.84
2-5 years		
Over 5 years	600,000,000.00	600,000,000.00
Total	2,723,697,570.93	2,563,759,663.96

47. Operating income & Operating cost

Items	Current Year	Last Year
Main operation income	4,086,258,574.88	6,343,891,134.59
Other operation income	79,813,410.73	80,192,229.42
Total	4,166,071,985.61	6,424,083,364.01
Main operation cost	3,827,575,277.19	5,904,294,498.50
Other operation cost	39,992,432.07	66,561,023.63
Total	3,867,567,709.26	5,970,855,522.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Gross margin

Items	Current Year	Last Year
Main operation income	4,086,258,574.88	6,343,891,134.59
Main operation cost	3,827,575,277.19	5,904,294,498.50
Gross margin	258,683,297.69	439,596,636.09

(1) Main operation income – classified by products

Items	Current Year		Last Year	
	Main operation income	Main operation cost	Main operation income	Main operation cost
Shipbuilding products	3,084,018,532.47	2,919,815,627.33	5,267,831,171.79	4,944,458,380.90
Steel Structure Engineering	438,553,119.66	393,871,128.68	516,311,292.13	470,741,243.97
Mechanical and electrical products and others	563,686,922.75	513,888,521.18	559,748,670.67	489,094,873.63
Total	4,086,258,574.88	3,827,575,277.19	6,343,891,134.59	5,904,294,498.50

(2) Main operation income – classified by regions

Items	Current Year		Last Year	
	Main operation income	Main operation cost	Main operation income	Main operation cost
China	1,685,753,013.91	1,568,152,662.07	3,563,468,500.15	3,469,549,956.98
Denmark	686,559,419.44	690,268,366.88	541,405,717.48	464,899,406.65
Greece	591,463,044.19	607,983,316.62	449,617,229.92	408,190,424.47
Holland	287,517,148.19	180,418,826.18	697,395,069.40	581,518,037.73
Hong Kong	255,924,935.09	240,494,423.63	134,229,572.54	109,698,943.38
Sweden	231,088,475.09	231,088,475.09	266,824,293.40	253,978,931.41
Australia	88,556,282.04	76,880,258.23	244,045,152.52	233,487,110.37
Chile	84,703,664.41	72,580,500.57		
Canada	57,752,525.61	51,046,625.61	98,415,713.23	89,879,279.33
Switzerland	53,527,607.52	52,080,941.76		
USA	27,716,764.52	23,243,009.82	50,695,105.77	43,790,191.35
Colombia	4,405,310.38	3,484,621.61	115,407,141.45	97,865,493.39
Malta			128,210,255.04	101,545,679.58
Thailand			22,338,172.30	22,264,349.68
Other countries and regions	31,290,384.49	29,853,249.12	31,839,211.39	27,626,694.18
Total	4,086,258,574.88	3,827,575,277.19	6,343,891,134.59	5,904,294,498.50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Other operation income & other operation cost

Items	Current Year		Last Year	
	Other operation income	Other operation cost	Other operation income	Other operation cost
Sales of materials	22,475,381.26	11,237,690.63	5,641,383.47	4,173,717.52
Sales of scrap materials	28,424,359.23	16,148,907.17	11,167,543.89	20,275,361.61
Service income	13,029,338.86	5,026,359.49	24,627,178.63	9,306,568.04
Rental income	10,913,727.30	5,067,128.02	11,967,721.48	3,731,415.62
Energy income	4,970,604.08	2,512,346.76	26,788,401.95	29,073,960.84
Total	79,813,410.73	39,992,432.07	80,192,229.42	66,561,023.63

(4) Contract revenue

Items	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Items
Fixed price contract					
50500 series (tanks for product oil/chemicals)	1,219,070,338.17	1,077,568,363.23	93,627,689.73	1,058,556,819.00	
37500 series (tankers for product oil/chemicals)	906,198,946.35	570,044,392.46	-22,717,270.96	377,813,288.67	4,062,257.66
Special ships	7,099,654,522.40	1,119,181,212.55	59,858,758.82	2,301,229,063.05	
52300 series (tankers for product oil/chemicals)	233,239,127.51	250,882,982.72	-17,588,855.21	233,239,127.51	
48000 series (tankers for crude oil/chemicals)	655,095,182.74	751,325,643.77	-96,230,461.04	655,095,182.73	
76000 series (tankers for crude oil/chemicals)	875,333,440.00	380,761,905.35	107,098,322.01	401,604,310.00	
6000 tankers for product oil	55,659,208.55	98,914,203.56	-41,685,133.07	55,659,208.55	
39000 series (tankers for product oil/chemicals)	191,580,676.46	216,073,840.18	-24,503,284.62	191,580,676.46	
50000 series (bulk carrier)	494,700,854.70	547,025,082.20	-52,324,227.50	493,589,743.59	
50000 series (tankers for product oil/chemicals)	4,958,081,789.80	237,283,107.93		646,971,197.00	495,772,419.85
40000 series (tankers for product oil/chemicals)	337,041,977.16	310,063,531.88	-78,480,696.45	136,626,527.00	36,066,043.69
Ro-ro passenger ship series	411,965,811.97	181,085,793.33	-34,066,685.78	293,400,000.00	28,102,952.18
30.8 WTVLCC	1,035,967,699.00	79,880,504.17		195,136,500.00	
115,000 ton series (tankers for product oil/chemicals)	558,856,536.32	2,488,812.08		54,006,280.00	
250,000 ton series (tankers for product oil/chemicals)	2,105,455,279.43	1,872,600.77		247,932,048.12	
113,000 ton series (tankers for product oil/chemicals)	2,595,105,899.15	5,669,192.76		290,259,225.95	
Total	23,733,007,289.71	5,830,121,168.94	-107,011,844.07	7,632,699,197.63	564,003,673.38

Due to the declining trend of the ship's price and the appreciation of RMB against the U.S. dollar, the estimated total revenue of contracts decrease; as well as the estimated total cost increase because of improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, which lead to the estimated total cost exceeds the estimated total revenue for some ship contracts, resulting in an estimated loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- (5) The total sales revenue for Current Year from top 5 clients is RMB1,608,398,300.45 (Last Year: RMB3,233,483,013.62), accounting for 38.61% of total sales revenue for Current Year. (Last Year: 50.33%), the details are showing below:

Company Name	Operating income	%
LAURITAEN TARKERS A/S	456,748,130.61	10.96
Tomasos Brothers Ins.	427,942,782.90	10.27
FAIRSTAR HEAVY TRANSPORT	287,517,148.19	6.90
Norden	229,811,288.83	5.52
Stena Weco	206,378,949.92	4.95
Total	1,608,398,300.45	38.61

48. Business tax and surcharges

Items	Current Year	Last Year	Tax Base
Business Tax	5,229,410.12	4,415,027.75	Service revenue
City Maintenance and Construction Tax	8,599,108.23	13,356,642.38	Turnover tax payable
Education Surcharge	6,179,833.83	9,585,850.06	Turnover tax payable
Total	20,008,352.18	27,357,520.19	

49. Selling expenses

Items	Current Year	Last Year
Ship maintenance fee	-8,758,299.41	-8,891,131.40
Consignment fee	3,127,322.24	
Salary	4,243,711.40	4,183,028.27
Business expenditure	4,495,826.55	4,367,331.68
Advertisement	877,902.15	694,799.04
Exhibition	486,769.53	498,035.45
Other selling expenses	2,925,001.11	2,889,419.52
Total	7,398,233.57	3,741,482.56

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

50. Administrative expense

Items	Current Year	Last Year
Salaries	148,195,818.58	138,278,783.39
Research and development fee	152,496,768.50	82,085,610.39
Repairing expenses	57,430,584.46	55,518,721.85
Service fee	16,975,684.86	14,974,322.87
Taxation	18,728,999.55	19,851,370.94
Depreciation	13,262,408.79	14,242,631.48
Amortization of intangible assets	12,170,095.83	11,627,541.82
Business entertainment Expense	5,390,745.56	5,924,396.73
Travelling expense	4,029,024.08	4,686,773.97
Security expense	4,759,370.99	3,291,073.57
Agency fee	7,715,171.43	4,937,868.00
Board meeting fee	5,762,466.22	5,411,806.68
Water supply and electricity expense	4,619,071.56	3,984,986.13
Office supply	3,624,194.95	2,753,088.56
Rental expense	4,866,009.08	3,643,656.83
Insurance expense	5,222,534.64	4,535,023.42
Environmental protection fee	3,067,366.43	2,288,853.69
Labor training	2,765,999.97	2,600,000.00
Others	13,362,978.19	10,367,837.68
Total	484,445,293.67	391,004,348.00

51. Finance expenses

(1) Finance expenses category

Items	Current Year	Last Year
Interest expenditure	90,940,249.68	93,119,670.46
Less: Interest income	185,360,997.92	200,229,551.05
Add: Exchange loss	-26,835,360.18	1,635,708.65
Add: Other expenditure	1,827,775.86	4,193,023.71
Total	-119,428,332.56	-101,281,148.23

(2) Interest expenditure category

Items	Current Year	Last Year
Bank loan interest	90,940,249.68	93,119,670.46
Total	90,940,249.68	93,119,670.46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	185,360,997.92	200,229,551.05
Total	185,360,997.92	200,229,551.05

52. Loss from asset devaluation

Items	Current Year	Last Year
Bad debts	-1,675,925.69	-1,681,008.05
Loss from inventory devaluation	220,164,195.56	413,231,639.71
Total	218,488,269.87	411,550,631.66

53. Gain or loss on changes in fair value

Items	Current Year	Last Year
Financial assets held-for-trading	46,571,580.25	2,632,508.21
From: Derivative financial instruments	46,571,580.25	2,632,508.21
Financial liabilities held-for-trading		936,395.19
From: Derivative financial instruments		936,395.19
Total	46,571,580.25	3,568,903.40

54. Realized gain on investments

(1) Source of Realized gain on investments

Items	Current Year	Last Year
Realized gain on Long-term equity investment, equity method	2,299,872.96	2,996,833.16
Realized gain on Long-term equity investment, cost method	33,010.00	80,838.00
Realized gain on holding Available-for-sale financial assets	11,032,819.50	7,411,213.00
Realized gain on disposal of Available-for-sale financial assets	147,386,282.79	59,259.00
Realized gain on disposal of Financial assets held-for-trading	41,720,705.00	23,741,670.65
Realized gain on disposal of Financial liabilities held-for-trading		-582,971.01
Total	202,472,690.25	33,706,842.80

The Realized gain on investments for Current Year, through listed companies and non-listed companies is RMB158,419,102.29 and RMB2,332,882.96 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Realized gain on Long-term equity investments, equity method

Items	Current Year	Last Year
Total	2,299,872.96	2,996,833.16
From: Zhenjiang Shipyard modern power generation equipment Co., Ltd.	1,353,590.51	2,227,730.52
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	863,941.61	753,210.50
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	82,340.84	15,892.14

55. Non-operating income

(1) Non-operating income category

Items	Current Year	Last Year
Gain on disposal of non-current assets	42,357.34	3,318,380.28
From: gain on disposal of Fixed assets	42,357.34	3,318,380.28
Government grants	81,212,101.69	259,655,559.05
Penalty income	31,000.00	133,545.00
Compensation income	9,786,135.21	7,130,606.53
Others	1,747,072.14	1,649,064.15
Total	92,818,666.38	271,887,155.01

The non-operating gains or losses for Current Year are RMB48,050,226.29. (Last Year: RMB31,237,526.13)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Government grants category

Items	Current Year	Last Year	Note	Items
Product subsidy	44,385,422.56	240,649,628.88	Government financial funding	Related to profit
Research and Development of technology of classical cabin layout and decoration luxury cruise ship design	12,000,000.00		Government financial funding	Related to profit
Shipbuilding technology research	8,022,033.38		Government financial funding	Related to profit
ship construction projects	3,323,578.30	1,229,502.14	Government financial funding	Related to asset
Research and Development of technology of Complex component modeling	2,700,000.00		Government financial funding	Related to profit
Interest Subsidy	2,286,410.00	4,052,030.00	Interest subsidy on financial exporting in Liwan District	Related to profit
The innovative enterprise special research in guangzhou	1,589,725.06	1,410,274.94	Government financial funding	Related to profit
High-tech personnel subsidies	1,500,000.00		High-tech personnel subsidies	Related to profit
Tax refund of selling self-produced software	1,306,831.80		Tax Bureau of Liwan district: No. 2000/18	Related to profit
Construction of fundamental condition of quality department measurement station project	1,063,571.92		Government financial funding Construction of fundamental condition of quality department measurement station project	Related to asset
Enterprise technology center of innovation ability construction projects	300,000.00	300,000.00	Government financial funding Enterprise's innovation of technology	Related to asset
The employment of university graduates trainee subsidies	81,834.72	530,257.20	Guangzhou financial bureau The employment of university graduates trainee subsidies	Related to profit
Economic incentive subsidies		5,000,000.00	Guangzhou financial bureau branch of payment: 2012 economic incentive subsidies	Related to profit
Public service platform construction of foreign trade		1,880,100.00	Financial bureau branch of payment of Liwan district: Public service platform construction of foreign trade	Related to profit
Service outsourcing development special funds		794,700.00	Financial bureau branch of payment of Liwan district: 2013 service outsourcing development special funds	Related to profit
Export credit insurance special funds		329,959.89	Financial bureau branch of payment of Liwan district: 2013 export credit insurance special funds	Related to profit
Others	2,652,693.95	3,479,106.00		Related to profit
Total	81,212,101.69	259,655,559.05		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

56. Non-operating expense

Items	Current Year	Last Year
Loss on disposal of non-current assets	279,828.05	441,335.15
Loss on disposal of fixed assets	279,828.05	441,335.15
Donation	99,552.16	204,781.12
Penalties	955,598.82	1,751,431.35
Compensation	40,419.50	85,333.12
Others	1,375,398.53	2,482,880.74

The non-operating gains or losses for Current Year are RMB1,375,398.53. (Last Year: RMB2,482,880.74)

57. Income tax expenses

(1) Income tax expenses

Items	Current Year	Last Year
Current income tax expenses	26,977,356.88	29,468,224.86
China	25,628,972.46	29,033,053.29
Hong Kong	1,559,344.70	435,171.57
Accruals and/or deferrals from previous years	-210,960.28	
Deferred income tax expenses	-14,434,221.73	-20,554,537.68
Total	12,543,135.15	8,913,687.18

(2) The reconciliation sheet between Current income tax and total income

Income tax expenses calculation is based on the profit (loss) in the consolidated income statement and the applicable tax rates:

Items	Current Year	Last Year
Total profit (Consolidated Income Statement)	28,079,997.97	27,535,028.17
Income tax calculated at tax rate of 15% (Last Year: 15%)	4,211,999.70	4,130,254.23
Tax-free income effect	-11,941,057.29	-1,111,681.95
Non-deductible fees effect	7,446,617.87	3,393,496.51
Unrecognized deductible loss and deductible temporary differences effect		
Special tax exemption effect	2,366,290.86	811,631.64
Different tax rates effect		
Utilization of unrecognized deductible loss and deductible temporary differences of previous years	10,248,323.73	1,721,917.31
Less than accrued income tax of Last Year	210,960.28	-31,930.56
Tax rates effect on the beginning balance changes of deferred income tax assets/liabilities		
Total Income Tax	12,543,135.15	8,913,687.18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

58. Audit fees

The audit fees charged in Current Year is RMB1.85 million. (Last Year: 2.18 million)

59. Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company (the numerator) divided by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company's net profit after adjustment of the following factors: (1) the recognized interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average number of issued ordinary shares of the Company in basic earnings per share; and (2) the weighted average number of shares after conversion of the dilutive potential ordinary shares into ordinary shares.

In calculating the weighted average number of shares after conversion of dilutive potential ordinary shares into ordinary shares, the dilutive potential ordinary shares which were converted in previous years are assumed to be converted at the beginning of This Period and the dilutive potential ordinary shares which were converted during This Period are assumed to be converted at the conversion date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Basic EPS and Diluted EPS are calculated as followed:

Items	No.	Current Year	Last Year
Net profit attributable to shareholders of Parent Company	1	13,599,718.51	10,327,540.44
Non-operating profit and loss attributable to shareholders of Parent Company	2	239,610,119.27	48,898,099.31
Net profit after deducting non-operating profit and loss attributable to shareholders of Parent Company	3=1-2	-226,010,400.76	-38,570,558.87
Total number of shares at the beginning of the year	4	643,080,854.00	643,080,854.00
The number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
The number of shares increased due to issuance of new shares or debt for equity swap (II)	6		
The number of months from next month to the year end regarding the number of shares (II)	7		
The number of shares decreased due to stock repurchase	8		
The number of months from the next month to the year end regarding the decrease of shares	9		
Shares decreased due to share shrinkages	10		
Duration of the period in terms of month	11	12.00	12.00
Weighted average number of ordinary shares issued out	12=4+5+6x7÷11-8x9÷11-10	643,080,854.00	643,080,854.00
Basic EPS (I)	13=1÷12	0.0211	0.0161
Basic EPS (II)	14=3÷12	-0.3514	-0.0600
Potential diluted interests of ordinary shares recognized as expense	15		
Transfer fee	16		
Income tax rate	17	0.15	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	18		
Diluted EPS (I)	19=[1+(15-16)x(1-17)]÷(12+18)	0.0211	0.0161
Diluted EPS (II)	20=[3+(15-16)x(1-17)]÷(12+18)	-0.3514	-0.0600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

60. Dividends

As at December 31, 2013, that annual dividends occurred by December 31, 2012 has been announced to be distributed RMB77,169,702.48. (Year 2012: none)

According to the *decisions of board of directors* stated on March 17, 2014, the distribution plan as following: the company distributes RMB126,008,994 to its parent company; After makes 10% statutory reserve, the undistributed profit is RMB2,305,080,726.41; As if after the company issues H stock, the total capital stock base is 1,030,534,651, every ten share will be distributed RMB0.1 cash dividend (including tax), totaling cash dividend is RMB10,305,346.51 (including tax), the rest undistributed profit will be transferred to the next year.

61. Other comprehensive income

Items	Current Year	Last Year
1. Items to be reclassified to profit and loss when qualified in future accounting periods		
	-181,399,847.22	31,977,123.00
Gains and losses from Available-for-sale financial assets	-1,540,000.00	31,977,123.00
Less: Tax effects of available-for-sale financial assets	-231,000.00	4,796,568.46
Transferred from Other Comprehensive Income in previous year to current profit and loss	180,090,847.22	
2. Items cannot be classified in the future accounting periods		
	-	
Total	-181,399,847.22	27,180,554.54

62. Supplemental information for Consolidated Profit and loss Statement

Expenses includes: operating expense, selling expense, administrative expenses, the details are listed by nature as bellows:

Items	Current Year	Last Year
Raw material consumed	2,172,272,592.07	3,667,545,051.48
Salaries expense	1,159,581,461.69	1,253,527,201.40
Depreciation expense	123,429,236.40	106,792,392.30
Amortization	11,778,086.85	11,627,541.82
Product specific fee	733,605,521.77	1,106,311,828.74
Power cost	48,266,195.15	59,022,467.70
Taxes and surcharges	46,284,461.66	50,776,035.83
Others	64,193,680.91	109,998,833.42
Total	4,359,411,236.50	6,365,601,352.69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

63. Notes to the Consolidated Cash Flow Statement

(1) Other cash receipts or payments from operating activities, investing activities and financing activities

1) Other cash receipts from operating activities

Items	Current Year	Last Year
Government subsidies	191,952,882.05	152,440,114.95
Tender guarantees received	44,260,000.00	22,500,000.00
Guarantees received	37,108,352.75	16,000,120.00
Deposits received	20,392,700.00	21,200,000.00
Deposits from unemployed labor received	12,001,000.00	5,000,000.00
Tender guarantees received	10,750,000.00	9,500,000.00
Housing assistance received	1,490,060.00	
Others	1,011,866.56	746,363.91
Total	318,966,861.36	227,386,598.86

2) Other cash payments from operating activities

Items	Current Year	Last Year
Administrative Expense	52,255,034.89	76,498,769.79
Manufacturing overhead	46,972,719.18	62,216,223.45
Research & Development Expense	42,250,230.00	35,004,560.00
Sales Expense	25,183,349.41	32,330,973.69
Returned deposits from unemployed labor	15,000,000.00	10,000,000.00
Tender guarantees	14,000,000.00	28,000,000.00
Returned tender guarantees	8,000,000.00	10,500,000.00
Paid other guarantees	5,412,225.00	15,460,324.42
Others	1,589,481.16	1,177,659.52
Total	210,663,039.64	271,188,510.87

3) Other cash receipts from investing activities

Items	Current Year	Last Year
Fixed deposit pledge resolution	1,685,219,631.46	2,376,586,415.06
Interest income from deposit	213,880,782.49	200,229,551.05
Total	1,899,100,413.95	2,576,815,966.11

4) Other cash payment from investing activities

Items	Current Year	Last Year
Fixed deposit pledge	1,637,253,070.82	1,178,901,641.35
Total	1,637,253,070.82	1,178,901,641.35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

5) Other cash payments from financing activities

Items	Current Year	Last Year
Fees related to Shuguag project	4,500,251.00	
Others	316,130.46	48,261.30
Total	4,816,381.46	48,261.30

(2) Supplemental information for Consolidated Cash Flow Statement

Items	Current Year	Last Year
1. Reconciliation of not profit to cash flows from operating activities		
Net profit	15,536,862.82	18,621,340.99
Add: Provision for impairment	218,488,269.87	411,550,631.66
Fixed assets depreciation	137,392,371.81	118,233,124.26
Intangible assets amortization	11,778,086.85	12,158,395.46
Long-term deferred expenses amortization	1,184,738.90	1,165,288.20
Loss from disposal of Fixed assets, Intangible assets and other long-term assets (gain marked "-")	237,470.71	-2,877,045.13
Loss from scrapped of Fixed assets		
Loss on changes in fair value (gain marked "-")	-46,571,580.25	-3,568,903.40
Finance costs (gain marked "-")	-134,789,076.82	-98,540,472.44
Realized loss on investments (gain marked "-")	-202,472,690.25	-33,706,842.80
Decrease in Deferred tax assets (increase marked "-")	-21,655,560.60	-21,004,994.09
Increase in Deferred tax liabilities (decrease marked "-")	7,313,799.64	450,456.41
Decrease in Inventories (increase marked "-")	-737,477,404.57	883,848,594.46
Decrease in operating receivables (increase marked "-")	-834,029,741.71	-181,071,395.80
Increase in operating payables (decrease marked "-")	1,307,703,133.06	-1,252,909,722.60
Others		
Net Cash Flow From Operating Activities	-277,361,320.54	-147,651,544.82
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents		
Ending balance	3,833,201,140.97	3,750,208,522.25
Less: Beginning balance	3,750,208,522.25	2,960,018,580.11
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	82,992,618.72	790,189,942.14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Cash and Cash Equivalents

Items	Current Year	Last Year
Cash	3,833,201,140.97	3,750,208,522.25
Including: Cash	260,614.03	208,049.11
Bank deposit available-for-use	3,832,832,344.21	3,749,900,162.61
Other cash fund available-for-use	108,182.73	100,310.53
Deposits in central bank available-for-use		
Deposits in other banks		
Replacement in other banks		
Cash Equivalents		
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	3,833,201,140.97	3,750,208,522.25
Including: Restricted Cash and Cash Equivalents available-for-use to Parent Company or Subsidiaries		

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Related party relationships

(1) Controlling shareholder and the ultimate controller

1) Controlling shareholder and the ultimate controller

Company name	Nature	Registration place	Business type	Legal representative	Organization code
China state shipbuilding corporation	State-owned business	Shanghai	Shipbuilding	Hu Wenming	710924478

2) Change of capital

Controlling shareholder	Beginning Balance ('000,000)	Increase	Decrease	Ending Balance ('000,000)
China state shipbuilding corporation	6,374.3			6,374.3

3) Change of holding shares or equity

Controlling shareholder	Holding amounts		Holding rights %	
	Ending Balance	Balance Ending	Beginning Balance	Beginning Balance
China state shipbuilding corporation	252,610,380.00	252,610,380.00	35.71	35.71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Subsidiaries

1) Subsidiaries

See Note IV. in details.

2) The registered capital of subsidiaries and the change

The registered capital of subsidiaries, please refer to Note IV. The registered capital of the subsidiary does not change during Current Year except for the following subsidiaries:

Name of shareholder	Beginning Balance	Increase	Decrease	Ending Balance
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	500,000.00	4,500,000.00		5,000,000.00

3) Change of holding shares or equity

The Group's shareholding situation in subsidiaries, see Note IV. The Group's shareholding in subsidiaries or interests has not changed except for the following subsidiaries:

Name of subsidiary	Holding amounts		Holding rights %	
	Ending Balance ('000)	Beginning Balance ('000)	Ending Balance	Beginning Balance
Guangzhou Yonglian Steel Structure Co., Ltd	122,399.4	37,522.1	100.00	51.00
Fanguang Development Co., Ltd.	141	123.5	80.00	70.00

(3) Joint ventures and associates

The Group has no joint ventures, associates refer to Note V/12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) Other related parties

Type	Company name	Business type	Organization code
Under common control of the controlling shareholder and the ultimate controller			
	Guangzhou Shipyard Co., Ltd.	Purchasing materials, marine accessories and technical labor services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labor services	199124798
	The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	Marine accessories	769750177
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	769756704
	CSSC Nanjing Oasis Machine Co., Ltd.	Equipment	134905382
	Shanghai Merchant Vessel Design and Research Institute	Purchasing materials	717810086
	The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Marine accessories	56586979
	Shanghai DeruiSihua Ships Equipment Co., Ltd.	Marine accessories	660813517
	Anqing CSSC Diesel Engine Co., Ltd.	Equipment	151306277
	Guangzhou Longxue Pipe Co., Ltd.	Purchasing materials	696938450
	China Marine Power Co., Ltd.	Marine accessories, equipment	731778430
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	190550010
	9th Design and Research Institute of the China Shipbuilding	Labor and technical services	425014619
	Guangzhou Shipbuilding Corporation	Purchasing goods and services	190506722
	The ship survey and Design Institute (Xiamen) Co., Ltd.	Labor and technical services	13294352-9
	Guangzhou Longxue Shipbuilding Co., Ltd.	Purchasing goods and services, selling goods and rendering services	788925331
	The 11th Research Institute of CSSC Design and Research Institute of China Shipbuilding and Marine Engineering	Marine accessories, equipment Purchasing goods and services	71780666-9 425007603
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, equipment	669401543
	CSSC Xijiang Shipbuilding Co., Ltd.	Purchasing materials	198600924
	Guangzhou Wenchong Shipyard Co. Ltd.	Selling goods and rendering services	190500830
	Guijiang Shipbuilding Co., Ltd.	Purchasing goods and services, selling goods and rendering services	199125619
	Shanghai Lingang Ship Equipment Co., Ltd.	Labor and technical services	67464709-7
	Hualian Ship Co., Ltd.	Purchasing goods and services	Oversea company
	Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	Marine accessories	792801606
	China Ship Power Station Equipment Co., Ltd.	Equipment	756976070
	Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Purchasing goods and services	781228314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Type	Company name	Business type	Organization code
Under common control of the controlling shareholder and the ultimate controller			
	National Engineering Research Center of Shanghai ship design technology Co., Ltd.	Purchasing goods and services	766907124
	The ship survey and Design Institute Co., Ltd.	Purchasing goods and services	132943529
	China Shipbuilding Technology Institute of Economic Research	Purchasing goods and services	400000472
	Jiangxi Chaoyang Machinery Factory	Purchasing goods and services	158261489
	Guangzhou Huangpu Shipbuilding Co., Ltd.	Purchasing goods and services, selling goods and rendering services	190500419
	Guangzhou CSSC Ship Steel Co. Ltd.	Labor and technical services	799437720
	The Shanghai Shipbuilding Institute survey Geotechnical Engineering Co., Ltd.	Labor and technical services	155729481
	Anqing Marine Electric Co., Ltd.	Purchasing materials	771102718
	Huawai Marine cargo access equipment company	Purchasing goods and services	132203280
	Beijing Shipbuilding Information Technology Co., Ltd.	Selling goods and rendering services	802042333
	Eastern Shanghai Shipbuilding Electric Co., Ltd.	Purchasing goods and services	780563727
	China Shipbuilding Trading Company	Purchasing goods and services	100001027
	Shipbuilding International Trading Co., Ltd.	Purchasing goods and services	703424416
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Selling goods and rendering services	717806431
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Purchasing goods and services	683265787
	CSSC Chengxi Shipbuilding Co., Ltd.	Selling goods and rendering services	142243024
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Selling goods and rendering services	631423632
	CSSC Jiangnan Heavy Industry Co., Ltd.	Selling goods and rendering services	132283663
	CSSC Finance Co., Ltd.	Accepting financial services	100027155
	Guangzhou Huangchuan Ocean Engineering Co. Ltd.	Materials	685212910
	Guangzhou Shipyard HR Service Co. Ltd.	Labor and technical services	664021381
	Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.	Selling goods	759441020
	Jiangxi Marine Valve Factory	Purchasing goods and services	158261171
	Shanghai Navigation Instrument Co., Ltd.	Purchasing goods and services	767236625
	Shanghai Shipbuilding Corporation	Purchasing goods and services	132204830
	Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	Purchasing goods and services	797013289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Related party transactions

(1) Consolidated

1) Purchasing goods or services

Company Name	Transactions type	Current Year		Last Year	
		Amount	(%)	Amount	(%)
Joint ventures and associates					
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd	Labor technical services	311,197.45	0.03	2,285,522.21	0.47
Under common control of the controlling shareholder and the ultimate controller					
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Purchasing materials	732,051,136.06	18.93	12,152,313.71	0.21
Guangzhou Shipyard Co., Ltd.	Purchasing materials, marine accessories and technical labor services	88,074,786.86	2.28	151,000,713.33	2.55
Guangzhou Longxue Shipbuilding Co., Ltd	Purchasing materials and services	76,537,302.39	1.98	4,030,813.81	0.07
China Marine Power Co., Ltd.	Equipment	50,401,709.40	1.30	72,742,376.07	1.23
CSSC Nanjing Oasis Machine Co., Ltd.	Equipment	19,570,598.30	0.51	54,661,376.04	0.93
Shanghai Merchant Vessel Design and Research Institute	Labor and technical services	18,947,792.45	0.49	15,020,200.00	0.25
Anqing CSSC Diesel Engine Co., Ltd.	Equipment	10,341,880.34	0.27	11,025,641.04	0.19
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	9,530,465.59	0.25	24,831,652.04	0.42
Guangzhou Shipbuilding Corporation	Purchasing materials	6,371,854.59	0.16	6,836,645.45	0.12
The ship survey and Design Institute (Xiamen) Co., Ltd.	Labor and technical services	6,026,425.63	0.16	554,235.75	0.01
China Shipbuilding Industry complete Logistics Co., Ltd.	Purchasing materials	5,972,732.74	0.15		
Shanghai Navigation Instrument Co., Ltd.	Purchasing materials	5,813,736.00	0.15		
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Marine accessories	5,673,141.02	0.15	4,118,952.99	0.07
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Purchasing materials	3,600,000.00	0.09		
The 11th Research Institute of CSSC 9th Design and Research Institute of the China Shipbuilding	Labor and technical services	3,469,102.55	0.09		
Shanghai Merchant Ship Design and Research Institute	Purchasing goods and services	2,425,471.70	0.06		
Beijing Shipbuilding Information Technology Co., Ltd.	Purchasing materials	2,056,654.32	0.05	170,940.18	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	962,905.98	0.02	1,088,230.77	0.02
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	Equipment	738,461.54	0.02		
China Shipbuilding Technology Institute of Economic Research	Purchasing goods and services	671,844.40	0.02		
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	304,811.39	0.01		
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Purchasing materials	256,410.26	0.01		
Guangzhou Longxue Pipe Co., Ltd.	Purchasing materials	114,480.40	0.00		
Guijiang Shipbuilding Co., Ltd.	Marine accessories	85,299.15	0.00	4,035,897.43	0.07
Jiangxi Chaoyang Machinery Factory	Marine accessories	24,179.49	0.00	396,640.94	0.01
Design and Research Institute of China Shipbuilding and Marine Engineering	Labor and technical services			9,613,867.93	0.16
Eastern Shanghai Heavy Machinery Co., Ltd.	Equipment			40,050,000.00	0.68
Department of Systems Engineering of CSSC	Marine accessories			28,200,000.00	0.48
CSSC Xijiang Shipbuilding Co., Ltd.	Purchasing materials			6,410,256.40	0.11
Guangzhou Wenchong Shipyard Co. Ltd.	Purchasing materials			6,253,008.55	0.11
Shanghai Lingang Ship Equipment Co., Ltd.	Labor and technical services			3,377,119.72	0.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Company Name	Transactions type	Current Year		Last Year	
		Amount	(%)	Amount	(%)
Hualian Ship Co., Ltd.	Purchasing materials			2,672,650.14	0.05
Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	Marine accessories			2,604,487.18	0.04
China Ship Power Station Equipment Co., Ltd.	Equipment			2,085,000.00	0.04
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labor and technical services			1,741,337.60	0.03
National Engineering Research Center of Shanghai ship design technology Co., Ltd.	Marine accessories			669,230.77	0.01
The ship survey and Design Institute Co., Ltd.	Labor and technical services			662,218.86	0.01
China Shipbuilding Technology Institute of Economic Research	Labor and technical services			624,981.20	0.01
Guangzhou Huangpu Shipbuilding Co., Ltd.	Labor and technical services			202,165.86	0.00
Guangzhou CSSC Ship Steel Co. Ltd.	Labor and technical services			156,584.25	0.00
The Shanghai Shipbuilding Institute survey Geotechnical Engineering Co., Ltd.	Labor and technical services			103,400.00	0.00
Anqing Marine Electric Co., Ltd.	Purchasing materials			61,538.46	0.00
Huawai Marine cargo access equipment company	Purchasing materials			3,200.00	0.00
Total		1,053,435,450.63	18.94	481,886,233.56	8.17

Note: Pricing policy

- (a) Purchase price of electronic appliance, metallic materials and marine complement are based on market price.
- (b) Purchase price of marine equipment, if there are two or more related parties competed as supplier, after consideration of factors such as inventory cycle, quality of products and services of suppliers, are negotiated with basis on market price. If there is only one related party as supplier due to technical specifications or restrictions, the price should be arm's length as that provided by a third independent party.
- (c) 10% increase of labour cost is executed during the peak production period
- (d) Purchase price of cabin-cleaning, ship design and relevant technical services are based on market price.
- (e) Purchase prices of medical care, food and beverage, infant care, training for labours, management fee for residence, etc, are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Sell goods or render services

Company Name	Transactions type	Current Year		Last Year	
		Amount	(%)	Amount	(%)
Joint ventures and associates					
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	Labour and technical services			182,032.37	0.1
Under common control of the controlling shareholder and the ultimate controller					
Guangzhou Longxue Shipbuilding Co., Ltd.	Labour and technical services	224,136,039.14	5.38	128,436,109.43	2.02
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labour technical services	107,783,116.80	2.59	1,352,181.64	0.02
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Selling materials	21,683,778.70	0.52		
Guangzhou Huangpu Shipbuilding Co., Ltd.	Selling materials, rendering labour and technical services	15,448,343.51	0.37	21,314,078.82	0.34
Guangzhou Shipyard Co., Ltd.	Labour technical services	10,459,397.46	0.25	23,320,098.50	0.37
Guangzhou Longxue Pipe Co., Ltd.	Labor technical services	3,843,915.10	0.09	9,140.56	
Guangzhou CSSC Marine Diesel Engine Co., Ltd.	Labour technical services	1,091,966.88	0.03	1,452,310.20	0.02
CSSC Southern China Ship Machinery Co., Ltd.	Power supply	1,089,420.68	0.03	1,010,702.27	0.02
Beijing Shipbuilding Information Technology Co., Ltd.	Materials	925,455.57	0.02	175,854.70	
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Power supply	848,459.95	0.02	94,047.15	
Guangzhou Wenchong Shipyard Co. Ltd.	Labour technical services and services	707,351.01	0.02	3,234,837.68	0.05
Department of Systems Engineering of CSSC	Labour technical services	245,283.02	0.01		
Shanghai Merchant Ship Design and Research Institute	Labour technical services	205,128.21	0.00		
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	Labour technical services	98,717.94	0.00		
Guangzhou Huangchuan Ocean Engineering Co. Ltd.	Materials	79,065.10	0.00	21,929.93	
China Shipbuilding Technology Institute of Economic Research	Labour technical services	72,641.51	0.00		
CSSC Finance Co., Ltd.	Labour technical services	34,188.03	0.00	33,018.87	
Guangzhou Shipbuilding Corporation	Materials	28,301.89	0.00	1,196.58	
Jiangxi Marine Valve Factory	Labour technical services	26,264.15	0.00		
CSSC Jiangnan Heavy Industry Co., Ltd.	Labour technical services	18,867.92	0.00	92,307.69	
Guijiang Shipbuilding Co., Ltd.	Labour and technical services	14,674.53	0.00	16,077.26	
Design and Research Institute of China Shipbuilding and Marine Engineering	Labour technical services			228,113.21	
CSSC Chengxi Shipbuilding Co., Ltd.	Labour technical services			162,393.16	
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Labour technical services			150,000.00	
CSSC Xijiang Shipbuilding Co., Ltd.	Labour technical services			102,564.10	
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Labour technical services			2,564.10	
Guangzhou Shipyard HR Service Co. Ltd.	Labour technical services			658.12	
Total		388,840,377.10	9.33	181,392,216.34	2.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Note: Pricing policy

- (a) Sale price of electrical and mechanical equipment and metal materials to be based on market price.
- (b) Supply of electricity to be based on cost plus 20% to 25% of administrative expense.
- (c) Labour service and design and technical services to be based on market price or cost plus 10% to 25% of administrative expense, which will not be lower than the price sold to independent third parties.

3) Financial services

(a) Deposits

Company Name	Balance		Interest income	
	Ending Balance	Beginning Balance	Current Year	Last Year
CSSC Finance Co., Ltd.	599,589,174.38	599,458,828.86	16,689,999.15	13,938,214.41

Note: Pricing policies

Interest income to be based on the basic interest rate set by People's Bank of China, subject to minimum of interest rate provided by CSSC to other third party or the deposit rate provided to the Company by the commercial banks.

(b) Loans

Company Name	Balance		Interest income	
	Ending Balance	Beginning Balance	Current Year	Last Year
CSSC Finance Co., Ltd.	600,000,000.00	600,000,000.00	30,416,666.64	13,916,666.66

Note: The Company has obtained loans of 600 million from Finance Co., CSSC for Current Year, for a period of July 18, 2012 to July 15, 2019, the interest rate is 5%.

Pricing policy: The interest rate is based on the basic interest rate (6.55%) set by People's Bank of China, with some decreasing adjustments.

4) Guarantee by related party

No guarantee was provided by related party for Current Year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

5) Other related party transactions

Items	Company Name	Current Year	Last Year	Pricing policy
Sales agency fees	China Shipbuilding Trading Company	13,833,227.66	24,771,298.65	Note
Sales agency fees	Shipbuilding International Trading Co., Ltd.	3,293,917.88	10,785,666.60	Note
Purchasing agent fees	Hualian Ship Co., Ltd.	2,128,592.71	1,587,258.36	Note
Purchasing agent fees	China Shipbuilding Trading Company	3,150,928.10	125,253.80	Note

Note: Pricing policy: the sales agency fees shall not exceed the 1% of pricing basis of contract price; the purchasing agency fees shall range from 1%-2% of the contract price.

6) Related party lease

Lessor name	Lessee name	Leased asset type	Beginning date	Ending date	Rental fee pricing basis	Rental fee recognized in 2013
Guangzhou Longxue Shipbuilding Co., Ltd.	Guangzhou Shipyard International Marine Engineering Co., Ltd.	Buildings and equipment	2013.1.1	2013.12.31	Market price	427,350,000.00

Note: Our subsidiary, Guangzhou Shipyard International Marine Engineering Co., Ltd. signed a one-year lease contract with, Guangzhou Longxue Shipbuilding Co., Ltd. The lease covers Guangzhou Longxue Shipbuilding Co., Ltd.'s office building, workshop, facilities, equipment and other assets; the rent is \$ 50 million (including tax)/year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Parent Company

1) Purchase goods or services

Company Name	Related party transactions	Pricing policy	Current Year		Last Year	
			Amount	%	Amount	%
Under common control of the controlling shareholder and the ultimate controller						
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Purchasing materials	Note	698,635,972.10	22.25	12,152,313.71	0.23
Guangzhou Shipyard Co., Ltd.	Labor technical services	Note	72,007,254.75	2.29	141,370,684.66	2.64
China Marine Power Co., Ltd.	Product equipment	Note	50,401,709.40	1.60	72,742,376.07	1.36
Nanjing CSSC Oasis Machinery Co. Ltd.-Zhenjiang marine auxiliary machinery factory	Product equipment	Note	19,570,598.30	0.62	54,661,376.04	1.02
A Research Institute of China Shipbuilding Industry Corp	Marine accessories	Note	18,947,792.45	0.60	28,200,000.00	0.53
Anqing CSSC Diesel Engine Co., Ltd.	Product equipment	Note	10,341,880.34	0.33	11,025,641.04	0.21
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	Note	9,440,393.16	0.30	21,705,156.30	0.41
Guangzhou Shipbuilding Corporation	Purchasing materials	Note	6,371,854.59	0.20	6,836,645.45	0.13
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Marine accessories	Note	5,673,141.02	0.18	4,118,952.99	0.08
Design and Research Institute of China Shipbuilding and Marine Engineering	Marine accessories	Note	2,425,471.70	0.08	9,613,867.93	0.18
Beijing Shipbuilding Information Technology Co., Ltd.	Purchasing materials	Note	2,056,654.32	0.07	170,940.18	0
The ship survey and Design Institute (Xiamen) Co., Ltd.	Purchasing materials	Note	1,500,301.88	0.05	86,185.10	0
9th Design and Research Institute of the China Shipbuilding	Labor technical services	Note	1,226,415.09	0.04	3,847,735.86	0.07
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	Note	962,905.98	0.03	1,088,230.77	0.02
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	Marine accessories	Note	738,461.54	0.02	2,604,487.18	0.05
China Shipbuilding Technology Institute of Economic Research	Labor technical services	Note	671,844.40	0.02	624,981.20	0.01
Guangzhou Longxue Shipbuilding Co., Ltd.	Labor technical services	Note	456,823.24	0.01	1,356,687.69	0.03
Jiangxi Chaoyang Machinery Factory	Marine accessories	Note	24,179.49	0.00	396,640.94	0.01
China Shipbuilding Industry complete Logistics Co., Ltd.	Purchasing materials	Note	5,972,732.74	0.19	396,641.94	0.00
Shanghai Navigation Instrument Co., Ltd.	Purchasing materials	Note	5,813,736.00	0.19	396,642.94	0.00
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Labor technical services	Note	3,600,000.00	0.11	396,643.94	0.00
The 11th Research Institute of CSSC	Labor technical services	Note	3,469,102.55	0.11	396,644.94	0.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labor technical services	Note	258,595.39	0.01	396,645.94	0.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Company Name	Related party transactions	Pricing policy	Current Year		Last Year	
			Amount	%	Amount	%
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labor technical services	Note	256,410.26	0.01	396,646.94	
Guangzhou Longxue Pipe Co., Ltd.	Purchasing materials	Note	114,480.40	0.00	396,647.94	
Guijiang Shipbuilding Co., Ltd.	Labor technical services	Note	85,299.15	0.00	396,648.94	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Labor technical services	Note	46,216.00	0.00	396,649.94	
Eastern Shanghai Heavy Machinery Co., Ltd.	Product equipment	Note			40,050,000.00	0.75
Shanghai Merchant Ship Design and Research Institute	Labor technical services	Note			15,020,200.00	0.28
CSSC Xijiang Shipbuilding Co., Ltd.	Purchasing materials	Note			6,410,256.40	0.12
Guangzhou Wenchong Shipyard Co. Ltd.	Purchasing materials	Note			6,253,008.55	0.12
Guijiang Shipbuilding Co., Ltd.	Marine accessories	Note			4,035,897.43	0.08
Hualian Ship Co., Ltd.	Purchasing materials	Note			2,672,650.14	0.05
China Ship Power Station Equipment Co., Ltd.	Product equipment	Note			2,085,000.00	0.04
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labor technical services	Note			1,741,337.60	0.03
Shanghai Lingang Ship Equipment Co., Ltd.	Purchasing materials	Note			1,258,316.24	0.02
National Engineering Research Center of Shanghai ship design technology Co., Ltd.	Marine accessories	Note			669,230.77	0.01
The ship survey and Design Institute Co., Ltd.	Purchasing materials	Note			406,603.76	0.01
Guangzhou Huangpu Shipbuilding Co., Ltd.	Purchasing materials	Note			202,165.86	0
Guangzhou CSSC Ship Steel Co. Ltd.	Labor technical services	Note			156,584.25	0
Anqing Marine Electric Co., Ltd.	Purchasing materials	Note			61,538.46	0
Huahai Marine cargo access equipment company	Purchasing materials	Note			3,200.00	0
Joint ventures and associates						
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	Labor technical services	Note			1,812,159.37	0.03
Total			921,070,226.24	29.33	455,441,051.94	8.52

Note: Pricing principles refer to Note VI.2/(1)/1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Sell goods and render services

Company Name	Related party transactions	Pricing policy	Current Year		Last Year	
			Amount	%	Amount	%
Under common control of the controlling shareholder and the ultimate controller						
Guangzhou Longxue Shipbuilding Co., Ltd	Labor technical services	Note	16,045,785.33	0.48	12,836,739.13	0.23
Guangzhou Shipyard Co., Ltd.	Labor technical services	Note	931,006.56	0.03	4,734,436.11	0.08
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labor technical services	Note	468,404.72	0.01	997,739.32	0.02
Guangzhou Wenchong Shipyard Co. Ltd.	Operating lease	Note	542,803.42	0.02	308,610.00	0.01
Guangzhou CSSC Marine Diesel Engine Co., Ltd. China Special Coating Industrial Co., Ltd.	Labor technical services	Note	97,595.14	0.00	200,487.89	0.00
Guangzhou Huangpu Shipbuilding Co., Ltd.	Labor technical services	Note	252,433.02	0.01	151,148.85	0.00
CSSC Southern China Ship Machinery Co., Ltd.	Labor technical services	Note	68,485.85	0.00	92,088.31	0.00
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Power supply	Note	377.36	0.00	85,910.40	0.00
Gujiang Shipbuilding Co., Ltd.	Labor technical services	Note	14,674.53	0.00	16,077.26	0.00
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Labor technical services	Note			2,564.10	0.00
CSSC Jiangnan Heavy Industry Co., Ltd.	Materials	Note	18,851,225.43	0.57		
China Marine Power Co., Ltd.	Labor technical services	Note	79,065.10	0.00		
Joint ventures and associates						
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	Labor technical services	Note	17,430.36	0.00	182,032.37	0.00
Total			37,395,550.97	1.13	19,607,833.74	0.34

Note: Pricing principles refer to Note VI/2/(1)/2).

3) Financial services

See Note VI/2 (1)/3).

4) Guarantee between related parties

There's no guarantee between related parties occurred Current Year.

5) Other related party transactions

See Note VI/2 (1)/5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Consolidated and Parent Company

Key management staff

1) Directors and supervisors

Payroll for directors and supervisors for Current Year:

Name	Emoluments	Salaries	Retiring welfare	Total
Directors				
Han Guangde	66,666.00	703,755.77	25,848.72	729,604.49
Zhou Dusheng (1 -8 month)				66,666.00
Zhou Dusheng (9-12 month)		100,237.64	9,104.40	109,342.04
Yu Baoshan		223,388.24	19,386.54	242,774.78
Chen Ji		618,770.77	25,848.72	644,619.49
Chen Liping		646,540.97	25,848.72	672,389.69
Yang Li (1-6 month)		132,373.93	12,192.12	144,566.05
Yang Li (7-12 month)	50,000.00			50,000.00
Gao Feng	50,000.00			50,000.00
Wang Jun	100,000.00			100,000.00
Chen Zhongqian	8,333.00			8,333.00
Fu Zhengping	100,000.00			100,000.00
Qiu Jiacheng	100,000.00			100,000.00
De Lihua	100,000.00			100,000.00
Pan Zhaoguo	100,000.00			100,000.00
Supervisors				
Chen Jingqi		667,584.93	25,848.72	693,433.65
Chen Shaolong		523,393.42	25,848.72	549,242.14
Qin Tinggui		544,848.47	25,848.72	570,697.19
Fu Xiaosi	80,000.00			80,000.00
Zhu Zhengfu	80,000.00			80,000.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Payroll for directors and supervisors for Last Year

Name	Emoluments	Salaries	Retiring welfare	Total
Directors				
Yu Baoshan	66,667.00	123,937.00	8,100.00	198,704.00
Han Guangde		605,740.00	40,600.00	646,340.00
Chen Ji		612,590.00	40,600.00	653,190.00
Yang Li		592,342.00	40,600.00	632,942.00
Chen Jingqi		671,414.00	40,600.00	712,014.00
Gao Feng	100,000.00			100,000.00
Zhou Dusheng	58,333.00	310,000.00		368,333.00
Wang Jun		321,500.00	29,469.00	350,969.00
Fu Zhengping	100,000.00			100,000.00
Qiu Jiacheng	100,000.00			100,000.00
De Lihua	100,000.00			100,000.00
Pan Zhaoguo	100,000.00			100,000.00
Ke Wangjun	41,667.00			41,667.00
Pan Zunxian	100,000.00			100,000.00
Supervisors				
Chen Shaolong		490,971.00	40,600.00	531,571.00
Qin Tinggui		517,008.00	40,600.00	557,608.00
Ou Guangquan	200,000.00			200,000.00
Fu Xiaosi	80,000.00			80,000.00
Zhu Zhengfu	80,000.00			80,000.00

Note 1: On June 8, 2012, on the annual meeting of shareholders of 2011, it reached an agreement to approve Mr. Ke Wangjun's resignation, and appointed Mr. Zhou Dusheng as the board member of the 7th Board of Directors.

Note 2: On August 23, 2012, the 11th meeting of the 7th Board of Directors, Mr. Yu Baoshan was elected as the chair of the board. On December 19, 2012, the 1st temporary shareholders' meeting, it reached an agreement to approve Mr. Chen Jingqi's, Mr. Pan Zunxian's resignation, and appointed Mr. Yang Li, Mr. Wang Jun (former company's employees, resigned after appointed as non-executive directors) as the board member of the 7th Board of Directors; approved Mr. Ou Guangquan's resignation, and appoint Mr. Chen Jingqi as the board member of the 7th Board of Supervisors.

Note 3: On June 24, 2013, the 17th meeting of the 7th Board of Directors, it reached an agreement to approve Mr. Gao Feng's resignation of non-executive director position in the 7th Board of Directors due to his job change; Mr. Chen Liping was nominated as the 7th Board executive director of the Company, approved by the 2013 first temporary shareholders' meeting.

Note 4: On September 2, 2013, Chairman Mr. Yu Baoshan resigned his positions as chairman of the company, directors, chairman of the Strategic Committee of the Board positions.

Note 5: On September 9, 2013, the 21st meeting of the 7th Board of Directors, Mr. Han Guangde was elected as the chair of the board; it approved Mr. Chen Zhongqian as a non-executive director of the 7th Board of Directors; and Mr. Zhou Dusheng was resigned as an executive director and appointed as the general manager of the Company.

No one of the Board of Directors or Board of Supervisors give up any payroll for Current Year. There's no motivated monetary funds provided for board members joining or upon-joining the Group, and there's no compensation provided for board members resigning or upon-resigning for giving up the positions.

The payroll for directors and supervisors is determined according to the payroll policy of the Group, and is authorized by the Board's payroll committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Top 5 staff with highest salaries:

The top 5 staff with highest salaries include 3 members of the Board of Directors (Last Year: 3 members) and two senior managers (Last Year: 1 senior manager and 1 supervisor). Salaries are listed as followed:

Items	Current Year	Last Year
Salaries and allowances	3,283,397.48	3,096,743.00
Retiring welfare	129,243.60	203,000.00
Total	3,412,641.08	3,299,743.00

There's no motivated monetary funds provided for board members joining or upon-joining the Group, and there's no compensation provided for board members resigning or upon-resigning for giving up the positions.

Highest-paid staff – classified by population:

Items	Current Year	Last Year
0-RMB786,200 (0-HKD1,000,000)	5	5
RMB786,201-RMB1,179,300 (HKD1,000,001-HKD1,500,000)		
RMB1,179,301-RMB1,572,400 (HKD1,500,001-HKD2,000,000)		
Total	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Correspondence account balance between related parties

(1) Consolidated

1) Accounts receivable of related parties

Related parties	Ending Balance		Beginning Balance	
	Book Value	Bad Debt	Book Value	Bad Debt
Under common control of the controlling shareholder and the ultimate controller				
Guangzhou Longxue Shipbuilding Co., Ltd.	67,596,155.40	337,980.78	40,099,410.51	200,497.05
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	63,209,500.17	316,047.50	425,355.00	2,126.78
CSSC Jiangnan Heavy Industry Co., Ltd.	13,018,890.26	65,094.45	17,308,505.47	86,542.53
Guangzhou Huangpu Shipbuilding Co., Ltd.	5,413,907.78	27,069.54	3,629,482.65	18,147.41
Guangzhou Shipyard Co., Ltd.	3,267,724.03	16,338.62	1,503,516.40	7,517.58
CSSC Southern China Ship Machinery Co., Ltd.	1,223,653.44	6,118.27	519,944.44	2,599.72
Guangzhou Longxue Pipe Co., Ltd.	1,125,224.52	5,626.12		
Beijing Shipbuilding Information Technology Co., Ltd.	390,000.00	1,950.00	355,000.00	1,775.00
Guangzhou Wenchong Shipyard Co. Ltd.	324,650.00	1,623.25	1,599,676.51	7,998.38
Shanghai Merchant Ship Design and Research Institute	240,000.00	1,200.00		
Ships and Ocean Engineering Design and Research Institute of Guangzhou	162,962.00	814.81	115,617.36	578.09
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	84,574.00	422.87	385,534.00	1,927.67
Guangzhou CSSC Marine Diesel Engine Co., Ltd. China Special Coating Industrial Co., Ltd.	58,447.14	292.24	1,044,596.46	5,222.98
Jiangxi CSSC Valve Co., Ltd.	27,840.00	139.20		
9th Design and Research Institute of the China Shipbuilding			180,000.00	900.00
Total	156,143,528.74	780,717.65	67,639,407.44	338,197.04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) *Prepayments of related parties*

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
Guangzhou Longxue Shipbuilding Co., Ltd.	918,550,250.00	
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	367,078,350.55	287,847,686.29
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd.	9,600,000.00	
China Shipbuilding Trading Company	6,972,851.51	6,245,399.28
Guangzhou Longxue Pipe Co., Ltd.	2,000,000.00	
China Marine Power Co., Ltd.		14,560,000.00
Eastern Shanghai Heavy Machinery Co., Ltd.		4,000,000.00
Guangzhou Shipyard Co., Ltd.		1,943,110.00
Shanghai Navigation Instrument Co., Ltd.		980,000.00
Anqing CSSC Diesel Engine Co., Ltd.		400,000.00
Total	1,304,201,452.06	315,976,195.57

3) *Accounts payable of related parties*

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
Guangzhou Longxue Shipbuilding Co., Ltd.	43,352,358.06	
China Marine Power Co., Ltd.	21,834,430.00	9,691,690.00
Guangzhou Shipyard Co., Ltd.	17,329,402.19	16,072,785.66
Shanghai Haixun Electrical Engineering Co., Ltd.	11,637,400.00	
Eastern Shanghai Heavy Machinery Co., Ltd.	9,234,000.00	2,002,500.00
CSSC Southern China Ship Machinery Co., Ltd.	7,962,500.00	3,294,332.89
Shanghai Merchant Ship Design and Research Institute	5,428,900.00	534,000.00
Shanghai DeruiSihua Ships Equipment Co., Ltd.	4,557,000.00	3,219,175.00
Zhenjiang CSSC Waxilan propeller Co., Ltd.	4,419,843.12	
Anqing CSSC Diesel Engine Co., Ltd.	3,120,000.00	3,900,000.00
Anqing Marine Electric Co., Ltd.	2,300,000.00	
Shanghai Navigation Instrument Co., Ltd.	1,805,625.50	
Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	1,674,400.00	
A Research Institute of China Shipbuilding Industry Corp	1,632,350.00	1,410,000.00
Nanjing CSSC Oasis Machinery Co. Ltd.		
-Zhenjiang marine auxiliary machinery factory	1,213,025.00	
Design and Research Institute of China Shipbuilding and Marine Engineering	1,200,000.00	3,020,500.00
Nanjing CSSC Oasis Environmental protection Co., Ltd.	1,029,000.00	
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	935,000.00	
Shanghai Hudong Shipyard Valve Co., Ltd.	877,596.00	
Guangzhou Shipyard Co., Ltd.	846,631.07	
The ship survey and Design Institute Co., Ltd.	772,000.00	9,421,113.54
Guangzhou Shipbuilding Corporation	753,385.40	1,403,292.39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	697,350.00	
9th Design and Research Institute of the China Shipbuilding	454,868.00	454,868.00
The 11th Research Institute of CSSC	435,000.00	
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	428,900.00	1,136,400.00
China Ship Power Station Equipment Co., Ltd.	331,500.00	331,500.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	280,990.00	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	280,000.00	1,010,550.00
CSSC Huahai Marine Equipment Co., Ltd.	190,125.00	113,625.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd	150,000.00	
The Shanghai Lingang ship Equipment Co., Ltd	123,950.00	1,585,500.00
Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.	100,000.00	100,000.00
Jiangxi Chaoyang Machinery Factory	65,358.00	198,898.00
The Shanghai Navigation Instrument Co., Ltd.	15,670.00	
Nanjing CSSC Oasis Machinery Co. Ltd. -Zhenjiang marine auxiliary machinery factory		11,351,275.00
Guangzhou Wenchong Shipyard Co. Ltd.		4,831,000.00
Shipbuilding International Trading Co., Ltd.		970,402.35
Guijiang Shipbuilding Co., Ltd.		642,500.00
National Engineering Research Center of Shanghai ship design technology Co., Ltd.		522,000.00
CSSC Xijiang Shipbuilding Co., Ltd.		375,000.00
Jiujiang Jingda Measuring Technology Co., Ltd.		158,400.00
Shanghai Zhennan Supervision Consulting Co., Ltd.		151,500.00
Guangzhou Longxue Pipe Co., Ltd.		111,332.42
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.		70,150.00
Guangzhou Huangpu Shipbuilding Co., Ltd..		40,000.00
China Shipbuilding Trading Company		-52,941.99
Joint ventures and associates		
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.		313,311.12
Total	147,468,557.34	78,384,659.38
4) <i>Other payables of related parties</i>		
Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
Guangzhou Shipyard Co., Ltd.	729,460.00	12,390.00
Hualian Ship Co., Ltd.	469,396.39	
Total	1,198,856.39	12,390.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

5) *Advances from customers of related parties*

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
Shanghai Merchant Ship Design and Research Institute	1,132,075.47	1,000,000.00
The 11th Research Institute of CSSC	300,000.00	
Guangzhou Longxue Shipbuilding Co., Ltd.	191,293.59	
China Shipbuilding Technology Institute of Economic Research	164,528.30	40,000.00
Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.	10,450.00	10,450.00
Beijing Shipbuilding Information Technology Co., Ltd.		202,500.00
CSSC Southern China Ship Machinery Co., Ltd.		148,000.00
CSSC Jiangnan Heavy Industry Co., Ltd.		90,650.00
Guangzhou Shipyard Co., Ltd.		57,000.00
Ships and Ocean Engineering Design and Research Institute of Guangzhou		7,500.00
Total	1,798,347.36	1,556,100.00



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Parent Company

1) Accounts receivable of related parties

Related parties	Ending Balance		Beginning Balance	
	Book Value	Bad Debt	Book Value	Bad Debt
Guangzhou Longxue Shipbuilding Co., Ltd.	24,153,906.50	120,769.53	19,135,213.61	95,676.07
CSSC Jiangnan Heavy Industry Co., Ltd.	12,853,540.26	64,267.70	17,231,505.47	86,157.53
Guangzhou Shipyard Co., Ltd.	342,929.89	1,714.65	355,516.37	1,777.58
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	207,392.50	1,036.96	67,355.00	336.78
Guangzhou Wenchong Shipyard Co. Ltd.	162,900.00	814.50		
Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.	84,574.00	422.87	84,574.00	422.87
Jiangxi CSSC Valve Co., Ltd.	27,840.00	139.20		
Guangzhou CSSC Marine Diesel Engine Co., Ltd. China Special Coating Industrial Co., Ltd.	19,573.00	97.87	10,073.00	50.37
The CSSC Ninth Design and Research Institute Co., Ltd.			180,000.00	900.00
Ships and Ocean Engineering Design and Research Institute of Guangzhou			113,117.36	565.59
Total	37,852,656.15	189,263.28	37,177,354.81	185,886.77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Prepayments of related parties

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
Guangzhou Longxue Shipbuilding Co., Ltd.	918,550,250.00	
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	367,078,350.55	287,847,686.29
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd.	9,600,000.00	
China Shipbuilding Trading Company	6,972,851.51	6,245,399.28
Guangchuan large-scale machinery and equipment company Co., Ltd..	1,052,000.00	
Zhenjiang CSSC equipment Co., Ltd.		14,560,000.00
Eastern Shanghai Heavy Machinery Co., Ltd.		4,000,000.00
Guangzhou Shipyard Co., Ltd.		1,943,110.00
Shanghai Navigation Instrument Co., Ltd.		980,000.00
Anqing CSSC Diesel Engine Co., Ltd.		400,000.00
Guangzhou CSSC Ship Steel Co. Ltd.		240,204.80
Total	1,303,253,452.06	316,216,400.37

3) Accounts payable of related parties

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
China Marine Power Co., Ltd.	21,834,430.00	9,691,690.00
Design and Research Institute of China Shipbuilding and Marine Engineering	12,403,400.00	3,020,500.00
Guangzhou Shipyard Co., Ltd.	10,313,932.30	13,144,827.73
Eastern Shanghai Heavy Machinery Co., Ltd.	9,234,000.00	2,002,500.00
CSSC Southern China Ship Machinery Co., Ltd.	7,962,500.00	3,294,332.89
Guangzhou Longxue Shipbuilding Co., Ltd.	5,112,445.00	
Nanjing CSSC Oasis Machinery Co. Ltd.		
-Zhenjiang marine auxiliary machinery factory	4,662,900.00	11,351,275.00
Shanghai DeruiSihua Ships Equipment Co., Ltd.	4,557,000.00	3,219,175.00
Zhenjiang CSSC Waxilan propeller Co., Ltd.	4,419,843.12	
Anqing CSSC Diesel Engine Co., Ltd.	3,120,000.00	3,900,000.00
Guangzhou Hongfan Technology Co., Ltd..	2,740,620.00	
Anqing Marine Electric Co., Ltd.	2,300,000.00	
Shanghai Navigation Instrument Co., Ltd.	1,821,295.50	
Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	1,674,400.00	1,136,400.00
A Research Institute of China Shipbuilding Industry Corp	1,632,350.00	1,410,000.00
Nanjing CSSC Oasis Machinery Co. Ltd.		
-Zhenjiang marine auxiliary machinery factory	1,213,025.00	
Nanjing CSSC Oasis Environmental protection Co., Ltd.	1,029,000.00	
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	935,000.00	
Shanghai Hudong Shipyard Valve Co., Ltd.	877,596.00	
Guangzhou Shipyard Co., Ltd.	846,631.07	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Related parties	Ending Balance	Beginning Balance
The ship survey and Design Institute Co., Ltd.	772,000.00	3,425,750.65
Guangzhou Shipbuilding Corporation	753,385.40	1,403,292.39
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	697,350.00	
9th Design and Research Institute of the China Shipbuilding	454,868.00	454,868.00
The 11th Research Institute of CSSC	435,000.00	
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	428,900.00	70,150.00
China Ship Power Station Equipment Co., Ltd.	331,500.00	331,500.00
Guangdong GSI elevator Co., Ltd.	307,000.00	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	280,990.00	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	280,000.00	
CSSC Huahai Marine Equipment Co., Ltd.	190,125.00	
Shanghai Starry ship Ocean Engineering Service Co., Ltd	150,000.00	
Guangzhou CSSC Construction Development Co., Ltd.	100,000.00	100,000.00
Jiangxi Chaoyang Machinery Factory	65,358.00	198,898.00
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	48,097.00	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	7,000.00	1,010,550.00
Guangzhou Wenchong Shipyard Co. Ltd.		4,831,000.00
Shipbuilding International Trading Co., Ltd.		970,402.35
Guijiang Shipbuilding Co., Ltd.		642,500.00
Shanghai Merchant Ship Design and Research Institute		534,000.00
National Engineering Research Center of Shanghai ship design technology Co., Ltd.		522,000.00
CSSC Xijiang Shipbuilding Co., Ltd.		375,000.00
The Shanghai Lingang ship Equipment Co., Ltd		346,000.00
Jiujiang Jingda Measuring Technology Co., Ltd.		158,400.00
Shanghai Zhennan Supervision Consulting Co., Ltd.		151,500.00
Huahai Marine cargo access equipment company		113,625.00
Guangzhou Longxue Pipe Co., Ltd.		111,332.42
Guangzhou Huangpu Shipbuilding Co., Ltd..		40,000.00
China Shipbuilding Trading Company		-52,941.99
Total	103,991,941.39	67,908,527.44

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

4) *Advances from customers of related parties*

Related parties	Ending Balance	Beginning Balance
Under common control of the controlling shareholder and the ultimate controller		
Shanghai Merchant Ship Design and Research Institute	1,132,075.47	1,000,000.00
The 11th Research Institute of CSSC	300,000.00	
China Shipbuilding Technology Institute of Economic Research	164,528.30	40,000.00
Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.	10,450.00	10,450.00
Total	1,607,053.77	1,050,450.00



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

VII CONTINGENT ISSUES

1. Contingent liability derived from pending litigation or arbitration

On December 31, 2010, the Company and the subsidiary, Guangzhou Guangli Ship HR Ltd. Co. (GLGS) filed four lawsuits to the Immediate People's Court of Zhenjiang, Jiangsu Province. The Company sued Jiangsu Shenghua Shipbuilding Co. Ltd (Jiangsu Shenghua) for payment and had a dispute on a technical service contract. GLGS further sued Jiangsu Shenghua for breaching of contract of 79600 tons bulk freighter #1 and #2. As of June 4, 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua with the later returned all the related assets. For the remaining three lawsuits, the Company had applied to the court for compulsory enforcement. The assessment of seized assets has been completed by the evaluation institutions entrusted by the execution court; the objection to notice has been declared by court for assessment report delivery and completion. Wuhan Maritime Court had two auctions of Jiangsu Shenghua seized assets respectively on June 4, 2013 and August 8, 2013, but both of the sales fell through. The Company has handled the formal application to offset the debts by assets to the court on August 19, 2013. The case is in the process of enforcement, Zhejiang Nantian Post and Telecommunication Technology Co. Ltd (hereinafter referred as "Zhejiang Nantian") is the main creditors of Jiangsu Shenghua, on July 30, 2013 Jiangsu Shenghua and Guangli Co. Ltd and the Company has been treated as defendant which the lawsuit has been institute to the Wuhan Maritime Court, and require the court to confirm the priority right to be repaid by the 300T crane and other materials of Jiangsu Shenghua Shipbuilding Co. Ltd., and stop the implementation of 300T crane, if it has been implemented, the proceeds need to be paid to the creditor's right of Jiangsu Shenghua due to the priority. Zhejiang Nantian has been executed the objection to the court by the same reason on May 22, 2013, but it has been rejected by the court. The case has been opened since November 20, 2013. On December 10, 2013, the Wuhan Maritime Court has made the first instance judgement for the case of Zhejiang Nantian (according to 2013 Wuhan Maritime law and business No. 01328 civil judgment), which claimed that the Company and Guangli Co., Ltd can enjoy the mortgage right for the mortgaged properties of Jiangsu Shenghua, and the creditor's right to seek the preferred payment before Zhejiang Nantian, the requirement of lawsuit from Zhejiang Nantian has been rejected. On January 3, 2014, the Company received the appellate petition of Zhejiang Nantian from Wuhan Maritime Court, and Zhejiang Nantian has been made an appeal to Hu Bei Provincial High Court and require to repeal the previous judgment from Wuhan Maritime Court, and also reclaim that Zhejiang Nantian has the priority to be paid back with 300T crane from Jiangsu Shenghua before Guangli Co., Ltd.. The Company and Guangli Co., Ltd are in the process of communication with the court, and apply for the continued implementation to deal with Shenghua case. If the court disagrees with the continued implementation, the case need to be suspended until the lawsuit instituted by Zhejiang Nantian is concluded which the Zhejiang Nantian is treated as outsider.

2. There's no other significant contingency within the Group at the end of Current Year, except for the issue mentioned above.

VIII. COMMITMENTS

1. Significant commitments

(1) Pledged assets

Except for the pledged term deposits in bank, the Group has no other pledge assets at the end of This Period.

(2) Undelivered forward foreign exchange transactions

To minimize the foreign currency risk, the Group engaged in the forward foreign exchange contract with bank. As of December 31, 2013, there are 32 forward foreign exchange contracts amounting to USD 499.76 million altogether; the longest delivered date of the contract is August 25, 2016; gain from changes in the fair values is the amount of RMB69,210,100.00 as of December 31, 2013. All forward foreign exchange contracts are delivered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) The Company private offering H shares and acquire 100% of shares of Guangzhou Longxue Shipbuilding Co., Ltd.

Based on the first extraordinary shareholders' meeting on November 25, 2013, the first domestic shareholders' class meeting in 2013, the first foreign share class shareholders' meeting resolution, CSRC (China Securities Regulatory Commission) for the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) and the approval of SASAC (Stated-Owned-Assets Supervision and Administration Commission) about Guangzhou Guangchuan International Co., Ltd to offer H shares privately and acquire the assets by the negotiation (SASAC [2013] No.986), the Company non-public issued H shares in the number of 387,453,797 shares with face value of RMB1 per share and offering price of HK\$7.29 per share, and raised the total fund by the amount of HK\$2,824,538,180.13. The raised fund of RMB9,559.649 million is used for acquisition of 100% shares of Guangzhou Longxue Shipbuilding Co., Ltd. from CSSC, Baosteel Group Corporation and China Ocean Shipping Group Company, and spend less than 20% of the remaining funds for the supplementation of general operation capital, and the remaining fund is used for repaying the debts of the Company and the subsidiaries. On February 11, 2014, the Company has offered the total number of 387,453,797 H shares of overseas listed foreign shares to China shipping (Hong Kong) shipping rental co., LTD, Baosteel resources (international) co., LTD and China ocean shipping (Hong Kong) holding co., LTD. The acquisition of Guangzhou Longxue Shipbuilding Co., Ltd. is expected to be completed on the end of March in 2014.

2. Fulfillments of previous commitments

The pay back of the trusted loans and settlement of forward contracts can be done according to agreement.

3. There's no other significant commitment within the Group as at December 31, 2014, except for the issue mentioned above.

IX. SUBSEQUENT EVENTS

1. The repaid amount after the balance sheet date

Type	Repaid amount
The significant account payable which the aging is over 1 year	17,703,952.00
The significant receipt in advance which the aging is over 1 year	59,483,162.00

2. The Group issued H shares after the balance sheet date.

As at February 11, 2014, the Company has non-public issued 387,453,797 H shares, Please see note VIII/1/(3) for the details.

3. There's no other subsequent event within the Group at the end of Current Year, except for the issue mentioned above.

X. SEGMENT INFORMATION

According to the Group's internal organizational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 categories based on the different types of main products. The management evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into a 3 segments in shipbuilding, steel structure projects and others.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

The segment information for 2013

TYPE	Shipbuilding	Steel Structure Engineering	Others	Write-off	Total
Operating income	3,173,267,534.04	438,553,119.66	1,661,340,352.27	1,107,089,020.36	4,166,071,985.61
Including:					
External transaction revenue	3,084,018,532.47	438,553,119.66	643,500,333.48		4,166,071,985.61
Revenue between segments	89,249,001.57		1,017,840,018.79	1,107,089,020.36	
Operating cost	3,046,732,596.26	379,788,834.02	1,534,202,326.27	1,093,156,047.29	3,867,567,709.26
Period charge	221,352,620.33	29,328,684.42	112,638,106.39	-9,095,783.54	372,415,194.68
Segment total profit (total loss)	58,268,480.45	16,594,547.03	26,495,081.46	73,278,110.97	28,079,997.97
Total assets	12,082,364,071.53	804,967,420.88	1,531,176,558.32	1,818,123,963.03	12,600,384,087.70
Total liabilities	8,133,862,946.25	621,765,206.44	1,227,212,343.71	1,298,572,794.82	8,684,267,701.58
Supplementary information					
Capitalized expense					
Recognized loss of impairment	215,708,679.25	-44,654.20	3,636,344.82	812,100.00	218,488,269.87
Including:					
Goodwill amortization					
Depreciation and amortization expense	91,523,330.44	1,467,290.60	44,401,750.77		137,392,371.81
Non-cash expenses other than loss of impairment, depreciation and amortization					

The segment information for 2012

TYPE	Shipbuilding	Steel Structure Engineering	Others	Write-off	Total
Operating income	5,267,831,171.79	516,311,292.13	1,639,288,468.75	999,347,568.66	6,424,083,364.01
Including:					
External transaction revenue	5,267,831,171.79	516,311,292.13	639,940,900.09		6,424,083,364.01
Revenue between segments			999,347,568.66	999,347,568.66	
Operating cost	4,944,458,380.90	470,741,243.97	1,532,531,049.37	976,875,152.11	5,970,855,522.13
Period charge	168,185,186.16	35,910,779.25	102,305,561.72	12,936,844.80	293,464,682.33
Segment total profit (total loss)	57,718,737.77	-6,581,613.31	-13,518,589.05	10,083,507.24	27,535,028.17
Total assets	9,948,157,974.28	601,836,569.07	2,111,797,570.61	1,393,238,449.58	11,268,553,664.38
Total liabilities	6,229,082,836.01	390,179,623.59	1,347,637,773.54	944,922,686.35	7,021,977,546.79
Supplementary information					
Capitalized expense	280,239,074.11		6,864,680.03	8,780,624.93	278,323,129.21
Recognized loss of impairment	413,392,965.07	-607,460.33	-1,234,873.08		411,550,631.66
Including:					
Goodwill amortization					
Depreciation and amortization expense	98,349,808.35	7,869,661.84	25,337,337.73		131,556,807.92
Non-cash expenses other than loss of impairment, depreciation and amortization					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The total external transaction revenue from local and other countries or regions; and other non-current assets other than financial assets and deferred income tax assets from local and other countries or regions are listed below:

Revenue from external customers	Current Year	Last Year
Inside China (except Hong Kong)	3,905,997,194.39	6,289,853,791.47
Hong Kong	260,074,791.22	134,229,572.54
Overseas		
Total	4,166,071,985.61	6,424,083,364.01

Total non-current assets	Ending Balance	Beginning Balance
Inside China (except Hong Kong)	1,962,032,398.58	2,097,113,995.25
Hong Kong	81,897,506.89	15,830,662.15
Overseas		
Total	2,043,929,905.47	2,112,944,657.40

Note: Total non-current assets exclude financial assets and total deferred tax assets.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include: Loans, receivables, payables, financial assets and liabilities which is measured by the fair value and changes in the fair value recognized in the current profit and loss account. For the specific details for each instrument please see Note V. The risks related to these financial instruments, and Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

1. Risk management objectives and policies

The risk management objectives of this Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

(1) Market risk

1) Foreign currency risk

Foreign currency risk refers to risk caused by losses occurred because of changes in foreign currency rate. The Group's foreign exchange exposure is mainly related to USD. Except for the Company is using USD dollar and fragmentary Euro and Hong Kong Dollar for purchasing and sales transactions, other main business operations are settled in RMB. As of December 31, 2013, except for assets and liabilities with balances in USD, Hong Kong Dollar and Euro depicted as below, all other assets and liabilities of the Group are reported in RMB. The recognized assets and liabilities in USD shown in the table below and the unrecognized not shown in the table below (ship settlement payment in USD), leading to foreign currency risk, may affect the results of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Items	The ending balance				
	USD	HKD	EUR	GBP	MOP
Cash and bank (Note V.1)	127,046,029.06	9,711,149.69	637,564.41	917.25	
Accounts receivable (Note V.4)	40,173,174.00	23,858,985.58			3,277,585.17
Other receivables (Note V.8)	163,015.51	10,158,902.24	10,566.30		
Accounts payable (Note V.25)	8,484,100.56	1,063,782.82			
Interest payable (Note V.29)	1,614,937.01				
Short-term loans (Note V.22)	5,000,000.00		1,851,642.45		
Long-term loans (Note V.34)	340,767,320.82				

Items	Beginning Balance			
	USD	HKD	EUR	GBP
Cash and bank (Note V.1)	131,101,242.40	22,466,156.87	91,855.12	917.25
Accounts receivable (Note V.4)	12,751,299.20	3,254,095.82	509,078.50	
Other receivables (Note V.8)		10,097,600.19		
Accounts payable (Note V.25)	879,227.11	665,550.50		
Interest payable (Note V.29)	2,042,885.67			
Short-term loans (Note V.22)	14,000,000.00		501,442.30	
Long-term loans (Note V.34)	297,763,402.67			

The Group has paid close attention to the influence generated from exchange rate changes, in which the Group has conducted foreign exchange risk management policy and strategy research. In order to mitigate risks derived from loans in USD and foreign currency interest expenditure risk, the Group has signed several forward foreign exchange contracts with banks. Undelivered foreign exchange contracts as at December 31, 2013 are USD 499.76 million and the changes in fair value are RMB69,210,100.00. With the increasing trend of international market share, if there's uncontrollable risk arisen from RMB appreciation, the Group would adjust its sales policies to mitigate foreign currency risk or purchase derivatives to offset the risk.

2) Interest rate risk

The interest rate risk of the Group generated from borrowings with interest rate. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk. Borrowings at fixed rate expose the Group to fair value interest-rate risk. As at December 31, 2013, most of the bank borrowings with interest rates are borrowings at floating interest rate contracts in USD and RMB with total amount of RMB131,857,534.19; and the fixed interest rate contracts in USD, RMB and EUR with total amount of RMB2,591,840,036.74.

The risk of changes in fair value of financial instrument which caused by changes in interest rate is related to borrowings with fixed interest rate. As for the borrowings with fixed interest rate, the goal of the Group is to remain the fixed interest rate while the interest rate increases so that to keep the advantages of borrowings with fixed interest rate; and the Group could get new borrowings and return the old ones appropriately while the interest rate decreases which may avoid the influence of negative changes in fair value with fixed interest rate caused by changes in interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The risk of changes in financial instrument cash flow which caused by changes in interest rate is related to borrowings with floating interest rate. The policy of the Group has paid close attention to the changes in interest rate; they may keep these borrowings with floating interest rate when the interest rate decreases to remain the advantages of borrowings with floating interest rate; also the Group may increase the proportions of borrowings with fixed interest rate appropriately or shorten the durations of borrowings with floating interest while the interest rate rises which could avoid the change risks of borrowings with floating interest rate for cash flows caused by negative changes in interest rate.

(2) Credit risk

As at December 31, 2013, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses or financial guarantee related to the Group, including:

book value of the recognized financial assets; as for financial instruments measured at fair value, book value reflects their exposures to risks, but not the maximum exposure to risks which shall be changed as changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. Therefore, the Management reckons that credit risks held by this Group have been reduced significantly.

The current funds of this Group are deposited in banks that own high credit evaluations, thus the credit risk of current funds is relatively low.

The Group has engaged necessary policies to ensure that all clients have good credit history. The Group has no other collective credit risk except for the top 5 of Accounts receivable. As at December 31, 2013, the total amount for the top 5 of Accounts receivable is RMB363,171,637.97.

(3) Liquidity risk

Liquidity risk refers to the risk that the Group could not engage the financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of the Group reputation. The analysis of liabilities structure and durations would be made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutes to remain the credit lines and reduce liquidity risks.

The sources of funding of the Group are mainly from bank borrowings. As at December 31, 2013, the unused bank facilities amount is RMB11.776 billion.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The analysis of financial assets and financial liabilities is analyzed as below, in terms of maturity deadline regarding undiscounted remaining contractual obligations:

Current Year:

Items	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash and bank	3,396,547,369.24	138,000,000.00	1,196,500,000.00	1,424,553,070.82	
Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and loss account	2,017,958.78	6,849,474.83	29,613,374.57	30,729,275.57	
Notes receivable	862,333.00	1,067,667.00	7,266,551.00		
Interest receivables	41,165,980.09	15,448,237.04	23,883,595.53	27,502,459.19	
Accounts receivable	248,443,332.80	122,450,000.00	304,123,837.97		
Other receivables	36,517,521.87	2,514,400.00	27,133,326.52		10,397,832.15
Financial liabilities which is measured by fair value and changes in fair value are recognized in the current profit and loss account					
Notes payable	75,986,399.95	295,892,190.77	244,522,941.97		
Accounts payable	150,000,541.00	251,000,521.00	1,003,569,199.08		
Other payables	5,421,125.00	6,441,425.00	9,225,987.32		
Dividend payable	437,160.43				
Interest payable	3,341,850.66	2,440,371.44	4,794,259.84	186,294.13	
Employee benefits	22,685,067.00		2,795,580.00		
Loans	15,588,792.62	121,938,000.00	697,766,305.15	1,288,404,473.16	600,000,000.00

Last Year:

Items	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash and bank	3,750,208,522.25	231,200,000.00	76,139,997.00	2,067,192,510.00	
Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and loss account	1,990,000.00	3,512,460.00	10,321,900.00	7,037,684.25	
Notes receivable	3,492,665.00				
Interest receivables	15,950,335.13	23,730,379.80	78,826,507.84	25,074,649.70	
Accounts receivable	567,571,483.51	209,183,835.74	9,487,298.78		
Other receivables	251,646,202.54	10,589,677.53			
Financial liabilities which is measured by fair value and changes in fair value are recognized in the current profit and loss account			260,000.00		
Notes payable	542,198,968.62	49,251,266.40			
Accounts payable	808,674,521.70	436,575,548.18			
Other payables	7,473,070.43		10,039,777.20		
Dividend payable	157,912.98				
Interest payable	5,283,635.38	8,473,591.10			
Employee benefits	19,133,890.46		2,795,580.00		
Loans			1,150,126,328.12	813,633,335.84	600,000,000.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Fair value

- (1) the measurement for the fair value of financial assets and liabilities please see Note 2.10
- (2) the measurement for the fair value of Derivatives (forward foreign exchange contract) please see Note 5.2

3. Sensitivity analysis

The Group adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

(1) Exchange risk sensitivity analysis

The assumption of exchange risk sensitivity analysis: all overseas net operational investment hedge and cash flow hedge are highly effective

Above the above assumptions, With other factors unchanged, the exchange rate might float within a reasonable range, and has the following after tax effect to the current profit and loss account and equity:

Item	Exchange rate change	Current Year		Last Year	
		Effect on Net profit	Effect on equity	Effect on Net profit	Effect on equity
USD	Against RMB appreciation 3%	-29,648,039.54	-29,648,039.54	-26,698,961.01	-26,698,961.01
USD	Against RMB devaluation 3%	29,648,039.54	29,648,039.54	26,698,961.01	26,698,961.01

(2) Interest rate sensitivity analysis

The assumptions of the sensitivity analysis in interest rate are the followings:

Change in interest rate will affect the interest income and expense of the financial instrument which bear variable interest rate;

The financial instrument's fixed rate is measured by the fair value, the changes in the market rate only influence interest income or expenses;

Change in fair value of Derivative financial instruments and other financial assets and liabilities, which is calculated using cash flow discount method, with the effective interest rate on the financial statement date.

Based on the above assumption, with other factors unchanged, the interest rate might float within a reasonable range, and has the following effect:

Loans	Interest rate change	Current Year		Last Year	
		Effect on Net profit	Effect on equity	Effect on Net profit	Effect on equity
Loans with floating rate	Increase 1%	-1,120,789.05	-1,120,789.05	-2,844,409.28	-2,844,409.28
Loans with floating rate	Decrease 1%	1,120,789.05	1,120,789.05	2,844,409.28	2,844,409.28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

XII. OTHER SIGNIFICANT ISSUES

1. Financial assets and liabilities at fair market value

Items	Beginning Balance	Fair value change expensed	Accumulated fair value change charged into equity	Impairment	Ending Balance
Financial assets					
Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and loss account	22,862,044.25	46,348,039.50			69,210,083.75
Financial assets available for sale	269,965,187.50	-240,895,187.5	-8,830,870.15		29,070,000.00
Total	292,827,231.75	-194,547,148.00	-8,830,870.15		98,280,083.75
Financial liabilities					
Financial liabilities which is measured by fair value and changes in fair value are recognized in the current profit and loss account	223,540.75	-223,540.75			
Total	223,540.75	223,540.75			

2. Financial assets and liabilities in foreign currencies

Items	Beginning Balance	Fair value change expensed	Accumulated fair value change charged into equity	Impairment	Ending Balance
Financial assets					
Accounts receivable	87,021,348.75				266,176,790.64
Interest receivables	18,603,991.60				3,603,710.71
Other receivables	8,188,143.99				9,069,774.81
Financial assets Subtotal	95,209,492.74				275,246,565.45
Financial liabilities					
Short-term loans	92,167,796.47				46,073,292.62
Accounts payable	6,066,076.90				52,563,058.76
Interest payable	12,840,557.88				9,846,109.44
Non-current liabilities due within one year	1,057,958,531.65				789,219,805.15
Long-term loans	813,633,335.84				1,288,404,473.16
Financial liabilities Subtotal	1,982,666,298.74				2,186,106,739.13

3. Annuity and its significant changes

For the details please see Note V.27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

XIII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Cash and bank deposit

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
1. Cash						
RMB			48,273.10			46,643.25
USD	1,067.80	6.0969	6,510.27	159.42	0.8109	129.27
HKD	159.42	0.7862	125.34	3,567.80	6.2855	22,425.41
GBP	917.25	10.0556	9,223.50	954.84	8.3176	7,941.98
EUR	954.84	8.4189	8,038.70	917.25	10.1611	9,320.27
Subtotal			72,170.91			86,460.18
2. Bank						
RMB			2,938,373,227.39			2,699,830,188.00
USD	115,248,753.08	6.0969	702,660,122.64	121,137,756.41	6.2855	761,411,367.89
HKD	89,650.36	0.7862	70,483.11	39,884.86	0.8109	32,342.63
EUR	129,335.64	8.4189	1,088,863.83	3,133.55	8.3176	26,063.61
Subtotal			3,642,192,696.97			3,461,299,962.13
3. Others						
RMB			2,315,581,253.55			2,349,172,460.53
Subtotal			2,315,581,253.55			2,349,172,460.53
Total			5,957,846,121.43			5,810,558,882.84

The ending balances of other monetary fund include credit card deposit of RMB108,182.73 (Beginning Balance: RMB100,310.53); and fixed deposit for long-term and short-term mortgage loans amounted RMB2,315,473,070.82 (Beginning Balance: 2,349,072,150.00), this guaranteed fixed deposit would be terminated after the debt redemption.

2. Financial assets at fair value through profit or loss

Items	Ending fair value	Beginning fair value
Forward foreign exchange contracts	69,210,083.75	22,724,517.26
Total	69,210,083.75	22,724,517.26

The Company's financial assets measured at fair value through profit or loss are forward foreign exchange contracts, fair value measurement refers to Note V/2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3. Accounts receivable

Items	Ending Balance	Beginning balance
Accounts receivable	599,205,935.28	787,014,962.29
Less: provision for bad debts	2,879,932.47	3,924,464.10
Net value	596,326,002.81	783,090,498.19

(1) Terms of sales on credit

Items	Credit Term
Shipbuilding	1 month after issuance
Other businesses	1 to 6 months

(2) Aging analysis

Items	Ending Balance				Beginning Balance			
	Amount	%	Bad debt	Net value	Amount	%	Bad debt	Net value
Within 1 year	535,183,354.07	89.32	1,941,900.35	533,241,453.72	720,687,126.85	91.57	2,913,843.95	717,773,282.90
1-2 years	15,588,034.55	2.60	73,999.60	15,514,034.95	41,561,007.84	5.28	163,938.81	41,397,069.03
2-3 years	26,916,255.89	4.49	33,593.86	26,882,662.03				
3-4 years					24,426,458.00	3.10	506,311.74	23,920,146.26
4-5 years	21,177,921.17	3.53	490,069.06	20,687,852.11				
Over 5 years	340,369.60	0.06	340,369.60		340,369.60	0.05	340,369.60	
Total	599,205,935.28	-	2,879,932.47	596,326,002.81	787,014,962.29	-	3,924,464.10	783,090,498.19

(3) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt		Net value	Book value		Bad debt		Net value
	Amount	%	Amount	%		Amount	%	Amount	%	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	726,479.60	0.12	726,479.60	100.00		726,479.60	0.09	726,479.60	100.00	
Accounts receivable accrued bad debt provision by a certain percentage of the balance	430,690,572.59	71.88	2,153,452.87	0.50	428,537,119.72	639,596,901.07	81.27	3,197,984.50	0.50	636,398,916.57
Accounts receivable with no bad debt reserve	167,788,883.09	28.00			167,788,883.09	146,691,581.62	18.64			146,691,581.62
Total	599,205,935.28	-	2,879,932.47	-	596,326,002.81	787,014,962.29	-	3,924,464.10	-	783,090,498.19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- 1) Accounts receivable that are individually significant, or insignificant but are provided for bad debts on individual basis

Company Name	Book value	Bad debts	%	Reasons
Qingdao Haier Special electric freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long-overdue with risk of uncollectibility
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long outstanding period, with operational going concern
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long-overdue with risk of uncollectibility
Others	234,969.60	234,969.60	100.00	Long-overdue with risk of uncollectibility as for other 7 companies
Total	726,479.60	726,479.60	100.00	

- 2) Accounts receivable accrued bad debt provision by a certain percentage of the balance

Items	Book value	%	Bad debts
Within 1 year	388,380,069.98	0.50	1,941,900.35
1-2 years	14,799,919.40	0.50	73,999.60
2-3 years	6,718,772.04	0.50	33,593.86
3-4 years			
4-5 years	20,791,811.17	0.50	103,959.06
Over 5 years			
Total	430,690,572.59	-	2,153,452.87

- 3) Accounts receivable with no bad debt reserve

Items	Book value	Bad debts	Net value
Receivables from subsidiaries	167,788,883.09		167,788,883.09
Total	167,788,883.09		167,788,883.09

- (6) The accounts receivable balance details exclude shareholders who hold 5% or more of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(7) Top 5 Clients

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)
NAVIG8PRODUCTTANKERISLANDS	The third party	117,743,332.80	Within 1 year	19.65
Guangchuan large-scale machinery and equipment company Co., Ltd.	Subsidiary	96,216,289.31	0-3year	16.06
Shenzhen Ocean Shipping Co., Ltd.	The third party	78,300,000.00	Within 1 year	13.07
Hainan Strait maritime Co., Ltd.	The third party	52,400,000.00	Within 1 year	8.74
Dalian Ocean Shipping Co., Ltd.	The third party	51,518,805.00	Within 1 year	8.60
Total		396,178,427.11		66.12

(8) Accounts receivable with foreign currency balance

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	32,555,992.97	6.0969	198,490,633.54	8,427,345.00	6.2855	52,970,077.00
HKD				86,128.82	0.8109	69,841.86
Total			198,490,633.54			53,039,918.86

4. Prepayments

(1) Aging

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	1,627,830,837.17	94.90	477,678,047.72	90.98
1-2 years	60,650,767.97	3.54	23,544,000.00	4.48
2-3 years	7,818,856.25	0.46	5,181,400.00	0.99
Over 3 years	18,928,937.10	1.10	18,638,700.00	3.55
Total	1,715,229,398.49	100.00	525,042,147.72	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) The main company

Company Name	Relationship	Amount	%	Aging	Reasons
Guangzhou Longxue Shipbuilding Co., Ltd.	Under the same control by CSSC	918,550,250.00	53.55	Within 1 year	Ships undelivered
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Under the same control by CSSC	367,078,350.55	21.40	Within 1 year	Goods undelivered
Frank Mohn	Third-party vendors	40,918,508.80	2.39	0-2 year	Goods undelivered
Poly Technology Co., Ltd.	Third-party vendors	31,319,024.00	1.83	Within 1 year	Goods undelivered
Beijing Zirun Zhongjing Trading Co., Ltd.	Third-party vendors	24,972,995.59	1.46	Within 1 year	Goods undelivered
Shanxi Diesel Engine Co., Ltd.	Third-party vendors	20,160,000.00	1.18	Within 1 year	Goods undelivered
Total		1,402,999,128.94	81.81		

(3) The prepayments balance details exclude shareholders who hold 5% or more of the Company's shares.

(4) Prepayments with foreign currency balance

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	14,044,919.21	6.2047	87,144,452.10	13,005,713.20	6.3297	82,322,679.05
EUR	5,522,867.69	8.2668	45,656,179.63	18,187,475.48	8.4507	153,696,356.44
Total			132,800,631.73			236,019,035.49

5. Interest receivable

(1) Breakdown of interest receivable

Items	Beginning Balance	Increase	Decrease	Ending Balance
Interest of fixed deposit	143,653,250.24	189,001,554.30	224,316,824.35	108,337,980.19
Total	143,653,250.24	189,001,554.30	224,316,824.35	108,337,980.19

(2) There is no overdue interest as of the end of Current Year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Interest receivable with foreign currency balance

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	591,072.63	6.0969	3,603,710.71	2,959,826.84	6.2855	18,603,991.60
Total			3,603,710.71			18,603,991.60

6. Dividend receivable

Items	Beginning Balance	Increase	Decrease	Ending Balance	Uncollectable reason	Whether impaired
Aging within 1 year	1,043,381.78	67,594,936.63	1,043,381.78	67,594,936.63	-	-
Among: Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	1,043,381.78		1,043,381.78		-	-
Yonglian Company		63,484,936.63		63,484,936.63		
Guangli Company		3,600,000.00		3,600,000.00		
Guangzhou Hongfan Technology Co., Ltd.		510,000.00		510,000.00		
Total	1,043,381.78	67,594,936.63	1,043,381.78	67,594,936.63		

7. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	806,680,727.98	897,176,666.23
Less: provision for bad debts	10,640,353.67	11,625,288.29
Net Value	796,040,374.31	885,551,377.94

(1) Aging analysis

Items	Ending Balance				Beginning Balance			
	Amount	%	Bad debt	Net value	Amount	%	Bad debt	Net value
Within 1 year	588,411,861.80	72.94	237,666.35	588,174,195.45	412,582,670.44	45.99	1,220,950.32	411,361,720.12
1-2 years	205,941,126.06	25.53	4,705.63	205,936,420.43	471,198,817.74	52.52	5,994.09	471,192,823.65
2-3 years	14,607.97	0.00	73.04	14,534.93	1,075,345.90	0.12	401.73	1,074,944.17
3-4 years	3,300.00	0.00	16.50	3,283.50				
4-5 years					10,000.00	0.00	50.00	9,950.00
Over 5 years	12,309,832.15	1.53	10,397,892.15	1,911,940.00	12,309,832.15	1.37	10,397,892.15	1,911,940.00
Total	806,680,727.98	-	10,640,353.67	796,040,374.31	897,176,666.23	-	11,625,288.29	885,551,377.94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt		Net value	Book value		Bad debt		Net value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables that are individually significant and are provided for bad debts on individual basis	10,340,232.15	1.28	10,340,232.15	100.00		10,340,232.15	1.15	10,340,232.15	100.00	
Other receivables that are individually insignificant but are provided for bad debts on individual basis	57,600.00	0.01	57,600.00	100.00		57,600.00	0.01	57,600.00	100.00	
Other receivables accrued bad debt provision by a certain percentage of the balance	48,504,303.86	6.01	242,521.52	0.50	48,261,782.34	245,491,228.00	27.36	1,227,456.14	0.50	244,263,771.86
Other receivables with no bad debt reserves	747,778,591.97	92.70	-		747,778,591.97	641,287,606.08	71.48			641,287,606.08
Total	806,680,727.98	-	10,640,353.67	-	796,040,374.31	897,176,666.23	-	11,625,288.29	-	885,551,377.94

1) Other receivables that are individually significant or insignificant but are provided for bad debts on individual basis

Company Name	Book value	Bad debts	%	Reasons
Mitsubishi International Co., Ltd., Hong Kong	10,340,232.15	10,340,232.15	100.00	Note
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Uncollectable
Total	10,397,832.15	10,397,832.15	100.00	

Note: Other receivables of Mitsubishi International Co., Ltd., Hong Kong refers to Note V/8.

2) Other receivables accrued bad debt provision by a certain percentage of the balance

Items	Book value	%	Bad debts
Within 1 year	47,533,269.83	0.5	237,666.35
1-2 years	941,126.06	0.5	4,705.63
2-3 years	14,607.97	0.5	73.04
3-4 years	3,300.00	0.5	16.50
4-5 years			
Over 5 years	12,000.00	0.5	60.00
Total	48,504,303.86	-	242,521.52

3) Other receivables with no bad debt reserves

Items	Book value	Bad debt	Net value
Receivables from subsidiaries	747,778,591.97		747,778,591.97
Total	747,778,591.97		747,778,591.97

(3) The other receivables balance details exclude shareholders who hold 5% or more of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(4) Top 5 clients

Company Name	Relationship	Amount	Aging	Receivable Proportion in Accounts Receivable (%)	Nature
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Subsidiary	715,000,000.00	0-2 year	88.63	Entrusted Loan
National Tax Bureau (Guangzhou Liwan District)	The third party	34,496,333.48	Within 1 year	4.28	Export tax rebates
Mitsuhiro International Co., Ltd., Hong Kong	The third party	10,340,232.15	Over 5 years	1.28	Credit loans
Guangchuan large-scale machinery and equipment company Co., Ltd.	Subsidiary	7,175,530.02	1-3 year	0.89	Advances
Guangdong GSI elevator Co., Ltd.	Subsidiary	1,900,000.00	Over 5 years	0.24	Paid on behalf of investment funds
Total		768,912,095.65			

The Company, consigning Industrial and Commercial Bank of China Zhongshan Branch and CSSC Finance Co., Ltd. to grant loans of RMB715,000,000.00 to the subsidiary, Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., for investment and development in the Zhongshan Base.

8. Inventories

(1) Classification

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	672,651,200.68	7,528,641.63	665,122,559.05	250,126,798.79	6,147,946.36	243,978,852.43
Work in progress	298,401,232.73	13,016,920.92	285,384,311.81	227,591,594.90	15,094,862.61	212,496,732.29
Merchandise inventories	8,578,079.97	465,694.36	8,112,385.61	4,114,897.43	519,865.11	3,595,032.32
Capitalized construction contracts	607,163,569.15	201,179,597.93	405,983,971.22	321,391,370.94	40,186,245.34	281,205,125.60
Total	1,586,794,082.53	222,190,854.84	1,364,603,227.69	803,224,662.06	61,948,919.42	741,275,742.64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Inventory impairment

Items	Beginning Balance	Accrued	Decrease		Balance
			Reversal	Ending Transferred out	
Raw materials	6,147,946.36	4,236,215.93	2,855,520.66	7,528,641.63	
Work in progress	15,094,862.61	644,958.31	1,337,549.45	1,385,350.55	13,016,920.92
Merchandise inventories	519,865.11		21,525.76	32,644.99	465,694.36
Capitalized construction contracts (inventory)	40,186,245.34	213,899,796.53		69,086,511.18	201,179,597.93
Capitalized construction contracts (estimated liability)	379,004,142.69	362,824,075.45			
Subtotal	440,953,062.11	218,780,970.77	1,359,075.21	73,360,027.38	585,014,930.29
Less: Capitalized construction contracts (estimated liability)	379,004,142.69				362,824,075.45
Total	61,948,919.42				222,190,854.84

(3) The methods of provision for inventory impairment

Items	Calculation basis	Reasons	%
Raw materials	Book value higher than NPV (Estimated disposal proceeds less taxes)		
Work in progress	Book value higher than NPV (Estimated disposal proceeds less related expenses)	Contract price raise	0.1%
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)		
Capitalized construction contracts	Estimated total cost higher than estimated total revenue		

9. Available-for-sale financial assets

This section is the same with the Consolidated Financial Statements. See Note V.11.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

10. Long-term equity investment

(1) Classifications

Items	Ending Balance	Beginning Balance
Cost method	478,487,284.25	433,313,587.25
Equity method	5,426,696.10	4,480,413.65
Associates	5,426,696.10	4,480,413.65
Total	483,913,980.35	437,794,000.90
Less: Provision for impairment		
Net value	483,913,980.35	437,794,000.90

(2) Analysis of long-term equity investments are as follows:

Items	Ending Balance	Beginning Balance
Unlisted	483,913,980.35	437,794,000.90
Total	483,913,980.35	437,794,000.90

(3) Detailed classification by method

Investee	Share holding %	Voting rights %	Initial investment	Beginning Balance	Increase or decrease	Net profit or loss by equity	Cash dividends declared	Changes in Other equity	Ending Balance	Provision for impairment	Provision for impairment during the year
Cost method											
Guangzhou XingShun Shipping Services Co., Ltd.	83.00	100.00	500,000.00	500,000.00					500,000.00		
Guangzhou Wanda Marine Engineering Co., Ltd.	75.00	100.00	2,486,385.00	3,685,222.80					3,685,222.80		
Guangzhou Yonglian Steel Structure Co., Ltd.	75.00	100.00	79,095,776.55	37,522,079.55	41,573,697.00		63,484,936.63		79,095,776.55		
Guangdong GSI elevator Co., Ltd.	95.00	100.00	19,950,000.00	19,950,000.00					19,950,000.00		
Guangzhou Hongfan Technology Co., Ltd.	51.00	51.00	4,500,000.00	2,550,000.00			510,000.00		2,550,000.00		
The RongGuang Development Co., Ltd.	100.00	100.00	10,439.94	26,443,792.13					26,443,792.13		
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	80.00	100.00	6,652,492.77	3,052,492.77	3,600,000.00		3,600,000.00		6,652,492.77		
Guangchuan large-scale machinery and equipment company Co., Ltd.	100.00	100.00	30,000,000.00	188,610,000.00					188,610,000.00		
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	100.00	100.00	100,000,000.00	100,000,000.00					100,000,000.00		
Guangzhou Shipyard International Marine Engineering Co., Ltd.	100.00	100.00	50,000,000.00	50,000,000.00					50,000,000.00		
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	4.05	4.05	1,000,000.00	1,000,000.00			33,010.00		1,000,000.00		
Subtotal			294,195,094.26	433,313,587.25	45,173,697.00	-	67,627,946.63	-	478,487,284.25	-	-
Equity method											
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	25.00	25.00	1,722,060.00	3,641,933.33		863,941.61			4,505,874.94		
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	40.00	40.00	800,000.00	838,480.32		82,340.84			920,821.16		
Subtotal			2,522,060.00	4,480,413.65	-	946,282.45	-	-	5,426,696.10		
Total			296,717,154.26	437,794,000.90	45,173,697.00	946,282.45	67,627,946.63	-	483,913,980.35		

(4) Investment in associated companies and joint ventures

The Company has no joint ventures; related information for investment in associates refers to Note V/12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

11. Investment property

This section is the same with the Consolidated Financial Statements. See Note V.13.

12. Fixed assets

(1) Fixed assets category

Items	Beginning Balance	Increase	Decrease	Ending Balance
Total original cost	1,999,245,609.48	61,136,662.23	26,671,323.01	2,033,710,948.70
Buildings	976,550,986.14	10,020,819.01	21,396,233.59	965,175,571.56
Machinery	973,490,705.68	48,393,816.04	4,339,352.80	1,017,545,168.92
Transportation facilities	28,946,564.83	767,293.64	803,808.99	28,910,049.48
Office equipments	20,257,352.83	1,954,733.54	131,927.63	22,080,158.74
Total accumulated depreciation	978,033,535.63	89,893,584.61	13,600,243.78	1,054,326,876.46
Buildings	339,451,776.63	34,096,345.84	7,966,113.39	365,582,009.08
Machinery	614,850,953.73	50,793,292.47	4,810,449.89	660,833,796.31
Transportation facilities	12,060,182.64	2,223,160.30	695,710.69	13,587,632.25
Office equipments	11,670,622.63	2,780,786.00	127,969.81	14,323,438.82
Total carrying amount	1,021,212,073.85			979,384,072.24
Buildings	637,099,209.51			599,593,562.48
Machinery	358,639,751.95			356,711,372.61
Transportation facilities	16,886,382.19			15,322,417.23
Office equipments	8,586,730.20			7,756,719.92
Total provision for impairment				
Buildings				
Machinery				
Transportation facilities				
Office equipments				
Total net book value	1,021,212,073.85			979,384,072.24
Buildings	637,099,209.51			599,593,562.48
Machinery	358,639,751.95			356,711,372.61
Transportation facilities	16,886,382.19			15,322,417.23
Office equipments	8,586,730.20			7,756,719.92

The amortization of fixed assets recognized through profit or loss is RMB89,893,584.61 for Current Year. (Last Year: RMB99,912,700.72)

The increased fixed assets included RMB61,136,662.23 of capitalized construction in progress transferred-in.

The profit or loss for disposal of fixed assets for Current Year is RMB-153,655.25.

(2) Buildings analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	599,593,562.48	637,099,209.51
Total	599,593,562.48	637,099,209.51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(3) Fixed assets with no certificate of title

Items	Ending Balance		Beginning Balance	
	Original book value	Carrying amount	Original book value	Carrying amount
Mechanical and electrical suppliers storage	29,498,733.13	26,415,072.33	29,263,463.08	27,050,784.17
Company 5 floors office building	8,060,675.25	7,148,371.91	8,555,169.31	7,860,457.53
Total	37,559,408.38	33,563,444.24	37,818,632.39	34,911,241.70

Items	Reasons	Expected time to obtain
Mechanical and electrical suppliers storage	Transacting ownership certificates	Unpredictable
Company 5 floors office building	Transacting ownership certificates	Unpredictable

13. Construction in progress

(1) Category

Items	Ending Balance			Beginning Balance		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
"1" development the construction of security conditions	4,250,000.00		4,250,000.00	4,250,000.00		4,250,000.00
Shipbuilding Division stern platform	2,224,039.02		2,224,039.02			
Network cabling in building, security product expansion and renovation project	2,059,126.00		2,059,126.00			
One 150 ton flatbed truck in Shipbuilding Division	1,959,066.78		1,959,066.78			
Old berths local deepening project	1,502,683.48		1,502,683.48			
Electrical goods collection project	1,150,454.29		1,150,454.29			
Comprehensive technical innovation upfront fees	1,096,917.01		1,096,917.01			
Paul preliminary project special funds of research projects	693,469.77		693,469.77			
Renovation of canteen office building design department office space	655,018.03		655,018.03			
12.5m CNC Double Column Vertical Lathe				12,450,297.65		12,450,297.65
1 set 200 tons Fixed cranes				10,133,137.79		10,133,137.79
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)				6,317,606.64		6,317,606.64
Ship generator load test integrated system				3,312,054.35		3,312,054.35
200 tons of fixed pier crane base Shelter				2,037,466.56		2,037,466.56
Integrated ship building project				1,836,085.54		1,836,085.54
Shunde shipyard 11 roller leveler				1,350,046.56		1,350,046.56
Preconstruction cost Infrastructure and energy saving transformation				1,328,197.48		1,328,197.48
Cheung Chau Island pier fixed tower crane				1,088,459.01		1,088,459.01
Other projects	4,618,662.39		4,618,662.39	1,024,350.27		1,024,350.27
Total	20,209,436.77		20,209,436.77	52,906,084.06		52,906,084.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) The changes in significant Construction in progress

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Capitalized in Fixed assets	
12.5m CNC Double Column Vertical Lathe	12,450,297.65		12,450,297.65		
1 set 200 tons Fixed cranes	10,133,137.79	28,332.94	10,161,470.73		
NO. 1-5 Simple steel shed engineering of Guangchuan International	6,317,606.64		6,317,606.64		
"1" development the construction of security conditions	4,250,000.00				4,250,000.00
Ship generator load test integrated system	3,312,054.35		3,312,054.35		
200 tons of fixed pier crane base	2,037,466.56		2,037,466.56		
Shelter	1,836,085.54	2,899,659.8	4,735,745.34		
Cabin segment transport platform	680,444.34	1,043,957.44	1,724,401.78		
One 150 ton flatbed truck in Shipbuilding Division		1,959,066.78			1,959,066.78
Old berths local deepening project		1,502,683.48			1,502,683.48
Electrical goods collection project		1,150,454.29			1,150,454.29
Network cabling in building, security product expansion and renovation project		2,059,126.00			2,059,126.00
Shipbuilding Division stern platform	1,088,459.01	8,458.00			1,096,917.01
Total	42,105,551.88	10,651,738.73	40,739,043.05		12,018,247.56

Items	Budget	Budget use-up ratio %	Press of work	Accumulated capitalized interest	Capitalized interest for Current Year	Capitalization %	Source of capital
12.5m CNC Double Column Vertical Lathe	15,260,000.00	81.59	100.00				Self financed
1 set 200 tons Fixed cranes	12,000,000.00	84.68	100.00				Self financed
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)	7,000,000.00	90.25	100.00				Self financed
"1" development the construction of security conditions	14,020,000.00	30.31	30.31				Self financed
Ship generator load test integrated system	3,560,000.00	93.04	100.00				Self financed
200 tons of fixed pier crane base	1,920,000.00	106.12	100.00				Self financed
Shelter	4,000,000.00	118.39	100.00				Self financed
Cabin segment transport platform	1,200,000.00	143.7	100.00				Self financed
One 150 ton flatbed truck in Shipbuilding Division	1,900,000.00	103.11	96.00				Self financed
Old berths local deepening project	2,000,000.00	75.13	75.13				Self financed
Electrical goods collection project	22,280,000.00	5.16	5.16				Self financed
Network cabling in building, security product expansion and renovation project	2,300,000.00	89.53	89.53				Self financed
Shipbuilding Division stern platform	23,620,000.00	4.64	4.64				Self financed
Total	111,060,000.00						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

14. Fixed assets disposal

This section is the same with the Consolidated Financial Statements. See Note V.16.

15. Intangible assets

Items	Beginning Balance	Increase	Decrease	Ending Balance
Total original cost	137,046,646.05	3,627,143.20	2,595,576.73	138,078,212.52
Land use right	73,481,962.38			73,481,962.38
software	63,564,683.67	3,627,143.20	2,595,576.73	64,596,250.14
Total accumulated amortization	71,066,908.24	6,222,105.69	2,595,576.73	74,693,437.20
Land use right	25,290,445.53	1,494,135.77		26,784,581.30
software	45,776,462.71	4,727,969.92	2,595,576.73	47,908,855.90
Total carrying amount	65,979,737.81			63,384,775.32
Land use right	48,191,516.85			46,697,381.08
software	17,788,220.96			16,687,394.24
Total provision for impairment				
Land use right				
software				
Total net book value	65,979,737.81			63,384,775.32
Land use right	48,191,516.85			46,697,381.08
software	17,788,220.96			16,687,394.24

Land use right analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	46,697,381.08	48,191,516.85
Total	46,697,381.08	48,191,516.85

The amortization of Intangible assets recognized through profit or loss is RMB6,222,105.69 for Current Year. (Last Year: RMB5,987,365.42)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

16. Research and development expenses

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Expensed	Capitalized	
Design and build of 76000 tons semi-submersible barge research and development and industrialization		70,416,794.96	70,416,794.96		
Luxury cruise ship typical cabin layout and decoration design and manufacturing technology research		13,277,179.04	13,277,179.04		
Upgrading development of 50000 ton big handy-size products tanker		12,755,678.00	12,755,678.00		
Independent research and development of applicable roll-on ship for the navigation across Taiwan-strait		5,439,159.28	5,439,159.28		
Complex component forming key technology and equipment technology		3,840,475.40	3,840,475.40		
Research and development of energy efficient and environmentally friendly VLOC ships		2,708,618.46	2,708,618.46		
The innovative enterprise special research in guangzhou		2,196,877.29	2,196,877.29		
Haian line roll-on ship development		2,168,898.99	2,168,898.99		
Marine electric propulsion system integration research and equipment development		2,140,511.75	2,140,511.75		
Shipbuilding computer integrated manufacturing system- GSI-SCIMS[1,812,498.00	1,812,498.00		
Other research and development projects		16,319,996.23	16,319,996.23		
Total		133,076,687.40	133,076,687.40		

17. Long-term deferred expenses

This section is the same with the Consolidated Financial Statements. See Note V.19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

18. Deferred tax assets and Deferred tax liabilities

(1) Recognized Deferred tax assets and Deferred tax liabilities

Items	Ending Balance	Beginning Balance
Deferred tax assets		
Provision for impairment of assets	89,669,970.11	69,764,272.08
Prepaid housing subsidy	2,582,660.40	3,156,862.80
Monetary housing allowance for retired employees	8,141,075.65	7,860,883.45
Medical insurance for retired employees within 10 years	129,034.47	129,034.47
Payroll for retiring employees	57,021.74	118,282.91
Payroll balance owing at year end	68,960.17	
Changes in fair value of financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current		33,531.11
Fair value changes in Available-for-sale financial assets	1,572,000.00	
Employee education funds	2,113,212.60	
Total	104,333,935.14	81,062,866.82
Deferred tax liabilities		
Fair value changes in Available-for-sale financial assets	13,611.16	30,453,348.90
Changes in fair value of financial assets measured at fair value and the changes are recorded into the profits and losses of the current	10,381,512.56	3,408,677.58
Total	10,395,123.72	33,862,026.48

(2) Taxable differences and deductible differences items

Items	Ending Balance	Beginning Balance
Deferred tax assets		
Provision for impairment of assets	597,799,800.72	473,907,578.48
Prepaid housing subsidy	17,217,736.00	21,045,752.00
Monetary housing allowance for retired employees	54,273,837.64	52,405,889.67
Medical insurance for retired employees within 10 years	860,229.78	860,229.80
Payroll for retiring employees	380,144.94	788,552.73
Changes in fair value of financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current		223,540.73
Payroll balance owing at year end	459,734.48	
Fair value changes in Available-for-sale financial assets	10,480,000.00	
Employee education funds	14,088,084.07	
Total	695,559,567.63	549,231,543.41
Deferred tax liabilities		
Fair value changes in Available-for-sale financial assets	90,741.07	203,022,326.00
Changes in fair value of financial assets measured at fair value and the changes are recorded into the profits and losses of the current	69,210,083.75	22,724,517.20
Total	69,300,824.82	225,746,843.20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

19. Provision for impairment of assets

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Write-off	Reverse	
Bad debts	15,549,752.39	-2,029,466.25			13,520,286.14
Provision for devaluation of Inventories (For inventory)	61,948,919.42	218,780,970.77	1,359,075.21	73,360,027.38	222,190,854.84
Provision for devaluation of Inventories (For estimated liability)	379,004,142.69				362,824,075.45
Provision for impairment of Investment property	1,855,011.59				1,855,011.59
Total	458,357,826.09	216,751,504.52	1,359,075.21	73,360,027.38	600,390,228.02

20. Short-term loans

(1) Classification of short-term loans

Type	Currency	Ending Balance			Beginning Balance		
		Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Mortgage loans	USD	5,000,000.00	6.0969	30,484,500.00	7,000,000.00	6.2855	43,998,500.00
Unsecured loans	USD				7,000,000.00	6.2855	43,998,500.00
Total				30,484,500.00			87,997,000.00

Mortgage: As at December 31, 2013, the short-term loans of RMB30,484,500.00 are granted with other cash fund of RMB30,540,000.00 of the Group as the pledge.

Interest rate: As at December 31, 2012, the weighted average annual interest rate of the short-term loans is 1.4%. (January 1, 2012: 2.8%)

21. Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current

This section is the same with the Consolidated Financial Statements. See Note V.23.

22. Notes payable

This section is the same with the Consolidated Financial Statements. See Note V.24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

23. Accounts payable

(1) Category

Items	Ending Balance	Beginning Balance
Materials purchased	1,020,403,240.45	806,689,038.85
Settlements for projects	16,787,122.95	16,630,547.35
Product settlement	28,526,160.98	95,993,319.77
Warranty	76,468,364.63	73,542,367.00
Other projects and labour service	190,686,804.44	115,556,280.72
Total	1,332,871,693.45	1,108,411,553.69

(2) Aging analysis

By the end of the year, accounts payable aging analysis according to the invoice date

Items	Ending Balance	Beginning Balance
Within 1 year	1,267,625,159.82	1,017,965,586.15
1-2 years	25,793,996.72	79,257,207.91
2-3 years	33,477,551.26	6,254,097.96
Over 3 years	5,974,985.65	4,934,661.67
Total	1,332,871,693.45	1,108,411,553.69

Large-amount Accounts payable aged more than 1 year

Clients	Amount	Nature	Reasons
CSIC material trade group Guangzhou Co., Ltd.	14,589,593.57	Materials purchased	Not settled
Research Institute A of China Shipbuilding Industry Corp	12,780,744.11	Warranty payable	Not settled
Hubei Huaxin Industrial Technology and Trading Co., Ltd.	4,332,762.92	Materials purchased	Not settled
Chinese Academy of Science Institute of Automation (Shenyang)	3,484,000.00	Warranty payable	Not settled
Atlas Copco (Shanghai) Trading Co., Ltd.	2,156,950.00	Projects fund payable	Not settled

(3) The accounts payable balance details exclude shareholders who hold 5% or more of the Company's shares.

(4) Foreign currency balances in accounts payable

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	8,287,016.39	6.0969	50,525,110.23			
Total			50,525,110.23			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

24. Advances from customers

(1) Advances from customer

Items	Ending Balance	Beginning Balance
Total	407,461,536.38	358,580,701.61
Including over 1 year	211,697,365.45	133,799,117.78

Large-amount Advances from customers aged more than 1 year (by the end of year 2013)

Clients	Amount	Nature	Reasons
Guangdong Hydropower Second Board Co., Ltd.	116,228,886.35	Engineering projects	Not settled
Sihui Highway Administration	9,029,362.00	Engineering projects	Not settled
Greece Pioneer Ocean Shipping Co., Ltd	50,453,800.00	Engineering projects	Before the settlement progress
Qingyuan Storage Power Generation Co., Ltd.	22,086,926.13	Subcontract project payment	Not settled (unfinished)
Guangdong Changhong Highway Engineering Co., Ltd.	6,676,417.10	Subcontract project payment	Not settled (unfinished)
Total	<u>204,475,391.58</u>		

(2) The Advances from customers balance details exclude shareholders who hold 5% or more of the Company's shares.

(3) Advances from customers with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	34,476,872.42	6.2169	214,338,768.45	28,923,569.09	6.3908	184,843,695.26
HKD				167,538.81	0.8471	141,918.46
Total			<u>214,338,768.45</u>			<u>184,985,613.72</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

25. Payroll payable

Items	Beginning Balance	Increase	Decrease	Ending Balance
(i) short-term payroll	11,244,954.79	609,494,376.50	604,950,862.85	15,788,468.44
1.1. Wages or salaries, bonuses, allowances and subsidies	952,995.15	278,242,098.91	278,692,008.13	503,085.93
1.2. Staff welfare	–	21,909,673.27	21,909,673.27	–
1.3. Basic medical insurance	–	18,973,231.70	18,973,231.70	–
1.4. Work-related injury insurance	–	1,796,745.66	1,796,745.66	–
1.5. Maternity insurance	–	898,372.83	898,372.83	–
1.6. Supplementary medical insurance	–	787,917.14	787,917.14	–
1.7. Housing fund	–	30,939,403.00	30,939,403.00	–
1.8. Union & Education funds	10,291,959.64	11,655,261.71	6,661,838.84	15,285,382.51
1.9. Outsourcing labour costs and others	–	244,291,672.28	244,291,672.28	–
1.10. Non- monetary benefits	–	–	–	–
(ii) welfare after departure	2,106,931.39	43,445,217.56	45,215,355.53	336,793.42
2.1. Basic medical insurance	–	40,426,777.45	40,426,777.45	–
2.2. Unemployment insurance	–	3,018,440.11	3,018,440.11	–
2.3. Enterprise annuity	1,318,378.71	–	1,318,378.71	–
2.4. Expected early retirement expenses	788,552.68	–	451,759.26	336,793.42
(iii) Severance benefits	–	1,051,940.42	1,051,940.42	–
(iv) other long-term staff welfare	–	–	–	–
due within one year	2,795,580.00	–	–	2,795,580.00
4.1. retired staff housing allowance	2,502,040.00	–	–	2,502,040.00
4.2. staff house-purchasing aid	293,540.00	–	–	293,540.00
Total	16,147,466.18	653,991,534.48	651,218,158.80	18,920,841.86

Related illustrations please refer to Note V.27.

26. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-101,432,138.50	37,552,744.86
Business Tax	7,866,531.44	41,444.30
Corporate Income Tax	19,599,693.52	22,750,329.21
Individual Income Tax	4,985,929.76	4,799,696.70
City Maintenance and Construction Tax	664,757.57	9,135,493.30
Real Estate Tax	899,961.17	831,534.59
Land Appreciation Tax	280,593.80	280,593.80
Education Surcharge	474,826.83	6,525,352.37
Flood control and maintain expenses	1,621,852.94	1,940,026.93
Total	-65,037,991.47	83,857,216.06

27. Interest payable

This section is the same with the Consolidated Financial Statements. See Note V.29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

28. Dividend payable

Items	Ending Balance	Beginning Balance	Reasons for unpaid over one year
Dividend payable (A stock)	66,449.19	59,118.75	Individual shareholder dividends payable undetermined rights
Dividend payable (H stock)	110,711.24	98,794.23	Individual shareholder dividends payable undetermined rights
Total	177,160.43	157,912.98	

29. Other payables

(1) Other payables

Items	Ending Balance	Beginning Balance
Total	17,069,938.74	11,614,109.54
Including over 1 year	2,944,133.26	3,744,055.31

(2) Large-amount Other payables by the end of 2013

Items	Amount	Nature
Wuhan Yinhu golf membership	1,210,000.00	Golf membership down payment
Accounting firms	932,075.50	Auditing fees
Stamp-tax	782,498.20	
Total	2,924,573.70	

(3) The Other payables balance details exclude shareholders who hold 5% or more of the Company's shares.

30. Non-current liabilities due within one year

This section is the same with the Consolidated Financial Statements. See Note V.32.

31. Other current liabilities

Items	Ending Balance	Beginning Balance
Long-term project settlement	2,766,416,684.35	1,370,386,546.93
Shipbuilding products	2,766,416,684.35	1,370,386,546.93
Deferred income	4,107,745.20	2,143,450.77
Governmental subsidy	4,107,745.20	2,143,450.77
Total:	2,770,524,429.55	1,372,529,997.70

PS. The details of deferred income- Governmental subsidy please refer to Note XIII.35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

32. Long-term loans

This section is the same with the Consolidated Financial Statements. See Note V.34.

33. Special payables

This section is the same with the Consolidated Financial Statements. See Note V.35.

34. Estimated liabilities

This section is the same with the Consolidated Financial Statements. See Note V.36.

35. Other non-current liabilities

(1) Category

Items	Ending Balance	Beginning Balance
(i) deferred income	90,141,707.60	67,409,555.10
1.1. Upfront fees for comprehensive technology upgrading	43,700,000.00	35,000,000.00
1.2. Shipbuilding technology research	21,977,966.62	
1.3. Integrated ship building project	14,387,126.53	18,943,083.81
1.4. Upfront fees for infrastructure development of the quality Department metering station	2,698,430.60	4,368,270.37
1.5. Enterprise Technology Center innovative capacity-building projects	1,500,000.00	1,800,000.00
1.6. 150 tons self-propelled hydraulic flatbed	1,208,333.27	1,374,999.95
1.7. Coating technology and transformation (coating workshop building)	1,101,506.80	1,254,590.13
1.8. Technological transformation potential fund-4000 tons ship to develop new equipment and technological transformation	995,342.16	1,137,534.00
1.9. Dock adaptive transformation (1)	733,333.12	766,666.48
1.10. Dock adaptive transformation	586,666.88	613,333.52
1.11. High performance large curvature complex curved hull plate forming intelligent robot	511,492.56	
1.12. Large ship and special ship shafting assembly key technology and equipment	260,000.00	
1.13. Noise control engineering for new area	195,493.52	203,733.50
1.14. Noise control engineering for painting workshop	189,473.64	205,263.12
1.15. Transferring capabilities of regional value integration and upgrading technologies	64,041.63	109,854.93
1.16. Metering scientific instruments for the Group	32,500.27	42,500.23
1.17. Guangzhou special research funds for innovative enterprises		1,589,725.06
(ii) long-term staff welfare	60,735,157.49	59,160,749.49
2.1. Retired staff housing allowance	52,571,797.64	50,703,849.64
2.2. Staff house-purchasing aid	7,303,130.00	7,596,670.00
2.3. Retired staff medical insurance	860,229.85	860,229.85
Total	150,876,865.09	126,570,304.59

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Government grants

Government grants item	Beginning Balance	Increase	Included in the non-operating income	Other change	Ending Balance	Related with assets/gains
Upfront fees for comprehensive technology upgrading	35,000,000.00	8,700,000.00			43,700,000.00	Assets
Shipbuilding technology research		30,000,000.00	8,022,033.38		21,977,966.62	Gains
Integrated ship building project	20,172,585.95		3,323,578.30	2,461,881.12	14,387,126.53	Assets
Upfront fees for infrastructure development of the quality Department metering station	4,368,270.37	131,729.63	1,063,571.92	737,997.48	2,698,430.60	Assets
Enterprise Technology Center innovative capacity-building projects	2,100,000.00		300,000.00	300,000.00	1,500,000.00	Assets
150 tons self-propelled hydraulic flatbed	1,541,666.63		166,666.68	166,666.68	1,208,333.27	Assets
Coating technology and transformation (coating workshop building)	1,408,904.08		153,698.64	153,698.64	1,101,506.80	Assets
Technological transformation potential fund-4000 tons ship to develop new equipment and technological transformation	1,279,725.84		142,191.84	142,191.84	995,342.16	Assets
Dock adaptive transformation (1)	799,999.84		33,333.36	33,333.36	733,333.12	Assets
Dock adaptive transformation	640,000.16		26,666.64	26,666.64	586,666.88	Assets
High-performance large complex surface curvature hull plate forming intelligent robots		800,000.00	288,507.44		511,492.56	Gains
Large ships and special vessels shaft assembly key technology and equipment		260,000.00			260,000.00	Gains
Noise control engineering for new area	214,533.44		9,519.96	9,519.96	195,493.52	Assets
Noise control engineering for painting workshop	221,052.60		15,789.48	15,789.48	189,473.64	Assets
Regional integration and enhance the ability of money transfer technology research	164,041.71		50,000.04	50,000.04	64,041.63	Assets
Metering scientific instruments for the Group	52,500.19		9,999.96	9,999.96	32,500.27	Assets
Special studies of innovative enterprises in Guangzhou	589,725.06		589,725.06			Gains
Special studies of innovative enterprises in Guangzhou	1,000,000.00		1,000,000.00			Gains
Ships outer plate processing automatic molding robot developed				-		Gains
Complex forming process and equipment technology		2,700,000.00	2,700,000.00			Gains
Luxury cruise ship cabin layout and decoration typical design and manufacturing technology research		12,000,000.00	12,000,000.00			Gains
Total	69,553,005.87	54,591,729.63	29,895,282.70	4,107,745.20	90,141,707.60	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

36. Share capital

This section is the same with the Consolidated Financial Statements. See Note V.38.

37. Capital reserves

Current Year Amount

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	502,982,007.95			502,982,007.95
Other capital reserves	173,151,908.32	-1,309,000.00	180,090,847.22	-8,247,938.90
Total	676,133,916.27	-1,309,000.00	180,090,847.22	494,734,069.05

Last Year Amount

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	502,982,007.95			502,982,007.95
Other capital reserves	145,971,353.78	27,188,424.69	7,870.15	173,151,908.32
Total	648,953,361.73	27,188,424.69	7,870.15	676,133,916.27

38. Special reserves

Current Year Amount

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		43,363,109.26	43,363,109.26	
Total		43,363,109.26	43,363,109.26	

Last Year Amount

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		20,653,660.44	20,653,660.44	
Total		20,653,660.44	20,653,660.44	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

39. Surplus reserves

Current Year Amount

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	412,289,185.17	12,600,899.48		424,890,084.65
Discretionary surplus reserves	18,582,196.43			18,582,196.43
Total	430,871,381.60	12,600,899.48		443,472,281.08

Last Year Amount

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	406,572,887.58	5,716,297.59		412,289,185.17
Discretionary surplus reserves	18,582,196.43			18,582,196.43
Total	425,155,084.01	5,716,297.59		430,871,381.60

The Surplus reserve is appropriated from 10% of the net profit for Current Year of the parent company.

40. Retained earnings

Current Year

Items	Current Year	Appropriation %
Ending Balance of Last Year	2,330,975,528.31	
Add: Beginning retaining earnings		
Including: Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	2,330,975,528.31	
Add: Net profit attributable to Parent Company	126,008,994.80	
Less: Provision of statutory surplus reserve	12,600,899.48	10% of Net profit
Provision of statutory surplus reserve		
Provision of general risk reserve	77,169,702.48	
Ordinary share dividend payable		
Capitalized ordinary share dividend		
Ending Balance of Current Year	2,367,213,921.15	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Last Year Amount

Items	Current Year	Appropriation %
Ending Balance of Last Year	2,279,528,850.04	
Add: Beginning retaining earnings adjustment		
Including: Changes in accounting policies		
Corrections of Prior Errors		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	2,279,528,850.04	
Add: Net profit attributable to Parent Company	57,162,975.86	
Less: Provision of statutory surplus reserve	5,716,297.59	10% of Net profit
Provision of statutory surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable		
Capitalized ordinary share dividend		
Ending Balance of Current Year	2,330,975,528.31	

41. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	10,675,188,125.30	8,912,939,798.61
Less: Current liabilities	5,928,856,222.85	4,702,685,491.66
Net current assets	4,746,331,902.45	4,210,254,306.95

42. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	12,388,558,012.69	10,876,873,684.23
Less: current liabilities	5,928,856,222.85	4,702,685,491.66
Total assets less current liabilities	6,459,701,789.84	6,174,188,192.57

43. Loans

The Company's loans are summarized as follows:

Items	Ending Balance	Beginning Balance
Short-term bank loans	30,484,500.00	87,997,000.00
Long-term loans	2,677,624,278.31	2,471,591,867.49
Total	2,708,108,778.31	2,559,588,867.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(1) Analysis of loans

Items	Ending Balance	Beginning Balance
Bank loans	2,708,108,778.31	2,559,588,867.49
— Repayable within five years	2,108,108,778.31	1,959,588,867.49
— Repayable after five years	600,000,000.00	600,000,000.00
Total	2,708,108,778.31	2,559,588,867.49

(2) Due date analysis

Items	Ending Balance	Beginning Balance
Due within one year	819,704,305.15	1,145,955,531.65
1~2 years	1,288,404,473.16	813,633,335.84
2~5 years		
Over 5 years	600,000,000.00	600,000,000.00
Total	2,708,108,778.31	2,559,588,867.49

44. Operating income and Operating cost

Items	Current Year	Last Year
Main operation income	3,165,025,227.06	5,673,954,116.28
Other operation income	145,998,760.80	106,607,752.90
Total	3,311,023,987.86	5,780,561,869.18
Main operation cost	3,023,686,521.30	5,336,245,608.32
Other operation cost	116,744,506.74	68,364,821.23
Total	3,140,431,028.04	5,404,610,429.55

Gross margin

Items	Current Year	Last Year
Main operation income	3,165,025,227.06	5,673,954,116.28
Main operation cost	3,023,686,521.30	5,336,245,608.32
Gross margin	141,338,705.76	337,708,507.96



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(1) **Main business income – classified by products**

Items	Current Year		Last Year	
	Main operation income	Main operation cost	Main operation income	Main operation cost
Shipbuilding products	2,944,772,112.54	2,808,069,207.40	5,267,831,171.79	4,944,458,380.90
Steel Structure Engineering	67,316,323.57	70,309,689.85	56,401,886.32	55,171,065.69
Mechanical and electrical products and others	152,936,790.95	145,307,624.05	349,721,058.17	336,616,161.73
Total	3,165,025,227.06	3,023,686,521.30	5,673,954,116.28	5,336,245,608.32

(2) **Main business income – classified by regions**

Regions	Current Year		Last Year	
	Main operation income	Main operation cost	Main operation income	Main operation cost
China	1,063,085,000.15	1,041,087,058.03	3,331,126,145.29	3,294,172,304.63
Denmark	686,559,419.44	690,268,366.88	541,405,717.48	464,899,406.65
Greece	591,463,044.19	607,983,316.62	449,617,229.92	408,190,424.47
Netherlands	287,517,148.19	180,418,826.18	697,395,069.40	581,518,037.73
Sweden	231,088,475.09	231,088,475.09	266,824,293.40	253,978,931.41
Hong Kong	204,000,165.36	191,289,112.09	119,400,746.29	97,743,967.44
Others	101,311,974.64	81,551,366.41	23,403,111.21	21,240,247.73
Malta			128,210,255.04	101,249,178.53
Australia			116,571,548.25	113,253,109.73
Total	3,165,025,227.06	3,023,686,521.30	5,673,954,116.28	5,336,245,608.32

(3) **Other operation income & other operation cost**

Items	Current Year		Last Year	
	Other operation income	Other operation cost	Other operation income	Other operation cost
Sales of materials	68,388,079.30	65,560,448.74	3,704,946.89	3,104,461.25
Sales of scrap materials	21,426,311.06	13,025,615.41	41,983,570.62	24,559,628.95
Service income	16,980,771.17	10,505,096.41	24,366,621.35	9,260,503.44
Rental income	17,266,004.55	6,134,551.28	10,953,871.83	3,541,353.33
Energy income	21,937,594.72	21,518,794.90	25,598,742.21	27,898,874.26
Total	145,998,760.80	116,744,506.74	106,607,752.90	68,364,821.23

(4) **See Note V/47 for contract revenue.**

(5) **See Note V/47 for top five customers.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

45. Business tax and surcharges

Items	Current Year	Last Year	Tax Base
Business Tax	556,138.78	957,131.53	Service revenue
City Maintenance and Construction Tax	3,546,425.44	10,458,154.70	Turnover tax payable
Education Surcharge	2,533,161.04	7,477,732.91	Turnover tax payable
Total	6,635,725.26	18,893,019.14	

46. Selling expenses

Items	Current Year	Last Year
Ship maintenance fee	-8,758,299.41	-8,891,131.40
Transportation fee	3,127,322.24	
Business expenditure	2,419,046.56	2,594,762.88
Advertisement	489,325.41	576,246.10
Exhibition	393,072.93	479,624.45
Other selling expenses	1,583,312.59	1,645,247.86
Total	-746,219.68	-3,595,250.11

47. Administrative expense

Items	Current Year	Last Year
Salaries	97,616,338.41	101,219,518.53
Research and development fee	133,076,687.40	59,865,091.39
Repairing expenses	38,101,791.46	42,800,222.64
Labor transfer fees	12,974,124.86	12,674,322.87
Taxes and surcharges	14,742,771.05	13,792,861.16
Depreciation	11,899,671.64	13,174,936.20
Amortization of intangible assets	5,754,598.41	5,519,858.14
Board meeting fee	4,726,950.92	5,349,112.38
Water supply and electricity expense	2,965,610.26	3,759,457.68
Entertainment	2,443,874.23	3,237,882.76
Rental expense	2,106,722.47	2,843,652.78
Travelling expense	1,961,150.56	2,787,609.12
Agency fees	6,094,037.33	4,675,702.62
Technical training fees	2,765,999.97	2,600,000.00
Insurance expense	4,224,115.55	4,034,246.83
Green fees	1,602,400.22	1,632,983.00
Guard fire fighting fee	1,934,036.98	1,944,294.23
Expense for staffs going abroad	352,465.69	1,218,679.81
Storage fees	880,925.41	1,147,436.29
Office expense	901,696.84	1,080,162.70
Others	10,064,812.39	10,152,211.37
Total	357,190,782.05	295,510,242.50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

48. Finance costs

(1) Breakdown of financial expense

Items	Current Year	Last Year
Interest expenditure	90,939,628.10	94,902,488.87
Less: Interest income	195,003,968.54	206,184,348.06
Add Exchange loss	-30,446,987.85	692,946.60
Add: Other expenditure	1,096,538.30	3,228,975.66
Total	-133,414,789.99	-107,359,936.93

(2) Breakdown of interest expenditure

Items	Current Year	Last Year
Bank loans, interests overdraft	90,939,628.10	94,902,488.87
subtotal	90,939,628.10	94,902,488.87
Less: capitalized interest		
Total	90,939,628.10	94,902,488.87

(3) Breakdown of interest income

Items	Current Year	Last Year
Interest income from bank deposit	195,003,968.54	206,184,348.06
Total	195,003,968.54	206,184,348.06

49. Assets impairment losses

Items	Current Year	Last Year
Bad debts	-2,029,466.25	308,910.02
Loss from inventory devaluation	217,421,895.56	412,426,397.36
Total	215,392,429.31	412,735,307.38

50. Gain or loss on changes in fair value

Items	Current Year	Last Year
Financial assets held for trading	46,709,107.24	2,494,981.22
From: changes in fair value due to derivative instrument	46,709,107.24	2,494,981.22
Financial liabilities held-for-trading		936,395.19
From: changes in fair value due to derivative instrument		936,395.19
Total	46,709,107.24	3,431,376.41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

51. Investment income

(1) Source of investment income

Items	Current Year	Last Year
From long-term equity investment under equity method	946,282.45	769,102.64
From long-term equity investment under cost method	67,627,946.63	80,838.00
From holding Available-for-sale financial assets	11,032,819.50	7,411,213.00
From disposal of Available-for-sale financial assets	147,386,282.79	59,259.00
From disposal of Financial assets held-for-trading	41,628,805.00	23,575,690.65
From disposal of Financial liabilities held-for-trading		-582,971.01
Total	268,622,136.37	31,313,132.28

The Investment income for Current Year, through listed companies is RMB158,419,102.29 (Last Year: RMB110,203,034.08).

(2) Realized gain on Long-term equity investments, equity method

Items	Current Year	Last Year	Reasons for changes
Total	67,627,946.63	80,838.00	
Including: Guangzhou Yonglian Steel Structure Co., Ltd.	63,484,936.63		Dividends distributed by Yongli
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	3,600,000.00		
Guangzhou Hongfan Technology Co., Ltd.	510,000.00		
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	33,010.00	80,838.00	

52. Non-operating income

(1) Non-operating income category

Items	Current Year	Last Year
Gain on disposal of non-current assets	1,740.65	3,259,557.20
Gain on Liquidation of fixed assets	1,740.65	3,259,557.20
Government grants	79,504,104.11	258,880,256.79
Penalty income	24,500.00	132,345.00
Compensation income	9,786,135.21	7,130,606.53
Others	1,551,079.38	1,004,978.03
Total	90,867,559.35	270,407,743.55

The non-operating gains or losses for Current Year are RMB46,482,136.79 (Last Year: RMB29,728,114.67).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Government grants category

Items	Current Year	Last Year	Sources & Basis	Note
Product subsidy	44,385,422.56	240,649,628.88	National Funding	Related to income
Research on typical cabin arrangement and decoration design manufacturing technology of luxury cruise	12,000,000.00		National Funding	Related to income
Study on technology of shipbuilding	8,022,033.38		National Funding	Related to income
Ship construction project	3,323,578.30	1,229,502.14	National Funding	Related to assets
The key technology of complex component molding and equipment	2,700,000.00		National Funding	Related to income
Financial discount	2,286,410.00	4,052,030.00	Liwan District's import and export subsidies	Related to income
Guangzhou research on special innovative enterprises	1,589,725.06	1,410,274.94	National Funding	Related to income
High tech personnel subsidy	1,500,000.00		high-tech personnel subsidy by Ministry of finance	Related to income
Early use of quality department metering station infrastructure construction project	1,063,571.92		State funding; quality metering station infrastructure construction project	Related to assets
The innovation of enterprise technology centre construction project	300,000.00	300,000.00	The central government subsidies; enterprise technology innovation ability	Related to assets
The employment of college graduates internship subsidy	81,834.72	530,257.20	Guangzhou City Bureau of finance of China; library of college graduates employment trainee subsidies	Related to income
Economic subsidy funds		5,000,000.00	Guangzhou City Bureau Finance Treasury Branch; of financial management capital of 2012 annual headquarters economy subsidy funds	Related to income
The construction of public service platform for foreign trade		1,880,100.00	Liwan District national treasury payment centre; construction funds of foreign trade public service platform	Related to income
Special funds for the development of service outsourcing		794,700.00	Liwan District national treasury payment center; the 2013 special funds of Guangzhou service outsourcing development	Related to income
Special fund for export credit insurance		329,959.89	Liwan District national treasury payment centre; capital export credit insurance in 2013 special	Related to income
Others	2,251,528.17	2,673,803.74		
Total	79,504,104.11	258,850,256.79		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

53. Non-operating expense

Items	Current Year	Last Year
Loss on disposal of non-current assets	155,395.90	406,008.82
Loss on Liquidation of fixed assets	155,395.90	406,008.82
Penalties	13,961.48	165,521.60
Compensation	846,950.82	950,654.92
Other	16,000.00	61,483.00
Total	1,032,308.20	1,583,668.34

The non-operating gains or losses for Current Year are RMB1,032,308.20 (Last Year: RMB1,583,668.34).

54. Income tax expenses

(1) Income tax expense

Items	Current Year	Last Year
Current income tax expenses	19,418,766.17	24,718,398.65
China	19,599,693.52	24,718,398.65
Overstated in previous year (understated)	-180,927.35	
Deferred income tax expenses	-14,726,233.34	-18,544,732.96
Total	4,692,532.83	6,173,665.69

(2) Reconciliation for total income and income tax expense

Adjust the income tax expense based on total income in the consolidated income statement to the one calculated by applicable tax rate.

Items	Current Year	Last Year
Total income	130,701,527.63	63,336,641.55
Income tax calculated by using a tax rate of 15% (Last Year: 15%)	19,605,229.14	9,500,496.23
Impact on non taxable income	-11,941,057.29	-1,111,681.95
Impact on non deductible income	2,790,711.67	-2,183,218.03
Impact on special tax exemption		
Impact on inconsistent corporate tax rate		
Impact on using deductible temporary differences of deferred tax assets that are not recognized previously		
Impact on deductible loss and temporary differences that are not recognized in the Current Year		
Understated income tax for Last Year	-180,927.35	-31,930.56
Change in the balance of deferred tax assets and liabilities due to the change of tax rate		
Income tax expense	4,692,532.83	6,173,665.69

55. Dividends

This item is consistent with the one in the footnote of consolidated financial statements. See Note V/60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

56. Other comprehensive income

This item is consistent with the one in the footnote of consolidated financial statements. See Note V/61

57. Supplemental information of parent's income statement

Expenses includes operating cost, selling expense, administrative expense, the details are listed by nature as bellows:

Items	Current Year	Last Year
Raw materials	2,020,859,432.07	3,506,576,196.43
Salaries	647,334,570.79	809,014,071.30
Depreciation	89,116,380.77	90,648,081.45
Amortization	6,222,105.69	5,519,858.14
Shipbuilding special fee	637,328,858.34	1,103,444,008.47
Power costs	28,266,195.15	49,022,467.70
Taxes and surcharges	20,139,570.89	33,792,861.16
Others	47,608,476.71	98,507,877.29
Total	3,496,875,590.41	5,696,525,421.94

58. Notes to the Consolidated Cash Flow Statement

(1) Other cash receipts or payments from operating activities, investing activities and financing activities

1) Other cash receipts from operating activities

Items	Ending Balance	Beginning Balance
Government subsidies	189,452,882.05	131,325,992.95
Return of bid security	24,260,000.00	2,500,000.00
Receive Bid security	8,500,000.00	7,500,000.00
Return of deposit	6,510,000.00	1,200,000.00
Receive security of outsourcing service team	6,500,000.00	4,500,000.00
Return of prepayment for subsidiaries	5,437,587.43	3,414,122.00
Refund of housing aid	490,060.00	
Others	1,010,000.10	1,093,515.31
Total	242,160,529.58	151,533,630.26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Other cash payments from operating activities

Items	Current Year	Last Year
Research and Development	36,250,230.00	25,004,560.00
Payment of Zhongshan Ocean entrusted loan	30,000,000.00	100,000,000.00
Manufacturing expense	21,150,102.00	62,216,223.45
Administrative expense	20,868,461.78	51,959,094.21
Selling expense	18,320,869.73	12,295,881.29
Bid security	14,000,000.00	18,000,000.00
Refund of outsourcing service team security	5,000,000.00	5,200,000.00
Prepayment for subsidiaries	3,346,201.00	16,700,541.00
Refund of bid security	2,500,000.00	6,500,000.00
Other	1,589,481.16	1,177,659.52
Total	153,025,345.67	299,053,959.47

3) Other cash receipts from investing activities

Items	Current Year	Last Year
Fixed deposit pledge resolution	1,683,954,850.46	2,376,977,344.50
Interest income from deposit	224,316,824.35	206,184,348.06
Total	1,908,271,674.81	2,583,161,692.56

4) Other cash payments from investment activities

Items	Current Year	Last Year
Fixed deposit pledge	1,637,253,070.82	1,172,800,000.00
Total	1,637,253,070.82	1,172,800,000.00

5) Other cash payments from financing activities

Items	Current Year	Last Year
Issuance fee and other related expense for Shuguang project	4,500,251.00	
Others	283,709.17	18,324.65
Total	4,783,960.17	18,324.65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) Supplemental information for Consolidated Cash Flow Statement

Items	Current Year	Last Year
1. Reconciliation of not profit to cash flows from operating activities		
Net profit	126,008,994.80	57,162,975.86
Add: Provision for impairment	215,392,429.31	412,735,307.38
Fixed assets depreciation, oil-and-gas depletion and productive biological assets depreciation	89,893,584.61	99,912,700.72
Intangible assets amortization	6,222,105.69	5,987,365.42
Long-term deferred expenses amortization	1,184,738.90	1,165,288.20
Loss from Liquidation of fixed assets, Intangible assets and other long-term assets (gain marked "-")	153,655.25	-2,853,548.38
Loss from scrapped of Fixed assets		
Loss on changes in fair value (gain marked "-")	-46,709,107.24	-3,431,376.41
Finance costs (gain marked "-")	-134,789,076.82	-105,110,556.40
Realized loss on investments (gain marked "-")	-268,622,136.37	-31,313,132.28
Decrease in Deferred tax assets (increase marked "-")	-21,699,068.33	-19,092,970.52
Increase in Deferred tax liabilities (decrease marked "-")	6,972,834.98	548,237.56
Decrease in Inventories (increase marked "-")	-623,327,485.05	923,785,730.41
Decrease in operating receivables (increase marked "-")	-913,911,751.76	-360,897,364.32
Increase in operating payables (decrease marked "-")	1,276,126,154.49	-1,272,597,551.46
Others		
Net Cash Flow From Operating Activities	-287,104,127.54	-293,998,894.22
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents		
Ending balance	3,642,373,050.61	3,461,486,732.84
Less: Beginning balance	3,461,486,732.84	2,730,487,268.95
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	180,886,317.77	730,999,463.89

(3) Cash and Cash Equivalents

Items	Current Year	Last Year
Cash	3,642,373,050.61	3,461,486,732.84
Including: Cash	72,170.91	86,460.18
Bank deposit available-for-use	3,642,192,696.97	3,461,299,962.13
Other cash fund available-for-use	108,182.73	100,310.53
Cash Equivalents		
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	3,642,373,050.61	3,461,486,732.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

XIV. THE APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on March 17, 2014.

Supplementary information for financial statements

1. Statement of non-operating profit and loss

According to the No. 1 Notice on publicly listed company financial information disclosure – Non-operating gains and losses (2008), issued by China Securities Regulatory Commission, the non-operating gains and losses are disclosed as follows:

Items	Current Year	Last Year
Gains and losses from disposal of non-current assets	-237,470.71	
Casual tax rebate or tax exemption with ultra vires or without formal approval		
Government grants expensed	36,826,679.13	
Funds usage fees from non-financial institutions expensed		
Gains from the investment lower than the fair value of net identifiable assets of investees during the process of acquiring subsidiaries, joint ventures and associates		
Gains and losses from non-monetary assets exchange		
Gains and losses from commissioned investment or assets management		
Force majeure, provision for impairment of assets due to natural disaster		
Gains and losses from debt restructuring		
Corporate restructuring expenditures		
Gains and losses from the non-arm's length transactions		
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date		
Gains and losses from non-operating business contingencies		
Gains and losses on changes in fair value from Financial assets/liabilities held-for-trading; and Realized gain on disposal of Financial assets/liabilities held-for-trading, Financial assets available-for-use, except for the operation related hedging transactions	235,678,568.04	
Reversals of provision for impairment reserves from receivables with individual impairment test	223,137.14	
Gains and losses from Entrusted loans		
Gains and losses on changes in fair value, arisen from subsequent measurement of Investment property using fair value model		
The impact of one-time adjustment of current profit and loss, according to the laws and regulations of taxation or accounting		
Trustee fee income from entrusted operation		
Other non-operating income and expense except for the above items	10,085,619.34	
Other non-operating profit and loss defined		
Subtotal	282,576,532.94	
Income tax impact	42,426,257.58	
Impact on non-controlling shareholder's equity (after-tax)	540,156.09	
Total	239,610,119.27	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2. Return on net assets and earnings per share

Reported profit	Weighted average return on net assets %		Earnings per share			
			Basic EPS		Diluted EPS	
			2013	2012	2013	2012
Net profit attributable to the parent company	0.33	0.25	0.0211	0.0160	0.0211	0.0160
Net profit attributable to the parent company, net of non-operating gains and losses	-5.53	-0.94	-0.3514	-0.0600	-0.3514	-0.0600

3. Abnormal issues and explanations

Assets	Index	Ending balance	Beginning balance	Changes	Change
Financial assets which are measured by the fair value and changes in fair value is recognized in current profit and loss account	1	69,210,083.75	22,862,044.25	46,348,039.50	202.73%
Notes receivable	2	9,196,551.00	3,492,665.00	5,703,886.00	163.31%
Prepayments	3	1,644,777,958.51	503,864,929.68	1,140,913,028.83	226.43%
Dividend receivable	4	-	1,043,381.78	-1,043,381.78	-100.00%
Other receivables	5	65,834,422.16	262,235,880.07	-196,401,457.91	-74.89%
Inventories	6	1,650,046,214.10	912,568,809.53	737,477,404.57	80.81%
Other current assets	7	-	140,571.00	-140,571.00	-100.00%
Available-for-sale financial assets	8	29,070,000.00	269,965,187.50	-240,895,187.50	-89.23%
Construction in progress	9	24,734,442.02	61,201,815.91	-36,467,373.89	-59.59%

Note 1: Compared to beginning balance, the ending balance of financial assets held for trading increased by 202.73%, due to the increase of holding long-term forward foreign currency contracts as well as forward exchange rate fluctuations.

Note 2: Compared to beginning balance, the ending balance of notes receivable increased by 163.31%, due to the increase of receiving bank's acceptance bills.

Note 3: Compared to beginning balance, the ending balances of prepayments increased by 226.43%, mainly due to the prepaid to suppliers because of the additional orders for Current Year; as well as the prepayments for Guangzhou Longxue Shipbuilding Co., Ltd. Guangzhou Longxue outsourcing construction.

Note 4: Compared to beginning balance, the ending balance of dividend receivable decreased by 100%, mainly due to the receipts of cash dividend from associates.

Note 5: Compared to beginning balance, the Ending balance of other receivables decreased by 74.89%, mainly due to the collection of product subsidy.

Note 6: Compared to beginning balance, the ending balance of Inventories increased by 80.81%, mainly due to the increase of new orders of non ship business leads to the increase for purchase of raw materials and goods in process.

Note 7: Compared to beginning balance, the ending balance of other current assets decreased by 100.00%, mainly due to the collection of the overpayment of 2012 estimated income tax.

Note 8: Compared to beginning balance, the ending balance of available-for-sale financial assets decreased by 89.23%, mainly due to the disposal of China Merchant Bank stocks.

Note 9: Compared to beginning balance, the ending balance of construction in progress decreased by 59.59%, mainly due to the construction in progress recognized as fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Liabilities and equity	Index	Ending balance	Beginning balance	Changes	Change
Short-term loans	10	46,073,292.62	92,167,796.47	-46,094,503.85	-50.01%
Financial liabilities which are measured by the fair value and changes in fair value is recognized in current profit and loss account	11	-	223,540.75	-223,540.75	-100.00%
Tax payable	12	-64,538,569.38	78,274,385.66	-142,812,955.04	-182.45%
Dividends payable	13	437,160.43	157,912.98	279,247.45	176.84%
Other current liabilities	14	2,818,740,848.09	1,372,592,180.48	1,446,148,667.61	105.36%
Long-term loan	15	1,888,404,473.16	1,413,633,335.84	474,771,137.32	33.59%
Deferred tax liabilities	16	11,330,087.60	34,456,025.70	-23,125,938.10	-67.12%
Non-controlling interest	17	12,517,045.24	101,461,644.29	-88,944,599.05	-87.66%

Note 10: Compared to beginning balance, the ending balance of short-term loans decreased by 50.01%, mainly due to the pay back of loans at maturity.

Note 11: Compared to beginning balance, the ending balance of financial liabilities held-for-trading decreased by 100%, mainly due to the gains and losses from changes in fair value of partial forward settlement of foreign currency contracts resulted from increased forward exchange rates.

Note 12: Compared to beginning balance, the ending balance of Tax payable decreased by 182.45%, mainly due to the increase of allowance of input tax.

Note 13: Compared to beginning balance, the ending balance of dividends payable decreased by 176.84%, mainly due to the accrual of cash dividends by Hongfan Technology.

Note 14: Compared to beginning balance, the ending balance of other current liabilities increased by 105.36%, mainly due to the increase in payment for goods and constructions

Note 15: Compared to beginning balance, the ending balance of long-term loan increased by 33.59%, mainly due to the increase in USD loan to prevent exchange risk.

Note 16: Compared to beginning balance, the ending balance of deferred tax liabilities decreased by 67.12% mainly due to the decrease on deferred tax liabilities of change in fair value of available-for-sale financial assets by disposing China Merchant Bank stocks.

Note 17: Compared to beginning balance, the ending balance of non-controlling shareholders' interest decreased by 87.66%, mainly due to the completion of acquiring the non-controlling shareholders' interest of the subsidiary (49%), Yonglian Steel Structure Co., Ltd.

Profit and loss	Index	Current Year	Last Year	Changes	Change
Operating income	18	4,166,071,985.61	6,424,083,364.01	-2,258,011,378.40	-35.15%
Operating cost	19	3,867,567,709.26	5,970,855,522.13	-2,103,287,812.87	-35.23%
Selling expenses	20	7,398,233.57	3,741,482.56	3,656,751.01	97.74%
Assets impairment losses	21	218,488,269.87	411,550,631.66	-193,062,361.79	-46.91%
Gain on changes in fair value	22	46,571,580.25	3,568,903.40	43,002,676.85	1,204.93%
Investment income	23	202,472,690.25	33,706,842.80	168,765,847.45	500.69%
Non-operating income	24	92,818,666.38	271,887,155.01	-179,068,488.63	-65.86%
Non-operating expense	25	1,375,398.53	2,482,880.74	-1,107,482.21	-44.60%
Income tax expenses	26	12,543,135.15	8,913,687.18	3,629,447.97	40.72%
Other comprehensive income	27	-181,399,847.22	27,180,554.54	-208,580,401.76	-767.39%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2013 to December 31, 2013

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- Note 18: Compared with Last Year, the Operating income decreased by 35.15%, mainly due to the imbalance of production resulted from the insufficient arrangement of output.
- Note 19: The Operating cost decreased by 35.23% from a year earlier, due to the reason as stated in Note 1.
- Note 20: Compared with Last Year, the Selling expenses increased by 97.74%, mainly due to increase in transportation expense.
- Note 21: Compared with Last Year, the Assets impairment losses decreased by 46.91%, mainly due to the decrease in estimated loss of newly accepted shipbuilding contracts.
- Note 22: Compared with Last Year, the Gain on changes in fair value increased by 1,204.93%, mainly due to the increase of holding forward foreign currency contracts in the Current Year as well as the forward exchange rate fluctuations.
- Note 23: Compared with Last Year, the Investment income increased by 500.69%, mainly due to the disposal of China Merchants Bank stock and the increase of recognized investment gain from settlements of forward foreign currency contracts.
- Note 24: Compared with Last Year, the Non-operating income decreased by 65.86%, mainly due to the change in the product mix resulting in a large decrease of Subsidies on products receivable.
- Note 25: Compared with Last Year, the Non-operating expense decreased by 44.60%, mainly due to the disposal of fixed assets and decrease of compensation.
- Note 26: Compared with Last Year, the Income tax expenses decreased by 40.72%, mainly due to the increase of parent's income for the accounting period.
- Note 27: Compared with Last Year, other comprehensive income decreased by 767.39%, mainly due to the disposal of available-for-sale financial assets.

4. The details of the Group's public financial results and assets, liabilities for the past 5 years

Items	2013	2012	2011	2010	2009
A total assets	12,600,384,087.70	11,268,553,664.38	11,885,509,370.27	12,157,451,995.38	9,805,223,077.98
B total liabilities	8,684,267,701.58	7,021,977,546.79	7,684,735,148.21	8,403,525,396.25	6,548,243,353.48
C equity for parent	3,903,599,340.88	4,145,114,473.30	4,107,606,378.32	3,663,019,478.60	3,168,840,358.56
D equity for non controlling interest	12,517,045.24	101,461,644.29	93,167,843.74	90,907,120.53	88,139,365.94
E operation income	4,166,071,985.61	6,424,083,364.01	8,296,431,347.84	7,014,224,669.01	6,553,424,803.99
F operation cost	4,478,479,525.99	6,703,228,356.31	7,949,745,459.36	6,451,036,437.00	6,041,638,483.51
G operating profit	-63,363,269.88	-241,869,246.10	393,766,389.62	603,873,057.88	543,947,955.07
H total profit	28,079,997.97	27,535,028.17	606,591,265.14	835,247,436.63	613,687,828.53
I net profit	15,536,862.82	18,621,340.99	522,588,574.28	710,504,547.12	520,816,152.88
I1 net profit attributable for parent	13,599,718.51	10,327,540.44	518,333,370.07	707,736,792.53	514,961,903.36
I2 net profit attributable for non controlling interest	1,937,144.31	8,293,800.55	4,255,204.21	2,767,754.59	5,854,249.52
J EPS	0.0211	0.0161	0.8060	1.1005	0.8008
K Gain and loss will be reclassified next accounting period	-181,399,847.22	27,180,554.54	-24,278,712.35	-75,047,950.09	129,237,121.5
L Total comprehensive income	-165,862,984.40	45,801,895.53	498,309,861.93	635,456,597.03	649,939,865.38
L1 total comprehensive attributable to parent	-167,800,128.71	37,508,094.98	494,054,657.72	632,688,842.44	644,085,615.86
L2 total comprehensive attributable to non controlling interest	1,937,144.31	8,293,800.55	4,255,204.21	2,767,754.59	5,854,249.52

DOCUMENTS AVAILABLE FOR INSPECTION

- (i) Financial statements signed and sealed by the legal representative, chief accountant and head of the accounting department.
- (ii) The original copy of the auditor's report sealed by the auditors and signed by the relevant Certified Public Accountant.
- (iii) Full text of corporate documents and the original copies of announcements published on Shanghai Securities News and the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.chinagsi.com).

Guangzhou Shipyard International Company Limited

Han Guangde

Chairman

March 17, 2014

