

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

Interim Report

2014

## IMPORTANT NOTICE

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1. The board of directors (the "Board"), the supervisory committee ("the Supervisory Committee"), the directors (the "Directors"), the supervisors and senior management of Guangzhou Shipyard International Company Limited ("GSI" or the "Company") declare that there are no false statements, misleading information or material omissions in the interim report of 2014 (the "Report"), and jointly and severally take legal liabilities for the authenticity, accuracy and completeness of the contents of the Report.
2. All Directors attended the sixth meeting of the eighth session of the Board held on 29 August 2014, at which Mr. Yang Li and Mr. Chen Zhongqian, the independent non-executive Directors, appointed Mr. Wang Jun, also an independent non-executive Director, as their proxy for attending and voting in the meeting. The Report was approved by unanimous vote.
3. The Report of the Company has not been audited.
4. Mr. Han Guangde, the legal representative of the Company, Mr. Chen Liping, chief accountant of the Company and Mr. Hou Zengquan, head of accounting department of the Company, declare and confirm the authenticity, accuracy and completeness of the financial statements included in the Report.
5. The Company has no capital mis-appropriation by the controlling shareholder or any connected parties of the Company.
6. The Company has not provided any external guarantees that do not comply with its decision-making procedures.
7. The financial statements set out in the Report is prepared in accordance with PRC Accounting Standards for Business Enterprises, and has been reviewed and confirmed by the audit committee of the Board.
8. The forward-looking statements regarding future plans and development strategies, etc. in the Report shall not form the Company's substantive commitment to investors. Investors shall pay attention to investment risks.
9. The Report is prepared in both English and Chinese. In the event that different interpretation occurs, the Chinese version shall prevail.

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## SECTION I INTERPRETATION

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### 1. Interpretation

In the Report, unless the context requires otherwise, the following terms and expressions shall have the following meanings:

Interpretation of terms and expressions that frequently used

Baosteel Group	Baosteel Group Corporation Limited
Baosteel International	Baosteel Resources International Co., Ltd., an overseas subsidiary wholly-owned by Baosteel Group
China Shipping	China Shipping (Group) Company
China Shipping HK	China Shipping (H.K.) Holdings Co., Ltd., an overseas subsidiary wholly-owned by China Shipping
CSSC	China State Shipbuilding Corporation, the controlling shareholder of the Company
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by CSSC
CSSC HK	CSSC (Hong Kong) Shipping Company Limited, an overseas subsidiary wholly-owned by CSSC
Company	Guangzhou Shipyard International Company Limited
controlling shareholder	has the meaning ascribed thereto under the Listing Rules
DWT	deadweight tonnage, the deadweight capacity with ton as unit
FPSO	Floating production storage and offloading
Group	the Company and its subsidiaries
Guangli Company	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, a subsidiary wholly-owned by the Company
HKD	Hong Kong dollars, the lawful currency of Hong Kong
Jiangsu Shenghua	Jiangsu Shenghua Shipbuilding Company Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Longxue Shipbuilding	Guangzhou CSSC Longxue Shipbuilding Co., Ltd., a wholly-owned subsidiary of the Company
Reporting Period	the six months ended 30 June 2014
RMB	Renminbi, the lawful currency of the PRC
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States dollars, the lawful currency of the United States of America
USSL	Guangzhou United Steel Structures Ltd., a subsidiary of the Company
Zhongshan GSI	Zhongshan GSI and Marine Engineering Co., Ltd., a wholly-owned subsidiary of the Company

### 2. Notice of material risks

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

## SECTION II COMPANY PROFILE

### A. General information

Registered Chinese Name of the Company:	广州广船国际股份有限公司
Abbreviation of registered Chinese Name of the Company:	广船国际
Registered English Name of the Company:	Guangzhou Shipyard International Company Limited
Abbreviation of registered English Name of the Company:	GSI
Legal Representative of the Company:	Han Guangde

### B. Contact persons and contact details

	Secretary to the Board and Joint Company Secretary	Joint Company Secretary	Authorized Securities Representative
Name	Shi Weidong	Li Zhidong	Yu Wenbo
Contact Address	No. 40, South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China	No. 40, South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China	No. 40, South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Tel	(8620) 81893807	(8620) 81893807	(8620) 81893807
Fax	(8620) 81891575	(8620) 81891575	(8620) 81891575
E-mail	shiw@chinagsi.com	lzd@chinagsi.com	yuwenbo@chinagsi.com

### C. Basic information of the Company

The Company's Registered Address and Office	No. 40, South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Postal code of the registered address of the Company	510382
The Company's Office Address	No. 40, South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Postal code of the office address of the Company	510382
Company's international internet website	www.chinagsi.com
E-mail Address	gsi@chinagsi.com

### D. The Company's Principal Place of Business in Hong Kong:

54/F, Hopewell Centre, No.183 Queen's Road East, Hong Kong

### E. Auditor:

Auditor	Shinewing Certified Public Accountants (special general partnership)
Office Address	F/8, Tower A, Fuhua Mansion, No. 8 North Chaoyangmen Street, Dongcheng District, Beijing

### F. Legal Counsels of the Company

Legal Counsel in Mainland China	SG&CO PRC LAWYERS
Office Address:	15/F, 21st Century Tower, No. 210 Century Ave., Lujiazui, Shanghai
Legal Counsel in Hong Kong	Tung & Co. Solicitors
Office Address:	in association with Jiayuan Law Office Office 1601, 16/F, LHT Tower, 31 Queen's Road Central, Hong Kong

### G. Information disclosure and change of place for inspection

Newspaper designated for disclosure of the Company's information	Shanghai Securities News
Website designated by the China Securities Regulatory Commission for publishing the Interim Report	www.sse.com.cn
Place for Inspecting the Company's Interim Report	No. 40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Website of The Stock Exchange	www.hkex.com.hk
Website of the Company	www.chinagsi.com

### H. Brief information on the Company's shares

#### Brief information on the Company's shares

Class of Shares	The Stock Exchanges on which the Company's Shares are listed	Abbreviated Name	Stock Codes
A Shares	Shanghai Stock Exchange	Guangzhou Shipyard International	600685
H Shares	The Stock Exchange of Hong Kong Limited	Guangzhou Shipyard International	00317

### I. Changes in registration of the Company during the Reporting Period

Date of registration	March 14, 2014
Place of registration	Guangzhou
Registration No. of Business License of Enterprise Legal Person	440101400025144
Tax Registration No.	440107190499390
Organization code	190499390

### J. Share Registrars

Share Registrar for A Shares	China Securities Depository & Clearing Corporation Limited, Shanghai office
Office Address	3/F, China Assurance Tower, No. 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
Office Address	17/F, Hopewell Centre, No. 183 Queen's Road East, Hong Kong

### K. American Depositary Receipt (ADR) Custodian Bank

The Bank of New York Mellon

## SECTION III SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

### A. Key accounting figures and financial indicators

Unless otherwise stated, the accounting figures and financial indicators for the last reporting period represent the adjusted figures after the consolidation of Longxue Shipbuilding.

#### (I) Key financial information

Units: RMB

Key accounting figures	Reporting Period (January-June)	Corresponding period of last year		Changes for the Reporting Period as compared with the corresponding period of last year (after consolidation of Longxue Shipbuilding) (%)
		Figures before consolidation of Longxue Shipbuilding	Figures after consolidation of Longxue Shipbuilding	
Total operating income	3,886,884,172.98	1,745,869,433.35	2,636,998,279.87	47.40
Net profit attributable to shareholders of the Company	-271,115,881.22	55,334,088.40	-42,438,921.12	Not applicable
Net profit attributable to shareholders of the Company after deduction of exceptional items	-223,608,914.90	18,652,403.14	16,258,456.16	Not applicable
Net cash flow from operating activities	-1,341,131,162.63	-702,487,459.10	-744,764,493.12	Not applicable
		End of last year		
	End of the Reporting Period	Figures before consolidation of Longxue Shipbuilding	Figures after consolidation of Longxue Shipbuilding	Changes for the end of Reporting Period as compared with the end of last year (after consolidation of Longxue Shipbuilding) (%)
Net assets attributable to shareholders of the Company	5,166,685,174.02	4,088,712,293.34	3,909,563,777.47	32.16
Total assets	21,945,667,537.57	10,766,680,881.68	21,558,861,223.94	1.79

#### (II) Key financial index

Unit: RMB

Key financial index	Reporting Period (January-June)	Corresponding period of last year		Changes for the Reporting Period as compared with the corresponding period of last year (%)
		Figures before consolidation of Longxue Shipbuilding	Figures after consolidation of Longxue Shipbuilding	
Basic earnings per share ("EPS") (RMB/share)	-0.2631	0.09	-0.0412	Not applicable
Diluted EPS (RMB/share)	-0.2631	0.09	-0.0412	Not applicable
Basic EPS after deduction of exceptional items (RMB/share)	-0.2481	0.03	0.0253	Not applicable
Weighted average returns on net assets (%)	-5.64	1.34	-0.97	Decreased by 4.67 percentage points
Weighted average returns on net assets after deduction of exceptional items (%)	-4.50	0.45	0.40	Decreased by 4.90 percentage points

The Company completed the non-public issue of H shares on February 11, 2014 by issuing a total of 387,453,797 H shares, which resulted in an increase in the Company's share capital from 643,080,854 shares to 1,030,534,651 shares. During the Reporting Period, basic EPS and returns on net assets were calculated in compliance with the No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Net Assets and EPS (2010 Revised) (CSRC Announcement [2010] No. 2) issued by the China Securities Regulatory Commission.



**B. The exceptional items and amounts***Unit: RMB*

<b>Exceptional items</b>	<b>Amount</b>	<b>Notes</b>
Profits or losses from disposal of non-current assets	-30,185.63	Profits or losses from disposal of fixed assets
Government subsidies recognized in the current profits/losses, other than on-going government subsidies which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	18,913,630.90	Product subsidies and R&D subsidies received
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date	-5,458,797.84	Net gains and losses from the date of acquisition of Longxue Shipbuilding to consolidation date
Gains or Losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operation	-69,824,243.57	Changes in fair value of forward foreign exchange contract
Reverse of the provision for receivable impairment which was tested individually for impairment	211,425.24	Recovery of trade receivable with provision for impairment
Other non-operating profits and losses apart from above items	1,397,270.52	
Impact on non-controlling shareholder's equity	-457,166.35	
Income tax impact	7,741,100.41	
<b>Total</b>	<b>-47,506,966.32</b>	

## SECTION IV REPORT OF THE DIRECTORS

### A. Discussion and analysis of overall operation during the Reporting Period

During the Reporting Period, the shipbuilding market had no significant improvement, the market activity lowered and the ship owners had little intention to load ships. Facing the complicated market environment, the Company worked under the requirement of “transferring model, adjusting structure and promoting transformation”, completed the acquisition of 100% equity interests in Longxue Shipbuilding in the first half of the year, effectively improved the production capability of the Company and expanded the product range of the Group, which resulted in an increase in new orders for offshore engineering as compared with the corresponding period of last year. However, affected by the factors that work flows were still to be optimized, the corporate culture was still to be further integrated after merger of the two enterprises, increasing costs and labor shortage, there was a delay in the production progress of the Group so that the effectiveness during the Reporting Period was affected and some financial indicators showed a falling trend.

As at June 30, 2014, the operating income of the Group prepared in accordance with the Accounting Standards and Regulations amounted to RMB3.887 billion, representing an increase of 47.40% compared with the corresponding period of last year. The net profit attributable to the shareholders of the Company amounted to RMB-271 million. The basic EPS were RMB-0.2631 and RMB-0.2481 respectively before and after deduction of exceptional items.

#### (I) Main business analysis

##### 1. Analysis of changes on relevant items in the financial report

Unit: RMB

Items	Reporting Period	Corresponding period of last year	Changes for the Reporting Period as compared with the corresponding period of last year (%)
Total revenue	3,886,884,172.98	2,636,998,279.87	47.40
Total costs	3,811,966,803.09	2,484,760,836.19	53.41
Selling expenses	-6,102,023.26	5,620,895.52	Not applicable
Administrative expenses	310,339,723.66	244,467,233.01	26.95
Financial expenses	63,672,451.62	60,068,420.73	6.00
Net cash flows from operating activities	-1,341,131,162.63	-744,764,493.12	Not applicable
Net cash flows from investing activities	-1,482,301,125.93	-241,377,060.52	Not applicable
Net cash flows from financing activities	1,322,675,868.73	-485,908,608.42	Not applicable
Research and development expenditure	83,386,634.09	32,741,537.58	154.68

#### Reasons for the changes:

Total revenue increased by 47.40% as compared with the corresponding period of last year due to the significant increase in production volume resulting from the synergy effect of the consolidation of Longxue Shipbuilding.

Total costs increased by 53.41% as compared with the corresponding period of last year due to the increase in production capacity.

Selling expenses decreased by RMB11.72 million as compared with the corresponding period of last year due to the reversal of expired warranty increased.

The increase in administrative expenses was mainly due to an increase in research and development expenses by RMB50.65 million as compared with the corresponding period of last year.

The increase in financial expenses was mainly due to the decrease in exchange gains.

The decrease in net cash flows from operating activities was mainly due to the increase in the number of ships under construction, payment for purchase of materials and equipment and payment for external service fees by RMB582 million as compared with the corresponding period of last year.

The decrease in net cash flows from investing activities was mainly attributable to the increase in payment of RMB606 million for acquisition of equity interest in Longxue Shipbuilding during the year and increase in deposit for foreign currency borrowings.

The increase of net cash flows from financing activities by RMB1.809 billion was mainly due to RMB2.169 billion raised from issue of H shares.

The increase in research and development expenses by RMB50.65 million was mainly due to the structural difference in research and development projects.



## (1) Balance sheet items and explanation

Unit: RMB

Item	At the end of the period	At the beginning of the period	Change (%)	Reasons for the changes
Financial asset at fair values through profit or loss	29,296,939.92	69,210,083.75	-57.67	Mainly due to the change in fair values resulted from forward exchange rate fluctuations
Notes receivable	12,560,135.81	21,607,944.72	-41.87	Mainly due to the increase of receiving bank's due acceptance bills
Advanced payment	1,418,831,926.07	1,070,938,867.43	32.48	Mainly due to the increase orders received, which led to a higher advanced payment
Other receivables	146,773,862.95	75,790,266.06	93.66	Mainly due to the increase in receivable of product subsidies
Construction in progress	212,851,764.44	91,957,146.55	131.47	Mainly due to the increase in expenses for the construction of labor quarters in new production base
Short-term borrowings	4,434,826,841.62	2,740,220,723.02	61.84	Mainly due to the new borrowings
Advance from customers	269,859,401.46	535,392,138.97	-49.60	Mainly due to the completion of construction project
Non-current liabilities due within one year	841,832,517.25	1,769,219,805.15	-52.42	Mainly due to the repayment of due loans
Interests payable	44,069,582.00	68,778,979.01	-35.93	Mainly due to the decrease in long-term borrowings
Estimated Liabilities	378,900,855.77	657,847,075.11	-42.40	Mainly due to the decrease in the losses on ship orders
Deferred income tax liabilities	5,343,116.03	11,330,087.60	-52.84	Mainly due to the change in fair values of disposal of financial assets at fair value through profits or losses
Share capital	1,030,534,651.00	643,080,854.00	60.25	Issuance of new shares
Capital reserves	3,279,830,570.59	2,129,232,741.41	54.04	Increase in capital premium due to issuance of new shares
Retained earnings	410,224,834.67	691,646,062.40	-40.69	Operating loss of the Company and its subsidiary, Longxue Shipbuilding
Non-controlling interest	41,274,815.85	18,662,087.21	121.17	Mainly due to the acquisition of the minority shareholding in Longxue Shipbuilding

<b>Item</b>	<b>Reporting Period</b>	<b>Corresponding period of last year</b>	<b>Change (%)</b>	<b>Reasons for the changes</b>
Total revenue	3,886,884,172.98	2,636,998,279.87	47.40	Production volume increased significantly due to the synergy effect after consolidation of Longxue Shipbuilding
Total costs	3,811,966,803.09	2,484,760,836.19	53.41	Production capacity increased due to recovery of shipbuilding market
Selling expenses	-6,102,023.26	5,620,895.52	Not applicable	Mainly due to reversal of warranty expired
Assets impairment losses	5,006,234.23	68,938,713.95	-92.74	Mainly due to the decrease in expected contract loss for shipping order secured during the Reporting Period
Gains on changes in fair value	-76,967,801.84	9,588,964.01	Not applicable	Mainly due to the forward exchange rate fluctuations
Investment profits	7,964,522.43	36,343,418.38	-78.09	Mainly due to the disposal of available-for-sale financial assets in last year resulting in a decrease in dividends for the period as well as the decrease in the profit from the settlement of financial assets at fair value through profit or loss resulting from forward exchange rate fluctuations
Non-operating profits	105,797,000.29	15,015,649.71	604.58	Mainly due to the increase in product subsidies
Non-operating expenses	86,284.50	1,555,224.55	-94.45	Mainly due to the compensation made in last year due to the dispute over technical service contract
Operating profits	-275,668,358.31	-180,005,301.01	Not applicable	Mainly due to the decrease in gross profit, an increase in fair value changes loss and a decrease in investment income
Income tax expenses	-1,900,527.42	-70,707,333.15	Not applicable	Mainly due to the impact of deferred tax expense

## 2. *Others*

### (1) **Analysis and explanation of progress for implementation of financings and material assets restructuring of the Company in the initial stage**

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 parties for the purpose of acquisition of 100% equity interest in Longxue Shipbuilding were passed. In respect of the issue of H shares, the Company completed the issue of a total of 387,453,797 H shares to CSSC HK, Baosteel International and China Shipping HK on February 11, 2014. The formalities for changing Longxue Shipbuilding's registration of commerce and industry were completed on March 14, 2014 and the conditions precedent for the acquisition of Longxue Shipbuilding was satisfied on June 16, 2014. The acquisition of 100% equity interests in Longxue Shipbuilding was completed. For details, please refer to the announcements dated June 24, 2013, September 30, 2013, November 25, 2013, February 11, 2014 and June 16, 2014 on the websites of Shanghai Stock Exchange and Stock Exchange and the circular dated November 8, 2013.

After the acquisition of Longxue Shipbuilding, the Group effectively improved the production capacity and product range (including small and medium sized ships and large vessels such as 320,000 ton VLCC); the product mix of the Group not only includes low profit products (such as bulk carriers, ore ships, VLCC and VLOC bulk carriers/ore ships), but also high value added shipbuilding business such as houseboats, semi-submerged ships and auxiliary ships.

China State Shipbuilding Corporation, the controlling shareholder of the Company, is planning to implement a significant assets restructuring in respect of the Company. At the request of the Company, trading in the shares of the Company has been suspended in relation to a material transaction since April 7, 2014 (for A shares April 8, 2014) and in relation to a significant assets restructuring since April 15, 2014.

## (2) Description of the progress of operating plans

During the first half of 2014, the total amount of completed industrial production value was RMB3.814 billion, of which:

1. Shipbuilding and maintenance: amount of completed production was RMB2.968 billion, representing an increase of 43.73% as compared with the corresponding period of last year; 5 ships were delivered.
2. Offshore engineering products: amount of completed production was RMB504 million, representing an increase of 155.97% as compared with the corresponding period of last year.
3. Electromechanical equipment: amount of completed production was RMB342 million, representing a decrease of 7.99%. A total of 487 sets of shearing press were sold; 329 elevators were completed and the production volume of steel structure was 11,083 tons.

For the second half of the year, the Company is planning to complete an industrial production amount of RMB5.694 billion; it is expected to complete the construction of 16 vessels, the sale of 313 sets of shearing press, the production of 471 elevators and 28,917 tons of steel structure.

## (II) Analysis on Products or Regional Operation

### 1. Information of principal businesses by industry and by product

Unit: RMB

Product	Information on principal businesses by product					
	Operating income	Operating cost	Gross profit margin (%)	Change of operating income compared with the corresponding period of last year (%)	Change of operating cost compared with the corresponding period of last year (%)	Change of gross profit margin compared with the corresponding period of last year (%)
Shipbuilding business (including offshore engineering products)	3,380,529,954.76	3,372,876,844.16	0.23	58.40	65.55	-4.31
Steel structure engineering	174,635,191.40	157,162,608.05	10.01	-50.30	-52.31	3.80
Electromechanical products and others	219,564,409.07	207,095,242.00	5.68	423.36	419.62	0.68

During the Reporting Period, the Company's income from principal businesses amounted to RMB3.775 billion, which increased by 49.35% when compared with the corresponding period of last year; the gross profit of principal business amounted to RMB37.59 million, which decreased by 68.85% when compared with the corresponding period of last year; among which, the income of shipbuilding and offshore engineering products amounted to RMB3.381 billion, increased by 58.40% when compared with the corresponding period of last year, due to increase in production capacity and the increase in the number of ships under construction when compared with the corresponding period of last year. As for its offshore engineering business, 2 FPSO modified ships and fragmentary modules were added. The gross profit of shipbuilding and offshore engineering was RMB7.65 million, with gross profit margin decreasing by 4.31 percentage points.

For non-shipbuilding businesses, during the Reporting Period the total income from steel structure engineering amounted to RMB175 million, representing a decrease of 50.30% when compared with the corresponding period of last year, which was mainly due to the demanding technique requirement of and difficulties involved in the construction of those newly contracted steel structure projects resulting in a drop in income from completed projects. The accumulated income from electromechanical products and others amounted to RMB220 million, representing an increase of 423.36% as compared with the corresponding period of last year, mainly driven by the sales of host machines of 3# and 4# shield tunneling machine.

## 2. Information of principal businesses by region

Unit: RMB

Region	Income from principal businesses for the Reporting Period	Income from principal businesses for corresponding period of last year	Changes of operating income compared with corresponding period of the last year (±%)
China	1,738,677,275.77	608,410,981.48	185.77
Greece	270,691,310.05	220,686,959.01	22.66
Liberia	258,369,499.41	202,409,712.24	27.65
Singapore	228,726,979.27	117,294,438.66	95.00
Netherlands	227,881,332.00	25,890,163.90	780.18
Sweden	178,483,682.07	64,003,567.59	178.87
British Virgin Islands	155,942,964.93	176,732,811.17	-11.76
Switzerland	154,069,640.34	-	100.00
Mauritius	145,783,047.13	56,688,559.06	157.16
Denmark	143,925,343.61	491,391,155.33	-70.71
Hong Kong	103,930,988.58	396,846,048.92	-73.81
Australia	63,919,749.01	-	100.00
USA	32,491,015.71	-	100.00
Macau	22,647,520.17	-	100.00
Canada	20,627,469.09	57,752,525.61	-64.28
Norway	15,473,695.09	-	100.00
Marshall Islands	8,410,919.47	-	100.00
Philippines	-	87,630,033.20	-100.00
Colombia	-	4,405,310.38	-100.00
Other countries and regions	4,677,123.53	17,321,783.57	-73.00
Total	3,774,729,555.23	2,527,464,050.12	49.35

During the Reporting Period, the income from the Group principal businesses increased by 49.35% when compared with the corresponding period of last year, among which, the turnover in the PRC increased by RMB1.13 billion when compared with the corresponding period of last year, representing an increase of 185.77%. Affected by the economic environment, the European market was depressed. Therefore, the Company focused more on the development of the domestic market, and increased the business of building special vessels and public service vessels.

### (III) Core competitiveness analysis

During the Reporting Period, the core competitiveness of the Company remained unchanged.

### (IV) Analysis of investment status

#### 1. Overall analysis on external stock equity investment

The Company completed the acquisition of 100% equity interest in Longxue Shipbuilding on March 14, 2014, turning it into a wholly-owned subsidiary of the Company, and its results were consolidated into the financial statements of the Company during the Reporting Period. Save as disclosed above, there was no external equity investment made by the Company during the Reporting Period.

As at June 30, 2014, the balance of external equity investment of the Company was RMB45.68 million, representing an increase of 6.33% compared with RMB42.95 million at the beginning of the year, which was mainly due to investment income from associates.

#### (1) Information of the equity of other listed companies' held by the Company

Unit: RMB

Securities code	Abbreviation	Initial investment cost	Proportion Among the Company's equity at the beginning of the period (%)	Proportion Among the Company's equity at the end of the period (%)	Book value at the end of the Reporting Period	Gain or loss in Reporting Period	Change of owner's equity in Reporting Period	Accounting items	Share source
601872	China Merchants Energy Shipping Co., Ltd	37,100,000.00	0.29	0.29	25,740,000.00	-880,000.00	-748,000.00	Available-for-sale financial assets	Purchasing
Total		37,100,000.00	-	-	25,740,000.00	-880,000.00	-748,000.00	-	-

## 2. Information of entrusted wealth management and derivatives investment of non-financial companies

### (1) Entrusted wealth management

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

### (2) Entrusted loan

Information of entrusted loans

Unit: RMB

Name of borrower	Amount of entrusted loan	Term of loan	Loan interest rate	Purpose	Collateral or guarantor	Overdue or not	Connected transaction or not	Renewed or not	Lawsuit involved or not	Fund source and whether raised externally	Relation with Company	Expected earnings
Investment and construction of Zhongshan Base (totally 18 loans)	750,000,000.00 (RMB)	August 16, 2012 to May 26, 2016	1.50	Base construction	Nil	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	22,500,000.00 (RMB)
Longxue Shipbuilding (totally 1 loans)	20,000,000.00 (USD)	June 12, 2014 to June 12, 2016	1	Revolving funds for production	Nil	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	400,000.00 (USD)

In order to solve the bottleneck of insufficient production resources, the Company increased entrusted loan of RMB35 million to its wholly-owned subsidiary Zhongshan GSI for its construction with Industrial and Commercial Bank of China and Zhong Chuan Finance Company Limited as entrusted financial institutions. The Company has provided 18 entrusted loans with a total amount of RMB750 million to Zhongshan GSI from August 2012 to May 2014; such entrusted loans are applied in the investment in the Company's fixed assets and intangible assets (land use rights), which are the future base for the Company's non-ship business and it is free of capital risk.

In 2014, some loans in USD of Longxue Shipbuilding, a wholly-owned subsidiary of the Company matured; as its own U.S. dollars were insufficient, it was granted 1 entrusted loan with amount of USD 20 million through China Citic Bank, which was used for repayment of the matured loans in USD. As Longxue Shipbuilding has high quality shipbuilding assets, it is free of capital risk.

### (3) Information of other investment, wealth management and derivative investment

Unit: RMB

Type of investment	Fund source	Contracting party	Investment share	Investment period	Product category	Expected earnings	Investment profit or loss	Lawsuit involved or not
Forward exchange settlement and sales	Contract for export of ships	Banks	-	Within three years	Forward exchange settlement	-7,757,718.09	7,224,958.27	No

As at June 30, 2014, the Company had 43 sets of US dollar forward exchange contracts amounting to USD853.70 million, which had not been settled yet. The latest settlement date of these contracts is November 28, 2016, and the fair value as at end of the period is RMB-7,757,700. There is no USD forward purchasing contract which was not settled yet.

The financial derivatives business of the Company is strictly in accordance with the requirements of financial derivatives business management regulations of the Company. Financial derivatives transaction contracts were signed after the consideration and approval of legal department, finance department, chief accountant, executive director and vice chairman and general manager (with the authorization of the chairman).

### 3. Information on use of funds raised

#### (1) Overall use of fund raised

Unit: RMB

Year of fund raising	Method of fund raising	Total amount of proceeds	Total amount of proceeds used during the Reporting Period	Total amount of proceeds accumulatively used	Total amount of proceeds that have not been used	Use and status of proceeds that have not been used
2014	Non-public issue	2,240,000,000.00	2,083,296,680.91	2,083,296,680.91	156,703,319.09	Deposited in the special HKD account of China Citic Bank, and planned for use as general working capital and payment of issue expenses.
Total		2,240,000,000.00	2,083,296,680.91	2,083,296,680.91	156,703,319.09	-

The Company completed the non-public issue of a total of 387,453,797 H shares to CSSC HK, Baosteel International and China Shipping HK on February 11, 2014, with total amount of proceeds of HKD2,824,538,180.13, equivalent to RMB2,240,000,000.00 (HKD1: RMB0.79305), among which, RMB816,000,000 were used for the acquisition of 100% equity interests in Longxue Shipbuilding; RMB 1,078,000,000 was used for the repayment of the borrowings from CSSC Finance and the rest was used as the Company's working capital.

Note: pursuant to the equity purchase agreement dated September 30, 2013 entered into among the Company, CSSC, Baosteel Group and China Shipping, RMB956 million was paid to Longxue Shipbuilding for acquisition of its 100% equity interest which the original shareholders were entitled to the loss generated between the benchmark date (i.e. March 31, 2013) to equity interest closing date (i.e. February 28, 2014). The actual payment for acquisition of equity interest of Baosteel Group was RMB181 million after deducting the loss of 105 million borne by the original shareholders during the transition period. The actual payment for acquisition of equity interest of China Shipping was RMB61 million after deducting the loss of RMB35 million borne by the original shareholders during the transition period.

#### (2) Use of proceeds for committed projects

Unit: RMB

Name of committed project	Project altered or not	Proposed amount from proceeds	Amount invested from proceeds during the Reporting Period	Actual amount accumulatively invested from proceeds	Compliance with planned progress	Project progress	Expected earnings	Status of earnings generated	In line with expected earnings or not	Reasons for not in line with the planned progress or earnings	Reasons for change and description for procedures for change of use of proceeds
Non-competition undertaking	No	-	-	-	Yes	100	Normal	-	-	-	-

The Company has completed the formalities for registration of commerce and industry alteration for Longxue Shipbuilding on March 14, 2014 and issued an announcement on Completion of Registration and Procedures for Acquisition of 100% Equity Interests in Longxue Shipbuilding on the websites of Shanghai Stock Exchange and the Stock Exchange on June 16, 2014. As at the date hereof, CSSC is in comply with its undertaking of non-competition made to the Company.



#### 4. Analysis on main subsidiaries and investees

Unit: RMB'0,000

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
<b>Shares held directly</b>						
1 Longxue Shipbuilding	Vessels, electrical machinery, general machinery, and steel structure technology design, manufacture, and repair	272,000.00	100.00	1,077,501.15	-25,550.54	-21,049.41
2 Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	2,100	95.00	9,448.88	4,163.94	251.26
3 Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	80.00	4,571.90	1,021.62	262.30
4 Guangzhou Hongfan Technology Co., Ltd.	Developing of computer software, system integration, and hardware sales, etc.	500	51.00	2,772.25	2,578.92	155.22
5 Guangzhou Xingshun Shipping Service Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	83.33	7,901.91	3,481.33	14.51
6 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	2,491.44	1,524.59	80.19
7 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.	18,861	100.00	26,612.18	13,687.51	-156.80
8 Guangzhou United Steel Structures Limited	Large steel structure	USD8,850,000	75.00	20,553.24	11,270.78	521.71
9 Glory Group Developing Co., Ltd.	Trading	HKD30,000,000	100.00	10,294.46	7,473.53	583.98
10 Zhongshan GSI.	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components, general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment	10,000	100.00	85,558.58	-3,807.15	-3,482.69
11 GSI Marine Engineering Co., Ltd.	Designing, constructing, reconstructing, and repairing the ships and platforms for marine engineering	5,000	100.00	36,347.90	5,126.27	-206.57
<b>Shares held indirectly</b>						
12 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	2,491.44	1,524.59	80.19
13 Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	1,000	100.00	1,696.23	850.04	98.45
14 Guangdong GSI Elevator Co., Ltd.	Elevator manufacturing	2,100	5.00	9,448.88	4,163.94	251.26
15 Fonkwang Development Co., Ltd.	General trade	HKD200,000	80.00	6,903.34	359.86	39.36
16 Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	20.00	4,571.90	1,021.62	262.30
17 Guangzhou United Steel Structures Limited	Large steel structure	USD8,850,000	25.00	20,553.24	11,270.78	521.71
18 Guangzhou Xingshun Shipping Service Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	16.67	7,901.91	3,481.33	14.51
19 The Guangzhou Longxue Shipbuilding Co., Ltd.	Ferrous metal metallurgy and steel rolling and processing	7,000	42.86	8,532.21	4,866.29	19.45

## 5. Information of investment projects with no external funding

During the Reporting Period, the Company's total investment in non raising fund was approximately RMB151 million, representing an increase of approximately RMB29 million and by 23.77% compared with the corresponding period of last year. The main investment projects and relevant information are as shown below:

Unit: RMB'0,000

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual amount invested in total	Project benefit
General Contracting for Design and Construction of Workers' Dormitory Project (Phase I) CSSC Longxue Base	62,770.00	16.11%	9,229.20	10,111.57	No profit generated yet
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting (on the side of Chengxin Avenue)	431.00	61.40%	264.63	264.63	No profit generated yet
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	441.00	59.70%	263.26	263.26	No profit generated yet
Engineering and Design Fees for Base Civil Ship Phase I	380.00	68.04%	258.55	258.55	No profit generated yet
1#3# Slipway Extension Project	407.00	50.16%	204.17	204.17	No profit generated yet
Others			4,860.57	4,860.57	
Total			15,080.38	15,962.75	

## B. PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITAL INCREASE WITH CAPITAL RESERVE

### (I) Information on the implementation or adjustment of profit distribution proposal carried out during the Reporting Period

#### 1. Profit distribution plan carried out during the Reporting Period

During the Reporting Period, the implementation of the 2013 profit distribution proposal by the Company was approved by the 2013 Annual General Meeting of the Company held on May 8, 2014, which included a cash dividend of RMB0.10 for every 10 shares (tax included) paid to all shareholders based on a total of 1,030,534,651 shares of the Company as the end of 2013. The distribution of cash dividend of A shares and H shares for the year 2013 of RMB10,305,346.51 in total was completed at June 27, 2014.

#### 2. The Company would not make profit distribution or issue new bonus shares by conversion of capital reserve for the first half of 2014.

#### 3. Implementation of cash dividend policy during the Reporting Period

As stipulated in the Articles of Association of the Company, when the annual profit and cashflow of the Company can meet with the normal operation and development of the Company, a portion of the profit can be distributed in the form of cash dividend and the distribution in the recent three years shall not be less than thirty percent of the average annual distributable profits for the three-year period. The profit distributed by the Company in form of cash in the past three years accounted for 48.39% of the average distributable profits in the three years.

## C. OTHER DISCLOSURES

### (I) Warning and relevant explanation on the forecast of the possible aggregate net profits from the beginning of the Year to the end of the next reporting period turning into a loss or significant changes compared with the corresponding period of last year

✓ Not applicable

### (II) Explanation from the Board and the Supervisory Committee for the "Non-standard Auditors' Report"

✓ Not applicable

### (III) Contingent liabilities

As at June 30, 2014, the Company had no significant contingent liabilities.

### (IV) Gearing ratio

As at June 30, 2014, the Company's gearing ratio (total liabilities/total assets x 100%) was 76.27% (at the beginning of the Reporting Period: 81.80%). Such change was mainly attributed to changes from non-public issue of H shares for acquisition of 100% equity interests of Longxue Shipbuilding.

### (V) Detailed information on charges on assets

As at June 30, 2014, an amount of RMB4,425 million of the Company's deposits had been applied as charge for long-term and short-term borrowings. Save as disclosed above, no other assets of the Company was subject to any charge.

## SECTION V SIGNIFICANT EVENTS

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### 1. SIGNIFICANT LITIGATION, ARBITRATION AND MATTERS COMMONLY CONCERNED BY MEDIA

#### (I) Litigation, arbitration or matters commonly concerned by media that have been disclosed in extraordinary announcements with no subsequent development

As concerning the case that the Company sued Jiangsu Shenghua in relation to a dispute over technical service contract, and the case that Guangzhou Guangli sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600DWT bulk carriers. During the Reporting Period, the assets sealed up of Jiangsu Shenghua have been 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 other material litigations, arbitrations and matters commonly concerned by media during the Reporting Period.

For details, please refer to the "Significant Events (I) Significant Litigation and Arbitration" in the Annual Report 2013 of the Company.

### 2. BANKRUPTCY OR REORGANIZATION EVENT

No bankruptcy nor reorganization events occurred in respect of the Company during the Reporting Period.

### 3. ASSETS TRANSFER AND BUSINESS COMBINATION

#### (I) Company acquisitions, disposal of assets and business combination that have been disclosed in extraordinary announcements with no changes in subsequent implementation

For the resolution in relation to the Company's non-public issue of H shares to specific parties for the purpose of acquisition of 100% equity interest in Longxue Shipbuilding, relevant issue of H shares was completed on February 11, 2014; the acquisition of 100% equity interest in Longxue Shipbuilding was completed, and the formalities for change of registration of commerce and industry were completed on March 14, 2014.

For details, please refer to the announcements dated February 11, 2014 on the websites of the Stock Exchange and Shanghai Stock Exchange as well as the announcement dated June 16, 2014 published on the websites of Shanghai Stock Exchange, Stock Exchange and the Company.

### 4. THE IMPLEMENTATION OF EQUITY INCENTIVE AND ITS IMPACT

✓ Not applicable

### 5. SIGNIFICANT CONNECTED TRANSACTIONS

#### (I) Connected Transactions Related to Daily Operation

##### 1. Events that have been disclosed in extraordinary announcements with no subsequent development or changes

As a result of the acquisition of Longxue Shipbuilding and in order to ensure smooth production and operation following the acquisition, the Company and China State Shipbuilding Corporation 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 shareholders of 2014 held on February 13, 2014 and became effective on the date of completion of the acquisition (i.e. March 14, 2014).

For details of the 2014-2016 Framework Agreement, please refer to the Company's announcement dated December 16, 2013 on Shanghai Stock Exchange and the Stock Exchange and the Company's website.

## 2. 2014 continuing operating connected transactions (January to June)

No.	Content and category	Upper limit approved by the general meeting	Actual transaction amount	Proportion in the same category of transactions (%)	Pricing policy
<b>1</b>	<b>Products and services provided by the Company to CSSC</b>				
1.1	Provision of electromechanical equipment and metallic accessories	421,580,000.00	37,274,370.62	0.96	Market or agreed price
1.2	Utilities	105,750,000.00	24,946,464.34	0.64	Costs plus management fees
1.3	Labor supply and technology service	315,750,000.00	101,770,456.69	2.62	Not less than the price provided to third parties
<b>2</b>	<b>Products and services provided by CSSC to the Company</b>				
2.1	Provision of electromechanical equipment and metallic materials, ship-building accessories and equipment for use on ships	5,210,430,000.00	943,430,393.62	24.75	Market price or agreed price, and not more than the price offered by independent third parties
2.2	Labor supply and technology services	696,140,000.00	42,709,505.65	1.12	Costs plus management fees or market price
2.3	Deposits (limit)	2,800,000,000.00	1,803,931,005.50	25.08	Interest rate on deposits
2.4	Interest on deposits	130,000,000.00	9,895,830.02	7.35	as published by the People's Bank of China
2.5	Loan (limit)	5,600,000,000.00	1,661,528,000.00	17.09	
2.6	Loan interest	400,000,000.00	41,815,837.32	19.02	
2.7	Maximum amount of guarantee	7,500,000,000.00	0.00	0.00	Agreed price, not more than the price offered by independent third parties
2.8	Guarantee fee	46,000,000.00	0.00	0.00	
2.9	Total products sales agency fees paid by the Group to CSSC	70,000,000.00	7,321,821.02	0.22	No more than 1.0% of contract price in accordance with international practice
2.10	Total material purchases agency fees paid by the Group to CSSC	17,000,000.00	7,162,988.07	0.21	1% to 2% of contract price in accordance with international practice

Since the Company was established, the Group has engaged in various continuing connected transactions with CSSC in connection with its shipbuilding and assembling business of the Company. Such transactions are of 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 to provide a steady source of materials, labor and possible design and technology services necessary for the Group to conduct its business, and provide flexibility in handling excess resources.

### 3. Creditor or debtors with connected parties of a non-operating nature

Unit: RMB

Connected parties	Connected Relationship	Capital provided to connected parties			Capital provided by connected parties to the Company		
		Opening balance	Accrual	Closing balance	Opening balance	Accrual	Closing balance
Accrual of capital provided by the Company to its controlling shareholder and subsidiaries during the Reporting Period							
Balance of capital provided by the Company to its controlling shareholder and subsidiaries during the Reporting Period							
Guangzhou Shipyard Company Limited	Controlled by the same parent company	-	-	-	717,000.00	747,350.66	1,464,350.66
Hualian Ship Co., Ltd.	Controlled by the same parent company	-	-	-	469,396.39	0.00	469,396.39
Reasons for connected obligatory rights and debts	Business needs						
Information on the discharging of connected obligatory rights and debts	Normal						
Commitment on connected obligatory rights and debts	Not applicable						
Impact of connected obligatory rights and debts on the Company's results of operation and financial standing	Connected obligatory rights and debts had no material impact on the Company's results of operation and financial standing						

## 6. SIGNIFICANT CONTRACTS AND PERFORMANCE

### (I) Custody, Contracting or Leasing

✓ Not applicable

### (II) Guarantees

✓ Not applicable

### (III) Other Significant Contracts or Transactions

✓ Not applicable

## 7. FULFILMENT OF COMMITMENTS

### (I) Commitments made by the listed company, shareholders representing 5% or more of the shares of the Company, the controlling shareholder and actual controller during or continued to the Reporting Period:

Commitment background	Type of commitment	The committed party	Content of commitment	Time and period for commitment	Any time limit for fulfillment of the commitment	Whether commitment is timely and strictly fulfilled or not	Reasons for failure to fulfill the commitment timely (if any)	Further plan in case of failure of fulfillment
Commitment made in the acquisition report or report on changes in equity	Solution for related party transaction	Zhong Chuan Finance Company Limited	Commitment to provide (including but not limited to) security for deposits	December 16, 2013 to December 16, 2016	Yes	Yes		
	Solution for horizontal competition	China State Shipbuilding Corporation	CSSC will not and prevent any enterprises controlled by CSSC (except for GSI and GSI controlled enterprises) from and cause them not to engage in any business that will compete with the business of GSI and GSI controlled enterprises.	Nil	No	Yes	As CSSC began to plan for a significant assets restructuring for the Company in April 2014, CSSC is now discussing the detailed plan for the restructuring	The Company will make further announcement after the plan determined.
	Restricted sales of shares	CSSC Hong Kong	Commitment in the share purchase agreement: after the transaction is completed, CSSC Hong Kong will not trade or transfer the shares purchased from the issue within thirty six months from the date of the issue to safeguard the interests of all shareholders.	February 11, 2014 (Listing Date of New Shares) to February 10, 2017	Yes	Yes		

## 8. PUNISHMENT AND RECTIFICATION WITH RESPECT TO THE COMPANY, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES AND ACTUAL CONTROLLER OF THE COMPANY

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

## 9. CORPORATE GOVERNANCE

During the Reporting Period, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate and complete disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and the independent non-executive shareholders played an important role in major issues such as the material asset restructure of the Company.

### (1) Corporate governance

The Company kept improving its corporate governance structure and regulated the operation of the Company in accordance with the PRC Company Law (the "Company Law"), the Securities Law of the PRC, relevant laws and regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Stock Exchange. During the Reporting Period, the Company's governance had no material difference from the Company Law and relevant regulations of China Securities Regulatory Commission. Save as disclosed below, for the six months ended June 30, 2014, the Company has applied the codes set out in the Corporate Governance Code and Corporate Governance Report Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, and has complied with all the code provisions:

- In respect of code provision A.6.7 of the CG Code, Mr. Poon Chiu Kwok, and Ms. De Lihua, independent non-executive directors of the Company, was unable to attend the 2013 annual general meeting of the Company held on May 8, 2014 due to resignation; and
- For the purpose of rule 3.10(1) and 3.10A under the Listing Rules, as Mr. Poon Chiu Kwok and Ms. De Lihua resigned as the independent non-executive directors of the Company from May 8, 2014, there were only two independent non-executive directors of the Company since May 8, 2014, which did not satisfy the requirement that the board of directors must include at least three independent non-executive directors as provided under rule 3.10(1) and the requirement that the independent non-executive directors must represent at least one-third of the board of directors as provided under rule 3.10A of the Listing Rules. The Company has convened the second extraordinary general meeting in 2014 on June 30, 2014, at which Mr. Wang Hong and Mr. Zhu Zhenyu were approved by shareholders to be appointed as the new independent non-executive directors of the Company. Since then, the Company has met the requirements as provided under rule 3.10(1) and rule 3.10A of the Listing Rules.



## **(2) Securities transactions by Directors**

The Company has strictly complied with the relevant restrictive provisions imposed by PRC and Hong Kong regulatory bodies in relation to securities transactions by directors and has consistently upheld the principle of complying with the most stringent provisions and has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company has established its own Management System for Holding and Changes in the Shares of the Company of Directors, Supervisors and Senior Management. The Company has made specific inquiry to all its directors for preparing this Report and all directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

## **(3) Meetings of the Board**

During the Reporting Period, the Board held six meetings, including three meetings by means of written resolutions. All the directors including proxies attended the meetings.

In addition, the audit committee of the Board held three meetings to review issues including the financial reports of the Company for the first half of 2014 and the report of internal control review. The nomination committee of the Board held six meetings in 2014 to consider recommendation of nominating Ms. Li Junping as the independent director candidate of the eighth term of the Board; recommendation of nominating director candidates of the eighth term of the Board; recommendation of nominating senior management candidates of the eighth term of the Board; nomination of Mr. Shi Weidong as vice president of the Company and secretary to the Board; approval of Mr. Wang Hong and Mr. Zhu Zhenyu as the candidates of independent non-executive directors of the eighth term of the Board and nomination of Mr. Chen Weiping as vice president candidate of the Company. The emolument and examination committee of the Board held a meeting to consider the remuneration of Directors of the eighth term of the Board, supervisors and senior management.

## **10. EXPLANATION TO OTHER SIGNIFICANT EVENTS**

### **(1) Analysis and explanation on reasons for and impact from changes in accounting policies and estimation or auditing method by the Board**

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. From January 26, 2014, Ministry of Finance released five 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 ("New Accounting Principles"). 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. (For details, please refer to Section X Financial Reports in the 2013 Annual Report)

## **11. APPOINTMENT OR DISMISSAL OF THE AUDITOR**

Whether to change the auditor  
Name of current auditor

No  
ShineWing Certified Public Accountants Limited (Special General Partner)

## SECTION VI INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

### 1. CHANGE IN SHARES

#### (1) Statement of changes in shares

Unit: share

	Before the change		Increase and decrease (+,-) in change				After the change		
	Number	Proportion (%)	New shares issued	Bonus	Shares transferred from reserve	Others	Subtotal	Number	Proportion (%)
<b>(I) Shares subject to selling restriction</b>			345,940,890				345,940,890	345,940,890	33.57
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
In which: Domestic non-state-owned legal person shares									
Domestic natural person shares									
4. Foreign shares			345,940,890				345,940,890	345,940,890.00	33.57
In which: Overseas legal person shares			345,940,890				345,940,890	345,940,890.00	33.57
Overseas natural person shares									
<b>(II) Shares not subject to selling restriction</b>	643,080,854	100	41,512,907				41,512,907	684,593,761	66.43
1. RMB ordinary shares	438,463,454	68.18						438,463,454	42.55
2. Foreign shares listed domestically									
3. Overseas listed foreign shares	204,617,400	31.82	41,512,907				41,512,907	246,130,307	23.88
4. Others									
<b>(III) Total shares</b>	643,080,854	100.00	387,453,797				387,453,797	1,030,534,651.00	100.00

#### (2) Changes in shares subject to selling restriction

Unit: share

Name of shareholder	Number of shares subject to selling restriction at the beginning of the Reporting Period	Number of shares of which selling restriction was released during the Reporting Period	Number of shares subject to selling restriction increased during the Reporting Period	Number of shares subject to selling restriction at the end of the Reporting Period	Reasons for selling restriction	Date of release of selling restriction
CSSC HK	0	0	345,940,890	345,940,890	Subscription of H shares; undertaking no transfer of shares within 36 months	February 10, 2017
<b>Total</b>			345,940,890	345,940,890	-	-

### 2. Description of changes in shares

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 "Subscription Shares") to CSSC HK, Baosteel International and China Shipping HK, which resulted in the changes in the Company's capital structure.

## 2. INFORMATION ABOUT SHAREHOLDERS

Unit: share

Total number of shareholders as at the end of the Reporting Period 50,798  
 Total numbers of total shareholder of preferred shares of which voting rights have been resumed as at the end of the Reporting Period 0

### Information of shareholding by top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Total number of shares held	Increase/decrease during the reporting period	Number of shares subject to selling restriction condition	Number of shares pledged or locked up
HKSCC NOMINEES LIMITED	Overseas natural person	57.02	587,608,980	387,908,997	345,940,890	Nil
CSSC	State-owned legal person	22.28	229,645,800	0.00	0.00	Nil
Agricultural Bank of China – China Post Core Growth Stock Fund	Domestic natural person	1.18	12,200,000	11,408,252	0.00	Nil
China Construction Bank – Guotai Jinma Stable Return Securities Investment Fund	Domestic natural person	0.43	4,411,355	799,548	0.00	Nil
Beijing Trust Co., Ltd. – Yinchi No.6 Securities Investment Trust	Domestic natural person	0.29	3,000,000	274,509	0.00	Nil
Ping An Life Insurance Company of China, Ltd. – Participating – Participating insurance policy	Domestic natural person	0.29	2,957,283	560,282	0.00	Nil
Credit and guarantee account – Ping An Securities Company Ltd. – Customer credit trading guarantee securities account	Domestic natural person	0.19	2,000,000	2,000,000	0.00	Nil
Rongtong New Blue Chip Fund	Domestic natural person	0.19	1,908,415	1,908,415	0.00	Nil
Agricultural Bank of China – China Post Core Advantage Flexible Allocation Mixed Fund	Domestic natural person	0.18	1,900,000	-20,302	0.00	Nil
Li Fan	Domestic natural person	0.16	1,598,948	1,598,948	0.00	Nil

Explanation on the connected relationship of the shareholders and action in concert among the aforesaid shareholders

CSSC HK undertook that it will not transfer the 345,940,890 H shares it subscribed within 36 months. As mentioned in the Announcement dated February 12, 2014 in relation to Completion of Non-public issue of Overseas Listed Foreign Shares published on the website of Shanghai Stock Exchange, the number of shares (H shares) subject to selling restriction after changes of the shareholding structure of the Company was 345,940,890. As confirmed by Computershare Hong Kong Investor Services Limited, there is no share identification with selling restriction condition for H share. Therefore, the aforesaid part of shares still marked as outstanding shares with no selling restriction condition (H shares). CSSC and CSSC HK entered into the Parties Acting in Concert Agreement on April 25, 2014, in which it was agreed that the shareholders' rights to which CSSC HK is entitled shall be authorized to exercise by CSSC so far as CSSC HK remains a wholly-owned subsidiary of CSSC. (For details, please refer to the Announcement in relation to the Entering to the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on April 29, 2014 by the Company).

## 2. NUMBER OF SHARES SUBJECT TO SELLING RESTRICTION HELD BY TOP TEN SHAREHOLDERS AND THEIR SELLING RESTRICTION CONDITIONS

Unit: share

### Trading of shares subject to selling restriction

No.	Name of shareholders of shares subject to selling restriction	Number of shares subject to selling restriction held	Date on which the shares are available for trading	Number of shares newly increased which are available for trading	Selling restriction condition
1	CSSC Hong Kong	345,940,890	February 10, 2017	0	not to transfer the shares within 36 months

## 3. CHANGE OF THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER OF THE COMPANY

During the Reporting Period, the controlling shareholder and actual controller of the Company have not changed.

## 4. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not made any purchase, sale or redemption of its securities during the Reporting Period.

## SECTION VII INFORMATION ON PREFERENCE SHARES

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During the Reporting Period, the Company has no information related to preference shares.

## SECTION VIII INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. CHANGES IN SHAREHOLDING

#### (I) Changes in shareholding of current and resigned Directors, Supervisors and Senior Management during the Reporting Period

During the Reporting Period, there was no change in the shareholding of directors, supervisors and senior management.

### 2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Detail of change	Reason
Fu Zhengping	Independent non-executive director	Leave office	Expiration of term of office
De Lihua	Independent non-executive director	Resignation	Resignation
Poon Chiu Kwok	Independent non-executive director	Resignation	Resignation
Chen Liping	Secretary to the Board	Resignation	Resignation
Li Junping	Independent non-executive director	Appointment	Replacement
Wang Hong	Independent non-executive director	Appointment	Replacement
Zhu Zhenyu	Independent non-executive director	Appointment	Replacement
Shi Weidong	Vice president of the Company, Secretary to the Board	Appointment	New appointment
Chen Weiping	Vice president of the Company	Appointment	New appointment

The Board has received written notices from Ms. De Lihua ("Ms. De") and Mr. Poon Chiu Kwok ("Mr. Poon"), both being candidates of the independent non-executive directors of the eighth session of the Board, respectively on May 4, 2014, pursuant to which Ms. De and Mr. Poon renounced their respective qualifications as candidates of independent non-executive directors of the eighth session of the Board and will not participate in the elections of the independent non-executive directors of the eighth session of the Board at the annual general meeting for 2013 ("AGM") to be held on May 8, 2014 due to reasons of their personal careers. Both Ms. De and Mr. Poon's terms of office are due to expire on the date on which the AGM is to be held and will retire on that date accordingly. From the date of the AGM, the Board will temporarily comprise nine members of which two will be independent non-executive directors (namely Mr. Qiu Jiachen and Ms. Li Junping).

The Company has convened an extraordinary general meeting ("EGM") on June 30, 2014, at which Mr. Wang Hong and Mr. Zhu Zhenyu were approved by shareholders to be appointed as independent non-executive directors of the Company. Therefore, since June 30, 2014, the Board comprises eleven members of which four are independent non-executive directors, which meets the requirements as provided under rule 3.10(1) and rule 3.10A of the Listing Rules.

### 3. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at June 30, 2014, except Mr. Chen Jingqi, chairman of the Supervisory Committee, who held 3,302 A shares, the Company has not been notified that any director, supervisor or member of senior management (including their spouses and children under 18 years of age) had any other interest in equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers, nor did they have any other interest which was 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.

### 4. STAFF AND THE REMUNERATION POLICY

The remuneration of the employees of the Company and its subsidiaries (the "Group") includes salaries, bonuses and other fringe benefits prescribed by the government. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant PRC laws and regulations. As at the June 30, 2014, the number of employees on the record of the Group was 11,864. As at the June 30, 2014, the remuneration paid by the Group to employees was RMB406 million in total.

## SECTION IX FINANCIAL REPORTS (UNAUDITED)

### I. FINANCIAL STATEMENTS

#### Consolidated Balance Sheet June 30, 2014

Guangzhou Shipyard International Company Limited

Unit: RMB

Assets	After consolidation Ending Balance	Beginning Balance
Current assets:		
Cash and bank	7,192,956,209.89	7,772,989,828.07
Settlement reserves		
Loans to other banks		
Financial assets at fair value though profit and loss	29,296,939.92	69,210,083.75
Notes receivable	12,560,135.81	21,607,944.72
Accounts receivable	772,010,067.13	657,499,439.90
Prepayments	1,418,831,926.07	1,070,938,867.43
Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance accounts receivable		
Interest receivable	104,836,711.76	125,169,671.54
Dividend receivable	1,399,866.01	-
Other receivables	146,773,862.95	75,790,266.06
Financial assets purchased for resale		
Inventories	3,563,445,812.65	2,988,934,033.42
Non-current assets due within one year	-	-
Other current assets	-	-
<b>Total current assets</b>	<b>13,242,111,532.19</b>	<b>12,782,140,134.89</b>
Non-current assets:		
Grant loans and advances		
Financial assets available for sale	35,090,000.00	35,970,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	45,681,112.24	42,956,414.09
Investment property	24,451,856.24	29,567,897.29
Fixed assets	6,689,347,681.26	6,858,741,724.45
Construction in progress	212,851,764.44	91,957,146.55
Engineering materials and equipments		
Liquidation of fixed assets	29,732.76	29,376.32
Productive biological assets		
Oil-and-gas assets		
Intangible assets	1,283,496,144.40	1,302,974,158.88
Research and development expenditures	-	-
Goodwill	-	-
Long-term unamortized assets	10,680,533.52	11,924,491.37
Deferred tax assets	401,927,180.52	402,599,880.10
Other non-current assets	-	-
<b>Total non-current assets</b>	<b>8,703,556,005.38</b>	<b>8,776,721,089.05</b>
<b>Total assets</b>	<b>21,945,667,537.57</b>	<b>21,558,861,223.94</b>

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan



**Consolidated Balance Sheet (Continued)**  
June 30, 2014

Guangzhou Shipyard International Company Limited

Unit: RMB

Liabilities and shareholder's equity	After consolidation	
	Ending Balance	Beginning Balance
Current liabilities:		
Short-term loans	4,434,826,841.62	2,740,220,723.02
Borrowing from central bank		
Accept money deposits and deposits from other banks		
Loans from other banks		
Financial liabilities at fair value though profit and loss	37,054,658.01	-
Notes payable	766,255,574.66	889,353,412.06
Accounts payable	1,975,257,386.38	1,754,934,382.86
Advances from customers	269,859,401.46	535,392,138.97
Financial assets sold for repurchase		
Fees and commissions payable		
Employee benefits	31,592,083.08	33,779,208.99
Taxes payable	-248,010,045.12	-139,946,711.34
Interest payable	44,069,582.00	68,778,979.01
Dividend payable	177,721.77	437,160.43
Other payables	35,335,585.11	30,953,655.67
Reinsurance accounts payable		
Brokerage for trading securities		
Brokerage for consigning securities		
Non-current liabilities due within one year	841,832,517.25	1,769,219,805.15
Other current liabilities	3,544,904,122.07	3,153,645,678.93
<b>Total current liabilities</b>	<b>11,733,155,428.29</b>	<b>10,836,768,433.75</b>
Non-current liabilities:		
Long-term loans	4,445,263,837.38	5,943,404,473.16
Bonds payable	-	-
Long-term payables	-	-
Special payable	24,570,000.00	24,570,000.00
Estimated liabilities	378,900,855.77	657,847,075.11
Deferred tax liabilities	5,343,116.03	11,330,087.60
Other non-current liabilities	150,474,310.23	156,715,289.64
<b>Total non-current liabilities</b>	<b>5,004,552,119.41</b>	<b>6,793,866,925.51</b>
<b>Total liabilities</b>	<b>16,737,707,547.70</b>	<b>17,630,635,359.26</b>
Shareholder's equity:		
Share capital	1,030,534,651.00	643,080,854.00
Capital reserves	3,279,830,570.59	2,129,232,741.41
Less: Treasury stock	-	-
Special reserves	1,447,024.51	956,026.41
Surplus reserves	444,648,093.25	444,648,093.25
General risk reserves	-	-
Undistributed profits	410,224,834.67	691,646,062.40
Translation differences in foreign currency statements	-	-
<b>Total shareholder's equity attributable to the parent company</b>	<b>5,166,685,174.02</b>	<b>3,909,563,777.47</b>
Non-controlling shareholder's equity	41,274,815.85	18,662,087.21
<b>Total shareholder's equity</b>	<b>5,207,959,989.87</b>	<b>3,928,225,864.68</b>
<b>Total liabilities and shareholder's equity</b>	<b>21,945,667,537.57</b>	<b>21,558,861,223.94</b>

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Balance Sheet of the Parent company**  
June 30, 2014

**Guangzhou Shipyard International Company Limited**

*Unit: RMB*

<b>Assets</b>	<b>Parent Company</b>	
	<b>Ending Balance</b>	<b>Beginning Balance</b>
Current assets:		
Cash and bank	5,037,373,530.01	5,957,846,121.43
Settlement reserves		
Loans to other banks		
Financial assets at fair value through profit and loss	29,296,939.92	69,210,083.75
Notes receivable	-	-
Accounts receivable	662,379,654.09	596,326,002.81
Prepayments	2,614,918,602.01	1,715,229,398.49
Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance accounts receivable		
Interest receivable	83,930,511.92	108,337,980.19
Dividend receivable	48,999,866.01	67,594,936.63
Other receivables	2,994,534,143.75	796,040,374.31
Financial assets purchased for resale		
Inventories	2,098,120,471.88	1,364,603,227.69
Non-current assets due within one year	-	-
Other current assets	-	-
<b>Total current assets</b>	<b>13,569,553,719.59</b>	<b>10,675,188,125.30</b>
Non-current assets:		
Grant loans and advances		
Financial assets available for sale	29,190,000.00	30,070,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	723,467,842.79	482,913,980.35
Investment property	24,451,856.24	29,567,897.29
Fixed assets	948,518,622.95	979,384,072.24
Construction in progress	18,460,650.10	20,209,436.77
Engineering materials and equipments		
Liquidation of fixed assets	29,732.76	29,376.32
Productive biological assets		
Oil-and-gas assets		
Intangible assets	60,353,727.72	63,384,775.32
Research and development expenditures	-	-
Goodwill	-	-
Long-term unamortized assets	2,897,011.66	3,476,413.96
Deferred tax assets	103,773,646.34	104,333,935.14
Other non-current assets	-	-
<b>Total non-current assets</b>	<b>1,911,143,090.56</b>	<b>1,713,369,887.39</b>
<b>Total assets</b>	<b>15,480,696,810.15</b>	<b>12,388,558,012.69</b>

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Balance Sheet of the Parent Company (Continued)**  
June 30, 2014

Guangzhou Shipyard International Company Limited

Unit: RMB

Liabilities and shareholder's equity	Parent Company Ending Balance	Beginning Balance
Current liabilities:		
Short-term loans	622,730,818.25	30,484,500.00
Borrowing from central bank		
Accept money deposits and deposits from other banks		
Loans from other banks		
Financial liabilities at fair value though profit and loss	36,585,419.89	-
Notes payable	486,292,873.84	616,401,532.69
Accounts payable	1,508,569,083.81	1,332,871,693.45
Advances from customers	174,048,627.78	407,461,536.38
Financial assets sold for repurchase		
Fees and commissions payable		
Employee benefits	19,420,514.74	18,920,841.86
Taxes payable	-163,460,447.05	-65,037,991.47
Interest payable	6,720,439.94	10,762,776.07
Other payables	18,296,547.62	17,069,938.74
Reinsurance accounts payable		
Dividend payable	177,721.77	177,160.43
Brokerage for trading securities		
Brokerage for consigning securities		
Non-current liabilities due within one year	841,832,517.25	789,219,805.15
Other current liabilities	3,263,239,746.71	2,770,524,429.55
<b>Total current liabilities</b>	<b>6,814,453,864.55</b>	<b>5,928,856,222.85</b>
Non-current liabilities:		
Long-term loans	2,468,263,837.38	1,888,404,473.16
Bonds payable	-	-
Long-term payables	-	-
Special payable	24,570,000.00	24,570,000.00
Estimated liabilities	311,007,652.26	436,954,202.59
Deferred tax liabilities	4,408,152.15	10,395,123.72
Other non-current liabilities	145,516,132.52	150,876,865.09
<b>Total non-current liabilities</b>	<b>2,953,765,774.31</b>	<b>2,511,200,664.56</b>
<b>Total liabilities</b>	<b>9,768,219,638.86</b>	<b>8,440,056,887.41</b>
Shareholder's equity:		
Share capital	1,030,534,651.00	643,080,854.00
Capital reserves	1,912,651,957.33	494,734,069.05
Less: Treasury stock	-	-
Special reserves		
Surplus reserves	443,472,281.08	443,472,281.08
General risk reserves	-	-
Undistributed profits	2,325,818,281.88	2,367,213,921.15
<b>Total equity attributable to owners of parent company</b>	<b>5,712,477,171.29</b>	<b>3,948,501,125.28</b>
Non-controlling interest	-	-
<b>Total shareholder's equity</b>	<b>5,712,477,171.29</b>	<b>3,948,501,125.28</b>
<b>Total liabilities and shareholder's equity</b>	<b>15,480,696,810.15</b>	<b>12,388,558,012.69</b>

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Consolidated Income Statement**  
**For January to June of 2014**

Guangzhou Shipyard International Company Limited

Unit: RMB

Items	After consolidation	
	Current Period	Last Period
1. <b>Total operating revenue</b>	<b>3,886,884,172.98</b>	2,636,998,279.87
Including: Operating income	<b>3,886,884,172.98</b>	2,636,998,279.87
Interest income		
Premium income		
Fees and commissions income		
2. <b>Total operating cost</b>	<b>4,199,259,967.67</b>	2,876,396,388.43
Including: Operating cost	<b>3,811,966,803.09</b>	2,484,760,836.19
Interest expense		
Fees and commissions expense		
Insurance refund expense		
Net payments for insurance claims		
Insurance contract reserves		
Insurance dividend		
Reinsurance expense		
Business tax and surcharges	<b>14,376,778.33</b>	12,540,289.03
Selling expenses	<b>-6,102,023.26</b>	5,620,895.52
Administrative expense	<b>310,339,723.66</b>	244,467,233.01
Finance costs	<b>63,672,451.62</b>	60,068,420.73
Assets impairment losses	<b>5,006,234.23</b>	68,938,713.95
Add: Gain on changes in fair value (loss marked " - ")	<b>-76,967,801.84</b>	9,588,964.01
Investment income (loss marked " - ")	<b>7,964,522.43</b>	36,343,418.38
Including: Investment income on associates and joint venture	<b>4,124,564.16</b>	1,150,743.88
Exchange gain (loss marked " - ")		
3. <b>Operating profit (loss marked " - ")</b>	<b>-381,379,074.10</b>	-193,465,726.17
Add: Non-operating income	<b>105,797,000.29</b>	15,015,649.71
Less: Non-operating expense	<b>86,284.50</b>	1,555,224.55
Including: disposal loss of non-current assets	<b>30,085.63</b>	206,316.62
4. <b>Total profit (loss marked " - ")</b>	<b>-275,668,358.31</b>	-180,005,301.01
Less: Income tax expenses	<b>-1,900,527.42</b>	-70,707,333.15
5. <b>Net profit (loss marked " - ")</b>	<b>-273,767,830.89</b>	-109,297,967.86
Parent company	<b>-271,115,881.22</b>	-42,438,921.12
Non-controlling shareholders	<b>-2,651,949.67</b>	-66,859,046.74
6. <b>Earnings per share</b>		
(1) Basic EPS	<b>-0.2631</b>	-0.0412
(2) Diluted EPS	<b>-0.2631</b>	-0.0412
7. <b>Other comprehensive income</b>	<b>-748,000.00</b>	-37,515,980.38
(1) Items to be reclassified to profit and loss when qualified in future accounting periods	<b>-748,000.00</b>	-37,515,980.38
(2) Items cannot be classified in the future accounting periods		
8. <b>Total comprehensive income</b>	<b>-274,515,830.89</b>	-146,813,948.24
Parent company	<b>-271,863,881.22</b>	-79,954,901.50
Non-controlling shareholders	<b>-2,651,949.67</b>	-66,859,046.74

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Income Statement of the Parent Company  
For January to June of 2014**

Guangzhou Shipyard International Company Limited

Unit: RMB

Items	Parent Company	
	Current Period	Last Period
1. <b>Total operating revenue</b>	<b>3,113,501,346.08</b>	1,389,797,149.93
Including: Operating income	<b>3,113,501,346.08</b>	1,389,797,149.93
Interest income		
Premium income		
Fees and commissions income		
2. <b>Total operating cost</b>	<b>3,152,879,682.95</b>	1,353,945,893.01
Including: Operating cost	<b>3,086,107,827.11</b>	1,254,928,415.32
Interest expense		
Fees and commissions expense		
Insurance refund expense		
Net payments for insurance claims		
Insurance contract reserves		
Insurance dividend		
Reinsurance expense		
Business tax and surcharges	<b>2,485,538.04</b>	5,657,711.58
Selling expenses	<b>8,471,768.11</b>	-4,350,405.90
Administrative expense	<b>166,604,933.86</b>	108,255,636.80
Finance costs	<b>-81,164,743.90</b>	-69,313,336.83
Assets impairment losses	<b>-29,625,640.27</b>	58,767,872.04
Add: Gain on changes in fair value (loss marked " - ")	<b>-76,498,563.72</b>	9,775,936.13
Investment income (loss marked " - ")	<b>7,041,905.93</b>	99,848,470.11
Including: Investment income on associates and joint venture	<b>-101,652.34</b>	666,958.98
Exchange gain (loss marked " - ")		
3. <b>Operating profit (loss marked " - ")</b>	<b>-108,834,994.66</b>	145,475,663.16
Add: Non-operating income	<b>72,445,259.47</b>	11,393,122.08
Less: Non-operating expense	<b>10,000.00</b>	1,349,620.03
Including: disposal loss of non-current assets		63,620.11
4. <b>Total profit (loss marked " - ")</b>	<b>-36,399,735.19</b>	155,519,165.21
Less: Income tax expenses	<b>-5,309,442.43</b>	10,280,868.26
5. <b>Net profit (loss marked " - ")</b>	<b>-31,090,292.76</b>	145,238,296.95
6. <b>Earnings per share</b>		
(1) Basic EPS		
(2) Diluted EPS		
7. <b>Other comprehensive income</b>	<b>-748,000.00</b>	-37,515,980.38
(1) Items to be reclassified to profit and loss when qualified in future accounting periods	<b>-748,000.00</b>	-37,515,980.38
(2) Items cannot be classified in the future accounting periods		
8. <b>Total comprehensive income</b>	<b>-31,838,292.76</b>	107,722,316.57

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Consolidated Cash Flow Statement**  
For January to June of 2014

Guangzhou Shipyard International Company Limited

Unit: RMB

Items	After consolidation	
	Current Period	Last Period
<b>1. Cash Flows from Operating Activities:</b>		
Receipts from sale of goods and rendering of services	3,085,398,484.21	2,889,772,263.05
Taxes refund	220,379,915.02	110,936,200.89
Other cash receipts from operating activities	62,440,473.81	198,014,867.39
<b>Subtotal Cash Flow-in from Operating Activities</b>	<b>3,368,218,873.04</b>	<b>3,198,723,331.33</b>
Payments to suppliers for goods and services	3,809,726,849.73	3,227,182,985.08
Payments to and on behalf of employees	575,539,761.32	452,056,871.17
Taxes and Fees Paid	124,091,430.10	136,999,372.72
Other cash payments from operating activities	199,991,994.52	127,248,595.48
<b>Subtotal Cash Flow-out from Operating Activities</b>	<b>4,709,350,035.67</b>	<b>3,943,487,824.45</b>
<b>Net Cash Flow from Operating Activities</b>	<b>-1,341,131,162.63</b>	<b>-744,764,493.12</b>
<b>2. Cash Flow from Investing Activities:</b>		
Proceeds from withdrawing capital	-	-
Including: cash receipts from disposal of subsidiaries		
Cash receipts from Investment income	7,734,958.27	26,499,157.20
Net cash receipts from Liquidation of fixed assets, intangible assets and other long-term assets	7,208.65	41,211.54
Other cash receipts from investing activities	1,616,740,549.06	1,488,446,034.95
<b>Subtotal Cash Flow-in from Investing Activities</b>	<b>1,624,482,715.98</b>	<b>1,514,986,403.69</b>
Cash payments for purchasing fixed assets, intangible assets and other long-term assets	156,904,785.34	136,939,868.68
Investment payments	598,646,727.82	43,202,186.71
Other cash payments from investment activities	2,351,232,328.75	1,576,221,408.82
<b>Subtotal Cash Flow-out From Investing Activities</b>	<b>3,106,783,841.91</b>	<b>1,756,363,464.21</b>
<b>Net Cash Flow from Investing Activities</b>	<b>-1,482,301,125.93</b>	<b>-241,377,060.52</b>
<b>3. Cash Flow from Financing Activities:</b>		
Proceeds from investments	2,201,832,410.24	
Including: Cash received by subsidiaries from non-controlling shareholders		
Proceeds from borrowings	13,104,877,381.25	6,387,582,274.80
Other cash receipts from financing activities		
<b>Subtotal Cash Flow-in from Financing Activities</b>	<b>15,306,709,791.49</b>	<b>6,387,582,274.80</b>
Payments for debt redemption	13,640,159,970.31	6,630,621,633.83
Payments of dividends, profits and interests	341,508,196.49	242,848,178.23
Including: Dividends paid to non-controlling shareholders		
Other cash payments from financing activities	2,365,755.96	21,071.16
<b>Subtotal Cash Flow-out from Financing Activities</b>	<b>13,984,033,922.76</b>	<b>6,873,490,883.22</b>
<b>Net Cash Flow from Financing Activities</b>	<b>1,322,675,868.73</b>	<b>-485,908,608.42</b>
<b>4. Effect of exchange rate changes on cash</b>	<b>40,465,599.37</b>	<b>-40,494,796.57</b>
<b>5. Net Increase in Cash and Cash Equivalents</b>	<b>-1,460,290,820.46</b>	<b>-1,512,544,958.63</b>
<b>Add: the Beginning Balance of Cash and Cash Equivalents</b>	<b>4,221,502,128.98</b>	<b>4,942,987,547.29</b>
<b>6. The Ending Balance of Cash and Cash Equivalents</b>	<b>2,761,211,308.52</b>	<b>3,430,442,588.66</b>

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Cash Flow Statement of the Parent Company  
For January to June of 2013**

Guangzhou Shipyard International Company Limited

Unit: RMB

Items	Parent Company Current Period	Last Period
<b>1. Cash Flows from Operating Activities:</b>		
Receipts from sale of goods and rendering of services	2,334,766,034.39	1,764,758,571.53
Taxes refund	122,862,464.07	40,836,411.99
Other cash receipts from operating activities	6,063,550.04	109,772,416.01
<b>Subtotal Cash Flow-in from Operating Activities</b>	<b>2,463,692,048.50</b>	<b>1,915,367,399.53</b>
Payments to suppliers for goods and services	3,916,060,766.32	2,243,818,563.02
Payments to and on behalf of employees	140,654,671.09	122,244,038.81
Taxes and Fees Paid	56,977,064.85	98,954,490.05
Other cash payments from operating activities	2,191,460,917.44	81,387,341.65
<b>Subtotal Cash Flow-out from Operating Activities</b>	<b>6,305,153,419.70</b>	<b>2,546,404,433.53</b>
<b>Net Cash Flow from Operating Activities</b>	<b>-3,841,461,371.20</b>	<b>-631,037,034.00</b>
<b>2. Cash Flow from Investing Activities:</b>		
Proceeds from withdrawing capital	-	-
Including: Cash receipts from disposal of subsidiaries	-	-
Cash receipts from Investment income	27,138,494.90	25,197,136.78
Net cash receipts from Liquidation of fixed assets, intangible assets and other long-term assets	7,208.65	41,211.54
Other cash receipts from investing activities	937,215,135.53	971,231,355.94
<b>Subtotal Cash Flow-in From Investing Activities</b>	<b>964,360,839.08</b>	<b>996,469,704.26</b>
Cash payments for purchasing fixed assets, intangible assets and other long-term assets	15,816,631.81	26,519,093.47
Investment payments	598,646,727.82	-
Other cash payments from investment activities	1,349,368,328.75	1,019,825,408.82
<b>Subtotal Cash Flow-out from Investing Activities</b>	<b>1,963,831,688.38</b>	<b>1,046,344,502.29</b>
<b>Net Cash Flow from Investing Activities</b>	<b>-999,470,849.30</b>	<b>-49,874,798.03</b>
<b>3. Cash Flow from Financing Activities:</b>		
Proceeds from investments	2,201,832,410.24	-
Including: Cash received by subsidiaries from non-controlling interests	3,540,634,465.03	828,821,245.02
Proceeds from borrowings	-	-
Other cash receipts from financing activities	-	-
<b>Subtotal Cash Flow-in From Financing Activities</b>	<b>5,742,466,875.27</b>	<b>828,821,245.02</b>
Payments for debt redemption	2,225,999,453.32	588,518,672.36
Payments of dividends, profits and interests	151,902,862.37	47,732,495.94
Including: Dividends paid to non-controlling shareholders	-	-
Other cash payments from financing activities	2,346,960.17	6,867.55
<b>Subtotal Cash Flow-out from Financing Activities</b>	<b>2,380,249,275.86</b>	<b>636,258,035.85</b>
<b>Net Cash Flow from Financing Activities</b>	<b>3,362,217,599.41</b>	<b>192,563,209.17</b>
<b>4. Effect of exchange rate changes on cash</b>	<b>29,163,094.54</b>	<b>-20,475,782.65</b>
<b>5. Net Increase in Cash and Cash Equivalents</b>	<b>-1,449,551,526.55</b>	<b>-508,824,405.51</b>
<b>Add: the Beginning Balance of Cash and Cash Equivalents</b>	<b>3,642,373,050.61</b>	<b>3,461,486,732.84</b>
<b>6. The Ending Balance of Cash and Cash Equivalents</b>	<b>2,192,821,524.06</b>	<b>2,952,662,327.33</b>

Legal Representative:  
Han Guangde

Accounting Director:  
Chen Liping

Accounting Manager:  
Hou Zengquan

**Consolidated Statement of Changes in Equity  
for January to June of 2014**

Unit: RMB

Items	Shareholder's equity attributable to the parent company						Current Period			Total shareholder's equity	
	Share Capital	Capital Reserves	Less:			Surplus Reserves	General Risk Reserves	Undistributed Profits	Others		Non-controlling shareholder's equity
			Treasury stock	Special Reserves	Other Comprehensive Income						
I. Ending Balance of Last Year	643,080,854.00	2,129,232,741.41		956,026.41	444,648,093.25			691,646,062.40		18,662,087.21	3,928,225,864.68
Add: changes in accounting policies Corrections of Prior Period Errors Others											
II. Beginning Balance of Current Year	643,080,854.00	2,129,232,741.41		956,026.41	444,648,093.25			691,646,062.40		18,662,087.21	3,928,225,864.68
III. Change Through Current Period ("-" for losses)	387,453,797.00	1,150,597,829.18		490,998.10				-281,421,227.73		22,612,728.64	1,279,734,125.19
1. Net Profit								-271,115,881.22		-2,651,949.67	-773,767,830.89
2. Other Comprehensive Income								-748,000.00			-748,000.00
Total of 1 and 2								-271,115,881.22		-2,651,949.67	-274,515,830.89
3. Contribution and Withdrawal of Capital by Shareholders	387,453,797.00	1,151,345,829.18								25,264,678.31	1,564,064,304.49
(1) Contribution of Capital	387,453,797.00	1,151,345,829.18									1,538,799,626.18
(2) Amounts of Share-based Payments Recognized in Shareholder's Equity											
(3) Others											
4. Profit Distribution								-10,305,346.51		25,264,678.31	25,264,678.31
(1) Appropriation of Surplus Reserves								-10,305,346.51			-10,305,346.51
(2) Appropriation of General Risk Reserves											
(3) Dividends to owners (or Shareholders)											
(4) Others											
5. Internal Carry-over of Shareholders' Equity											
(1) Capitalized Capital Reserves											
(2) Capitalized Surplus Reserves											
(3) Surplus Reserves for Covering up Losses											
(4) Others											
6. Special Reserves											
(1) Current Period Appropriation											490,998.10
(2) Current Period Write-off											9,296,154.58
Others											-8,805,156.48
IV. Ending Balance of Current Period	1,030,534,651.00	3,279,830,570.59		1,447,024.51	444,648,093.25			410,224,834.67		41,274,815.85	5,207,959,989.87



Unit: RMB

Items	Shareholder's equity attributable to the parent company							Last Period		Total shareholder's equity
	Share Capital	Capital Reserves	Less: Treasury stock	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Others	Non-controlling shareholder's equity	
I. Ending Balance of Last Year	643,080,854.00	2,308,133,916.27		432,047,193.77	432,047,193.77		2,393,852,509.26		269,672,832.40	6,046,787,305.70
Add: changes in accounting policies										
Corrections of Prior Period Errors										
Others										
II. Beginning Balance of Current Year	643,080,854.00	2,308,133,916.27		432,047,193.77	432,047,193.77		-1,401,947,033.96		269,672,832.40	-1,401,947,033.96
Change Through Current Period ("-" for losses)		-35,213,771.90		647,206.02			991,905,475.30		-149,420,358.22	4,644,840,271.74
1. Net Profit							-119,608,623.60		-66,859,046.74	-303,595,547.7
2. Other Comprehensive Income		-37,515,980.38					-42,438,921.12			-109,297,967.86
Total of 1 and 2		-37,515,980.38					-42,438,921.12		-66,859,046.74	-37,515,980.38
3. Contribution and Withdrawal of Capital by Shareholders		2,302,208.48							-82,561,311.48	-80,259,103.00
(1) Contribution of Capital										
(2) Amounts of Share-based Payments Recognized in owner Equity										
(3) Others										
4. Profit Distribution		2,302,208.48					-77,169,702.48		-82,561,311.48	-80,259,103.00
(1) Appropriation of Surplus Reserves										
(2) Appropriation of General Risk Reserves										
(3) Dividends to owners (or Shareholders)										
(4) Others										
5. Internal Carry-over of Shareholders' Equity										
(1) Capitalized Capital Reserves										
(2) Capitalized Surplus Reserves										
(3) Surplus Reserves for Covering up Losses										
(4) Others										
6. Special Reserves				647,206.02						647,206.02
(1) Current Period Appropriation				13,925,356.47						13,925,356.47
(2) Current Period Write-off				-13,278,150.45						-13,278,150.45
7. Others										
IV. Ending Balance of Current Period	643,080,854.00	2,272,920,144.37		647,206.02	432,047,193.77		872,296,851.70		120,252,474.18	4,341,244,724.04

Legal Representative: Han Guangde      Accounting Director: Chen Liping      Accounting Manager: Hou Zengquan

**Statement of Changes in Equity of the Parent Company  
for January to June of 2014**

Unit: RMB

Items	Current Period							Total shareholders' equity
	Contributed Share Capital	Capital Reserves	Less: Treasury stock	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	
I. Ending Balance of Last Year	643,080,854.00	494,734,069.05			443,472,281.08		2,367,213,921.15	3,948,501,125.28
Add: changes in accounting policies Corrections of Prior Period Errors Others								
II. Beginning Balance 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
III. Change Through Current Period ("—" for losses)	387,453,797.00	1,417,917,888.28					-41,395,639.27	1,763,976,046.01
1. Net Profit							-31,090,292.76	-31,090,292.76
2. Other Comprehensive Income		-748,000.00						-748,000.00
Total of 1 and 2		-748,000.00					-31,090,292.76	-31,838,292.76
3. Contribution and Withdrawal of Capital by Shareholders	387,453,797.00	1,418,665,888.28						1,806,119,685.28
(1) Contribution of Capital by owner	387,453,797.00	1,418,665,888.28						1,806,119,685.28
(2) Amounts of Share-based Payments Recognized in owners Equity								
(3) Others								
4. Profit Distribution							-10,305,346.51	-10,305,346.51
(1) Appropriation of Surplus Reserves								
(2) Appropriation of General Risk Reserves								
(3) Dividends to owners (or Shareholders)								
(4) Others								
5. Internal Carry-over of owner Equity								
(1) Capitalized Capital Reserves								
(2) Capitalized Surplus Reserves								
(3) Surplus Reserves for Covering up Losses								
(4) Others								
6. Special Reserves								
(1) Current Period Appropriation				5,650,446.87				5,650,446.87
(2) Current Period Write-off				-5,650,446.87				-5,650,446.87
7. Others								
IV. Ending Balance of Current Period	1,030,534,651.00	1,912,651,957.33			443,472,281.08		2,325,818,281.88	5,712,477,171.29

Items	Last Period							Total shareholder's equity
	Contributed Share Capital	Capital Reserves	Less: Treasury stock	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	
I. Ending Balance 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								
Corrections of Prior Period Errors								
Others								
II. Beginning Balance 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
III. Change Through Current Period (" - " for losses)		-37,515,980.38					68,068,594.47	30,552,614.09
1. Net Profit							145,238,296.95	145,238,296.95
2. Other Comprehensive Income		-37,515,980.38						-37,515,980.38
Total of 1 and 2		-37,515,980.38					145,238,296.95	107,722,316.57
3. Contribution and Withdrawal of Capital by Shareholders								
(1) Contribution of Capital								
(2) Amounts of Share-based Payments Recognized in owners Equity								
(3) Others								
4. Profit Distribution							-77,169,702.48	-77,169,702.48
(1) Appropriation of Surplus Reserves								
(2) Appropriation of General Risk Reserves								
(3) Dividends to owners (or Shareholders)								
(4) Others								
5. Internal Carry-over of owner Equity								
(1) Capitalized Capital Reserves								
(2) Capitalized Surplus Reserves								
(3) Surplus Reserves for Covering up Losses								
(4) Others								
6. Special Reserves								
(1) Current Period Appropriation				21,681,554.63				21,681,554.63
(2) Current Period Write-off				-21,681,554.63				-21,681,554.63
7. Others								
IV. Ending Balance of Current Period	643,080,854.00	638,617,935.89			430,871,381.60		2,399,044,122.78	4,111,614,294.27

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

# NOTES TO THE FINANCIAL STATEMENTS

For the period from January 1, to June 30, 2014  
(Amounts in Renminbi yuan unless otherwise stated)

## 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 PRC as a limited liability company. The Company was incorporated and registered in Guangzhou, which was approved by Guojiatigaisheng (1993) Circular 83. The Company changed as a public limited liability company, which was approved by Guojiatigaisheng (1993) Circular 110 on July 5, 1993. Its registered on 7 June, 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 by China Securities Regulatory Commission (1993) No.31, China Securities Regulatory Administrator ZhengJianFa 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 annual general 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-in 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.

Based on the resolutions of the first extraordinary shareholders’ meeting in 2013, the first domestic shareholders’ class (A shares) meeting in 2013, the first foreign share shareholders’ class (H shares) meeting in 2013, and the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed the issuance of 345,940,890, 31,134,680 and 10,378,227 overseas listed foreign shares with face value of RMB1 per share to CSSC (Hong Kong) Shipping Company Limited (“CSSC HK”), Baosteel Resources International Co., Ltd. (“Baosteel International”) and China Shipping (H.K.) Holdings Co., Ltd. (“China Shipping HK”) respectively. All issued shares are ordinary shares and the registered capital has been therefore increased to RMB1,030,534,651.

On March 14, 2014, 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 June 30, 2014, the Company’s total amount of capital share was 1,030,534,651 shares, of which 345,940,890 shares were subject to any sale restrictions for a period of 36 months starting from February 11, 2014.

The Group belongs to shipbuilding industry. The principal business scope covers: 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 & erecting for bridges & high-rise construction & large-size pipe, manufacturing & 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 & manufacturing of crane machinery.

The Company’s controlling shareholder is China State Shipbuilding Corporation (“CSSC”), a wholly state-owned enterprise incorporated in PRC, and the ultimate controlling party is the State-owned Assets Supervision and Administration Commission of the State Council.

## II. ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Basis for the preparation of financial statements

Based on going-concern assumption, the consolidated financial statements of the Group have been prepared in accordance with the relevant requirements of existing Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China (hereinafter referred to as “Accounting Standards for Business Enterprises”), and NO.15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2010) issued by China Securities Regulatory Commission (CSRC). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### 2. Announcement on complying 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 Group as of June 30, 2014 and of the operating results and cash flows for the period then ended. The accounting policies prepared for the financial statements are in compliance with the accounting policies applied in the prior year.

### 3. Accounting period

The accounting year of the Group is from 1 January to 31 December.

### 4. Functional currency

The functional currency of the Company and its subsidiaries are Renminbi (“RMB”).

The consolidated financial statements are prepared in Renminbi (“RMB”).

## **5. Basis of accounting and measurement**

The accrual basis is adopted for accounting treatment to follow the historical cost method, except that some financial instruments are measured at fair value.

## **6. Business combination**

A business combination is combining more than two separate entities into one reporting entity. The Group recognizes identified assets and liabilities on acquisition date, which is the date when the control over the identified assets and liabilities of the acquiree is transferred to the Group.

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 combination is 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**

For the enterprises not under the common control, the acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. When the combination cost exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. When combination cost is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, if the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference in profit or loss for the current period.

### **(3) Acquiring non-controlling shareholders' equity**

After acquiring control over subsidiaries, after obtaining all or partial equity from non-controlling shareholders, in the consolidated financial statements, the assets and liabilities of subsidiaries are disclosed on the price of acquisition date or consolidation date. Because the Long-term equity investment increased should be calculated based on updated holding rights, the difference of net assets held from subsidiaries since acquisition date or consolidation date should be adjusted to Capital reserves (Share capital premiums); if Capital reserves (Share capital premiums) isn't enough to charge, we should adjust retained earnings.

## **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 balance, transactions and unrealized profits in the consolidation scope are offset when prepare consolidation 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 bellow net profit in consolidation statements. The current loss bore by non-controlling shareholders' exceeds the initial equity proportions at the beginning year owned by non-controlling shareholders in subsidiaries, the balance would write down the non-controlling shareholders' equity.

When accounting policy and accounting period that subsidiaries adopt are not in accordance with the Company, Subsidiaries' financial statements should be adjusted based on the Company's accounting policy and accounting period.

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 purchase 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 consolidation 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 current profit and loss. For non-monetary accounts measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB kept unchanging. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized is applied and the exchange difference is accounted into current profit and loss 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.

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 Financial assets category is determined by the Group's holding intention and holding 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 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 and financial liabilities 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. Loan and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

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 in which such financial assets are held, are recognized as 'Investment income'. On disposal, the difference between fair value of disposal and initial recorded amount are recognized as 'Gain or loss on Investment' and adjust the gain or loss from changes in fair value accordingly.

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 differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in equity are charged to profit or loss for the period as 'Investment income'. Interests for the period in which the assets are held are calculated using the effective interest method is charge 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 an impairment 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: i) 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. ii) on the balance sheet date, the fair value has non-temporary decrease, it means that the continuing decrease period is or over 12 months.

#### 4) *Transfer of financial assets*

A financial asset is derecognized when any one of the following conditions is satisfied: i) the rights to receive cash flows from the asset expire, ii) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, iii) the financial asset has been transferred to the transferee, 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 derecognition, 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 derecognition 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.

A financial liability 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 entitle to offset financial assets and financial liabilities, and the parties involved is agreed to record the net amount, or settling financial assets and financial liabilities aggregately (Other than netting agreement), financial assets and financial liabilities can be offset in balance sheet statement.

### **(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 instruments 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 claims 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 or 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 shown as follows:

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

Receivables over RMB10,000,000.00 are recognized as significant.

On balance sheet date, the Company shall 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 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.

### **(3) Accounts receivable accrued bad debt provision by a certain percentage of the balance**

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 date.

## 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 will be made. The provision of impairment for finished goods and raw materials in a large amount 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 withdrawn 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 estimated sales expenses and relevant taxes. The net realizable value of materials which 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 refers to equity investments of investors with control over or significant influence on investees and equity investments in joint ventures.

Where the investor can exercise control over the investee, the investee is a subsidiary of the investor; joint venture refers the joint arrangement which the joint venture party only entitled to the right of the net assets of the arrangements. Where the investor can exercise significant influence over the investee, the investee is its associate. Long-term equity investment without control over, jointly control or significant influence on investees is audited as financial instrument.



### **(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 otherwise there must be solid evidences showing investors cannot be involved in investees' decision making under such conditions.

### **(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 less than the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognized, the difference will be charged to profit or loss for the current period.

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 be adjusted when the Company prepares the consolidated financial statements. Long-term investment to associates shall be accented using the equity method.

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 period, 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 affirms 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 cash dividends declared of the investee, and corresponding reduction in the carry amount of long-term investment. The Group reduces the book value of the long-term investments limited to zero, except the investment with the unlimited obligation contract, when the investees recognize net loss for the financial period. In addition, if the Group has investment with unlimited 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 income statement. For the first time adoption of new accounting policy, by the long term equity investment of joint ventures and associated companies, if the positive difference related to the equity investment exists, the positive balance by the straight line amortization should be reversed, and recognized as gain or loss on investment.

Where the Group obtain control over the investee company as results from such as making additional investment, the long-term equity investments will also be changed to be accounted 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 movements 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 long-term impairment in current profit and loss as well. The above provision cannot be reversed in the future.

## 15. Investment property

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 as a component of income statement when incurred.

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

The investment property is depreciated in the straight line method based on its estimated useful life and net salvage value. Hereby presented 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 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 in 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 profits and losses.

## 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, expect 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, dismantlement, removal and restoration costs, is 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.

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	6.47-9.70
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 period.

#### **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.

#### **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.

The current actual interest expenses from specific borrowings 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 general borrowing 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 period 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 is 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 expenditure

Research and development expenditures 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.

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 has 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 unamortized assets

Long-term unamortized assets 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 which 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 which 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.

## 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: when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; 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.

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 special reserves. When writing off work safety fees within specified range, it should directly write off Special 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 expensed as other costs, 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, property rental income 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 of the balance 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 incurred costs could not generate future benefit, the costs is accounts to current profits and losses, not recognized as services revenue.

##### **(3) Property rental income**

The revenue from the property alienation will be recognized at charge rate in the contract or agreement, when the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

## 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 work load divided by estimated total contract work load.

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 base upon contracted currency. For the foreign currency received when revenue recognized, is subject to the received amount; for the foreign currency not received when revenue recognized, 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 period 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 period 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 (RMB 1).

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.

The government grants pertinent to incomes are recognized as deferred income, and equally accounted into current profit and loss during the useful life.

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 liabilities. On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at applicable tax rate.

The group probably received deductible temporary difference, is recognized as deferred tax liability. When the Group estimates that there is not sufficient tax loss could recouped, the initial recognized deferred tax assets shall be impaired. When the Group estimates that there is sufficient tax loss could recouped, the initial recognized deferred tax assets shall 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 liabilities 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 set-off the recognized amounts.



### **30. Lease**

The Group divided lease by financing lease and operation 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; Operation lease refers to the lease other than financing lease.

#### **(1) Asset of financing leasee**

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 leasee. The unconfirmed financing expenses refer to the balance of the entry value as asset of financing leasee 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.

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 leasee**

The rental expenses of assets of operating leasee 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 leaser 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 leaser, 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 period 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.

### **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 merger as one operation segment.

### **33. Changes in accounting policies and accounting estimates**

There is no change in accounting policies, accounting estimates.

#### **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 will process continuing evaluation on the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognized in the current period 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.12, 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 should be reversed.

##### **b. Impairment for inventories**

As stated in Note II.13, 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 equipments, 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 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 need 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.



### 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; leasing revenue	17%
	Sales except the oil and gas exports	0%
	Modern services <sup>note</sup>	6%
Business Tax	Transportation and construction installation	3%
	Other services	5%
Urban Maintenance and Construction Tax	Turnover tax payable	7%
Education Surcharge	Turnover tax payable	3%
Local Education Surcharge	Turnover tax payable <sup>note</sup>	2%
Flood Control and Maintenance Expenses	Main business income and other incomes	0.09%

Note 1: According to Caishui [2012] 71, some modern service business in Guangdong is applicable to Value-Added Tax rather than Business Tax since November 1, 2012.

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

#### 2. Income tax

Company name	Tax rate	Note
The Company	15%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
USSL	15%	
Glory Group Developing 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. and United Steel Structures Ltd. (USSL) are approved to be Hi-tech Enterprises, The Company and Guangzhou Hongfan Technology Co., Ltd. are taxed at 15% since January 1, 2011 to December 31, 2013; USSL is taxed at 15% since January 1, 2012 to December 31, 2014. Currently, the application of Hi-tech Enterprise certificates by the Company and USSL, a subsidiary of the Company, is under progress. Thus, the corporate income tax for current Period is provisionally calculated at 15%.

#### 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.

## 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 shareholder's equity expensed
<b>Subsidiaries acquired through consolidation of enterprise under common control</b>													
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Wholly-owned subsidiary	Guangzhou	Ship building	RMB2,720,000	Vessels, electrical machinery, general machinery, and steel structure technology design, manufacture, and repair	24,205.54		100.00	100.00	Han Guangde	788925331	Yes	
Guangzhou Longxue Pipe Co., Ltd.	Controlled Subsidiary	Guangzhou	Pipe processing	RMB70,000	Engaged in the design, manufacture, process and sale of: carbon steel tube, stainless steel tube, copper tube, aluminum tube, alloy tube and plastic tube	3,000.00		42.86	42.86	Ou Chuanjie	69693845-0	Yes	
<b>Subsidiaries acquired through established or investment</b>													
Guangzhou Wanda Marine Engineering Co., Ltd.	Wholly-owned Subsidiary	Guangzhou	Ships built	USD600	Designing, production, installation, repairing: ship out-fitting, ship piping, ventilation system, furniture, interior decoration, sales of production	451.40		100.00	100.00	Jin Lichao	61841220X	Yes	
Guangzhou Xingshun Marine Services Co., Ltd.	Wholly-owned Subsidiary	Guangzhou	Ship welding, outfitting, Painting	RMB2,000	Hull installation, welding, outfitting, painting, repairing.	60.00		100.00	100.00	Jin Lichao	231249006	Yes	
United Structures Ltd.	Wholly-owned 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	618425700	Yes	
Guangdong GSI elevator Co., Ltd.	Wholly-owned Subsidiary	Guangzhou	Production of elevator	RMB21,000	designing, manufacturing & sales, installation & modification, repairing all types of elevators	2,100.00		100.00	100.00	Wu Guanghui	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	
<b>Subsidiaries acquired through consolidation of enterprise under common control</b>													
Guangzhou Guangli Ship Shipbuilding Human Resources Service Company, Limited	Wholly-owned Subsidiary	Guangzhou	Provide labor service	RMB5,000	Provide labor service, ship installation, welding, copy rusting, painting etc.	315.25		100.00	100.00	Chen Ji	190474652	Yes	
Guangzhou Hongfan hotel Limited	Wholly-owned Subsidiary	Guangzhou	Catering service	RMB10,000	Industry of Catering, tourist, beauty, code drinks and hair dressing	1,000.00		100.00	100.00	Wang Lijian	633203529	Yes	
Glory Group Development Co., Ltd.	Wholly-owned Subsidiary	Hong Kong	General business trade	HKD30,000	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	HKD200	General business trade	12.35		80.00	80.00	Chen Liping	190440559	Yes	
Guangzhou Shipyard Machinery Co., Ltd.	Wholly-owned 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	Wu Guanghui	68132734X	Yes	
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Wholly-owned 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	Wu Guanghui	684420937	Yes	
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Wholly-owned 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	

## 2. Change of consolidation scope

### (1) Companies newly included in the consolidation for the current period

Company name	Reason for consolidation	Holding shares %	Net assets at the end of the reporting period	Net profits at the reporting period
CSSC Guangzhou Longxue Shipbuilding Co.,Ltd	Acquisition of equity	100.00	-236,648,070.09	-210,299,657.83
Guangzhou Longxue Pipe Co., Ltd.	Acquisition of parent company's equity	42.86	48,857,327.30	194,473.93

### (2) Companies no longer included in the consolidation for the current period

None.

## 3. Consolidation of enterprise in the current period

### (1) Subsidiaries acquired through consolidation of enterprise under common control

Number	Subsidiary name	Registration place	Registered capital ('000)	Investment amount	Holding shares %	Business scope
1	CSSC Guangzhou Longxue Shipbuilding Co.,Ltd	Guangzhou	2,720,000	RMB242,055,400	100.00	Vessels, electrical machinery, general machinery, and steel structure technology design, manufacture, and repair

① CSSC Guangzhou Longxue Shipbuilding Co., Ltd. (hereinafter referred to as the "Longxue Shipbuilding") is a limited liability company established in May 2006 under the funding of CSSC, with a registered capital of RMB100 million. On April 7, 2009, Longxue Shipbuilding increased its registered capital by RMB2.62 billion; wherein, CSSC contributed RMB1.532 billion (including, RMB1.355279 billion in the form of construction in progress, RMB145.232 million in the form of shoreline use rights, and RMB31.489 million in cash), accounting for 60% of registered capital, Baosteel Group Corporation contributed RMB816 million in cash, accounting for 30% of registered capital, and China Shipping (Group) Company contributed RMB272 million in cash, accounting for 10% of registered capital. Longxue Shipbuilding mainly participates in the business related to civilian ship products. Its main products include very large crude carrier (VLCC), very large container vessel, very large ore carrier (VLOC), very large gas carrier, and other types of civilian ships. Based on the resolutions of the first extraordinary shareholders' meeting in 2013, the first domestic shareholders' class (A shares) meeting in 2013, the first foreign share shareholders' class (H shares) meeting in 2013, and the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company acquired 100% equity in Longxue Shipbuilding. On March 5, 2014, Longxue Shipbuilding completed the change of registration with industrial and commercial authority and obtained a Corporation Legal Representative Business License with registration no. of 440101000162284 issued by Administration of Industry and Commerce of Guangzhou. The Company contributed RMB242.0554 million, accounting for 100% shareholdings.

② Prior to the equity transfer, the actual controller of Longxue Shipbuilding was CSSC, which was under the common control of the actual controller of the Company. Upon the completion of equity acquisition, the Company's shareholdings and voting right in Longxue Shipbuilding are 100% and the Company exercises controlling power. Such merger represents a merger under the common control of an actual controller, CSSC.

### (2) Basis of the date of consolidation and accounting treatment

Based on the resolutions of the first extraordinary shareholders' meeting in 2013, the first domestic shareholders' class (A shares) meeting in 2013, the first foreign share shareholders' class (H shares) meeting in 2013, and the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company acquired 100% equity in Longxue Shipbuilding. The equity transfer was completed in February 2014 and the Company has consolidated Longxue Shipbuilding into its financial statement as an enterprise under common control.

### (3) Basic financial position of the merged enterprise

Items	February 28, 2014/ January 1 – February 28, 2014	December 31, 2013/ January 1 – December 31, 2013
Total assets	10,406,199,863.98	10,068,266,408.52
Total liabilities	10,441,431,471.40	10,094,614,820.78
Owner's equity	-35,231,607.42	-26,348,412.26
Operating income	444,268,572.52	1,941,148,258.91
Net income	-8,883,195.16	-405,319,703.36
Net cash flows from operating activities	648,656,913.49	318,187,495.31
Net cash flows	-72,700,158.04	-905,171,637.03

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following disclosed financial statement data, unless specifically noted, "Beginning Balance" refers to January 1, 2014; and "Ending Balance" refers to June 30, 2014. "Current Period" refers to the period from January 1, 2014 to June 30, 2014; and "Last Period" refers to the period from January 1, 2013 to June 30, 2013.

### 1. Cash and cash equivalents

Items	Original currency	Ending Balance Exchange rate	Amount (RMB)	Original currency	Beginning Balance Exchange rate	Amount (RMB)
Cash	-		182,639.51			265,078.31
RMB			111,504.61			187,518.91
USD	4,067.80	6.1528	25,028.36	4,067.80	6.0969	24,800.97
HKD	35,855.30	0.7938	28,461.93	45,149.10	0.7862	35,496.23
GBP	917.25	10.4978	9,629.11	917.25	10.0556	9,223.50
EUR	954.84	8.3946	8,015.50	954.84	8.4189	8,038.70
Bank			2,760,881,921.63			4,221,095,882.94
RMB			2,254,330,858.95			3,433,574,787.38
USD	52,688,776.19	6.1528	324,183,502.14	127,041,961.26	6.0969	774,562,133.59
HKD	219,862,561.89	0.7938	174,516,237.65	9,666,000.59	0.7862	7,599,409.66
EUR	935,282.55	8.3946	7,851,322.89	636,609.57	8.4189	5,359,552.31
Others			4,431,891,648.75			3,551,628,866.82
RMB			3,139,803,648.75			2,722,450,466.82
USD	210,000,000.00	6.1528	1,292,088,000.00	136,000,000.00	6.0969	829,178,400.00
<b>Total</b>	-	-	<b>7,192,956,209.89</b>	-	-	<b>7,772,989,828.07</b>

The ending balances of other monetary fund include credit card deposit of RMB 146,747.38 (Beginning Balance: RMB 108,182.73); guarantee deposit of RMB 7,104,895.42 (Beginning Balance: RMB 6,926,228.27); and fixed deposit for long-term and short-term mortgage loans amounted RMB 4,424,640,005.95 (Beginning Balance: RMB 3,544,561,470.82), this guaranteed fixed deposit would be terminated after the debt redemption.

### 2. Financial assets at fair value through profit and loss

Items	Ending fair value	Beginning fair value
Foreign exchange forward contract	29,296,939.92	69,210,083.75
<b>Total</b>	<b>29,296,939.92</b>	<b>69,210,083.75</b>

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.

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	12,560,135.81	21,607,944.72
<b>Total</b>	<b>12,560,135.81</b>	<b>21,607,944.72</b>

#### (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	South Conghua Construction Co., Ltd.	2014-1-3	2014-7-3	740,000.00	
	Nanchang Zhongtian Paper Company	2014-4-25	2014-10-25	600,000.00	
	Chongqing Xiangji Machinery Manufacture Company	2014-2-12	2014-8-12	500,000.00	
	Jiangxi Zhongyi Elevator Equipment Company	2014-2-12	2014-8-12	339,120.00	
	China Railway First Group Co., Ltd.	2014-5-9	2014-11-9	1,000,000.00	
<b>Total</b>				<b>3,179,120.00</b>	

#### 4. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	<b>785,138,314.51</b>	670,199,441.60
Less: provision for bad debts	<b>13,128,247.38</b>	12,700,001.70
<b>Net Amount</b>	<b>772,010,067.13</b>	657,499,439.90

##### (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				
	Book Value		Bad debt		Net value	Book Value		Bad debt		Net value
	Amount	%	Amount	%		Amount	%	Amount	%	
Within 1 year	730,201,550.00	93.00	3,651,007.75	0.50	720,201,920.36	605,013,195.30	90.27	2,989,758.92	0.49	602,023,436.38
1-2 years	23,628,555.59	3.01	114,507.74	0.48	23,514,047.85	26,482,813.79	3.95	4,151,728.18	15.68	22,331,085.61
2-3 years	6,496,225.47	0.83	4,127,747.68	63.54	2,368,477.79	11,312,230.43	1.69	422,223.65	3.73	10,890,006.78
3-4 years	4,933,033.82	0.63	1,000,965.65	20.29	3,932,068.17	2,932,068.17	0.44	794,263.65	27.09	2,137,804.52
4-5 years	15,322,510.73	1.95	234,507.36	1.08	21,436,625.26	21,257,600.33	3.17	1,140,493.72	5.37	20,117,106.61
Over 5 years	4,556,438.90	0.58	3,999,511.20	87.78	556,927.70	3,201,533.58	0.48	3,201,533.58	100.00	-
<b>Total</b>	<b>785,138,314.51</b>	-	<b>13,128,247.38</b>	-	<b>772,010,067.13</b>	670,199,441.60	-	12,700,001.70	-	657,499,439.90

##### (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	9,248,799.84	1.18	9,248,799.84	100.00	9,395,984.41	1.40	9,395,984.41	100.00
Accounts receivable accrued bad debt provision by a certain percentage of the balance	775,889,514.67	98.82	3,879,447.54	0.50	660,803,457.19	98.60	3,304,017.29	0.50
<b>Total</b>	<b>785,138,314.51</b>	-	<b>13,128,247.38</b>	-	670,199,441.60	-	12,700,001.70	-

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
Guangzhou Huayu Electrical and Mechanical Equipment Company Limited	4,000,411.67	4,000,411.67	100.00	No expectation to recover
WHL-FONKWANG	2,551,272.30	2,551,272.30	100.00	No expectation to recover
Chongqing Far East Fuji Electrical Company	670,000.00	670,000.00	100.00	No expectation to recover
Guilin Fortune elevator company	398,250.00	398,250.00	100.00	No expectation to recover
Chongqing South Group Company	257,884.00	257,884.00	100.00	No expectation to recover
Qingdao Haier Special electric freezer Co., Ltd.	208,000.00	208,000.00	100.00	No expectation to recover
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	No expectation to recover
Hunan Lian Xiang elevator company	144,037.20	144,037.20	100.00	No expectation to recover
GSI Elevator Co., Ltd., Chongqing	129,999.76	129,999.76	100.00	No expectation to recover
Chongqing Yi Cheng Real Estate Company	123,465.32	123,465.32	100.00	No expectation to recover
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	No expectation to recover
Wuhan Yuji Real Estate Co., Ltd.	105,500.00	105,500.00	100.00	No expectation to recover
Qingdao Haier Special Plastic Co., Ltd.	44,800.00	44,800.00	100.00	No expectation to recover
Hisense (Nanjing) Electric Co., Ltd.	39,100.00	39,100.00	100.00	No expectation to recover
Yin Ganhui	36,000.00	36,000.00	100.00	No expectation to recover
Chengdu Merro steel grating Co., Ltd	35,000.00	35,000.00	100.00	No expectation to recover
Guangzhou Merro steel grating Co., Ltd	35,000.00	35,000.00	100.00	No expectation to recover
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	No expectation to recover
Seven days hotel	32,499.99	32,499.99	100.00	No expectation to recover
Guangzhou Linghe Company	30,500.00	30,500.00	100.00	No expectation to recover
Hubei Dongfang Yule Company	20,000.00	20,000.00	100.00	No expectation to recover
Qingdao Haier Special electric freezer Co., Ltd.	18,000.00	18,000.00	100.00	No expectation to recover
Shenzhen Jishang Architectural design engineering company	15,904.00	15,904.00	100.00	No expectation to recover
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	No expectation to recover
Wuzhou Public Security Bureau	13,500.00	13,500.00	100.00	No expectation to recover
Guangzhou Baiyun Bamboo Boli Furniture Factory	9,000.00	9,000.00	100.00	No expectation to recover
<b>Total</b>	<b>9,248,799.84</b>	<b>9,248,799.84</b>	<b>-</b>	<b>-</b>

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

Items	Book value	%	Bad debts
Within 1 year	730,201,550.00	0.50	3,651,007.75
1-2 years	22,401,546.15	0.50	112,007.74
2-3 years	4,367,203.05	0.50	21,836.01
3-4 years	4,791,130.68	0.50	23,955.65
4-5 years	12,568,358.46	0.50	62,841.76
Over 5 years	1,559,726.33	0.50	7,798.63
<b>Total</b>	<b>775,889,514.67</b>	<b>-</b>	<b>3,879,447.54</b>

(4) *Bad debts reversed or recovered*

Company Name	Accounts receivable	%	Bad Debts Reserved or Recovery	Amounts reversed (or recovered)	Basis for original bad debts
Chongqing Guangchuan Elevator Co. Limited	313,700.00	100.00	313,700.00	183,700.24	Agents have been unable to receive the payment, risk to recover, received in this period
Yang Shiqiang	5,600.00	100.00	5,600.00	5,600.00	Unable to receive the payment, risk to recover, received in this period
Yunnan Province Dali Antique City Cultural Business Development Co., Ltd.	10,500.00	100.00	10,500.00	10,500.00	Unable to receive the payment, risk to recover, received in this period
Guangzhou Zecheng Glass Company Limited	11,625.00	100.00	11,625.00	11,625.00	Unable to receive the payment, risk to recover, received in this period
<b>Total</b>	<b>341,425.00</b>	<b>-</b>	<b>341,425.00</b>	<b>211,425.24</b>	

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

(6) *Top 5 Clients*

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)
China Shipping Bulk Carrier (Hong Kong) Co., Limited	External Client	125,415,106.15	Within 1 year	15.97
Denmark NORDN Company	External Client	78,107,694.94	Within 1 year	9.95
Marshall Islands NAVIG8PRODUCTTANKERISLANDS	External Client	58,077,442.08	Within 1 year	7.40
Sweden--StenaWeco	External Client	43,438,768.00	Within 1 year	5.53
Dalian Ocean Shipping Company	External Client	26,390,712.82	Within 1 year	3.36
<b>Total</b>		<b>331,429,723.99</b>		<b>42.21</b>

(7) *Please refer to the Note VI.3 as for receivables from related parties*

(8) *Accounts receivable with foreign currency balance*

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	69,313,946.56	6.1528	426,474,850.39	45,654,788.00	6.0969	278,352,676.99
HKD	15,916,752.13	0.7938	12,634,713.54	23,858,985.58	0.7862	18,757,934.44
MOP	3,277,585.17	0.7784	2,551,272.30	3,277,585.17	0.7588	2,487,031.63
EUR	945,593.00	8.3946	7,937,875.00			
<b>Total</b>			<b>449,598,711.23</b>			<b>299,597,643.06</b>

(9) *The received payments after balance date*

Until the reporting date, the Company received accounts receivable with the amount of RMB321,908,220.97 in total, including RMB122,851,622.21 from China Shipping Bulk Carrier Co., Ltd, RMB78,107,694.94 from Denmark NORDN Company, RMB43,438,768.00 from Sweden-Stena Weco, RMB28,969,343.00 from Marshall Islands NAVIG8PRODUCTTANKERISLANDS, RMB26,390,712.82 from Dalian Ocean Shipping Company and RMB22,150,080.00 from Greece – Tomasos brothers. Ine.

5. **Advances to Suppliers**

(1) *Aging*

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	<b>1,283,172,452.82</b>	<b>90.44</b>	998,472,878.02	93.23
1-2 years	<b>123,514,441.20</b>	<b>8.71</b>	62,386,862.27	5.83
2-3 years	<b>2,293,391.59</b>	<b>0.16</b>	8,663,583.88	0.81
Over 3 years	<b>9,851,640.46</b>	<b>0.69</b>	1,415,543.26	0.13
<b>Total</b>	<b>1,418,831,926.07</b>	<b>-</b>	1,070,938,867.43	<b>-</b>

(2) *Major clients*

Company Name	Relationship	Amount	%	Aging	Reasons
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Under common control of CSSC	802,556,308.20	56.56	Within 1 year	Not arrived
Poly Technology Co., Ltd.	Third party	56,188,048.00	3.96	Within 1 year	Not arrived
Frank Mohn	Third party	35,785,954.75	2.52	2 years	Not arrived
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd.	Under common control of CSSC	32,567,900.00	2.30	Within 1 year	Not arrived
Hualian Ship Co., Ltd.	Under common control of CSSC	32,261,397.22	2.27	Within 1 year	Not arrived
<b>Total</b>		<b>959,359,608.17</b>	<b>67.61</b>		

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

(4) *Advances to suppliers with foreign currency balance*

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	34,724,282.16	6.1735	214,370,490.86	22,200,837.71	6.2054	137,764,022.64
EUR	10,294,442.90	10.4950	108,040,061.46	5,876,410.42	8.2741	48,621,816.46
HKD	486,883.44	0.8805	428,700.87	486,586.00	0.8810	428,700.87
GBP	660,960.00	10.3373	6,832,510.45			
<b>Total</b>			<b>329,671,763.64</b>			<b>186,814,539.97</b>

## 6. Interest receivable

(1) *Interests receivable*

Items	Beginning Balance	Increase	Decrease	Ending Balance
Interest of fixed deposit	125,169,671.54	117,486,931.71	137,819,891.49	<b>104,836,711.76</b>
<b>Total</b>	<b>125,169,671.54</b>	<b>117,486,931.71</b>	<b>137,819,891.49</b>	<b>104,836,711.76</b>

(2) *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	3,001,767.53	6.1528	18,469,275.28	902,452.90	6.0969	5,502,165.08
HKD	16,377.61	0.7938	12,999.73			
<b>Total</b>			<b>18,482,275.01</b>			<b>5,502,165.08</b>

## 7. Dividend 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.	–	–	–	–	–	–
		1,399,866.01		1,399,866.01		–
<b>Total</b>		<b>1,399,866.01</b>		<b>1,399,866.01</b>		

## 8. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	157,909,252.23	86,568,953.79
Less: provision for bad debts	11,135,389.28	10,778,687.73
<b>Net Amount</b>	<b>146,773,862.95</b>	<b>75,790,266.06</b>



**(1) Aging analysis**

Items	Ending Balance				Beginning Balance			
	Amount	%	Bad debt	Net value	Amount	%	Bad debt	Net value
Within 1 year	81,943,200.60	51.89	409,716.01	81,533,484.59	64,649,897.94	74.68	323,249.45	64,326,648.49
1-2 years	54,649,897.86	34.61	273,249.50	54,376,648.36	2,318,490.29	2.68	11,592.45	2,306,897.84
2-3 years	2,654,172.27	1.68	13,270.86	2,640,901.41	4,846,581.90	5.60	24,232.91	4,822,348.99
3-4 years	4,988,141.24	3.16	24,940.71	4,963,200.53	2,300,851.95	2.66	11,504.26	2,289,347.69
4-5 years	1,651,124.96	1.05	65,567.62	1,585,557.34	406,055.35	0.47	2,030.28	404,025.07
Over 5 years	12,022,715.30	7.61	10,348,644.58	1,674,070.72	12,047,076.36	13.92	10,406,078.38	1,640,997.98
<b>Total</b>	<b>157,909,252.23</b>	<b>-</b>	<b>11,135,389.28</b>	<b>146,773,862.95</b>	<b>86,568,953.79</b>	<b>-</b>	<b>10,778,687.73</b>	<b>75,790,266.06</b>

**(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	6.55	10,340,232.15	100.00			10,340,232.15	11.94	10,340,232.15	100.00	
Other receivables that are individually insignificant but are provided for bad debts on individual basis	57,600.00	0.04	57,600.00	100.00			57,600.00	0.07	57,600.00	100.00	
Other receivables accrued bad debt provision by a certain percentage of the balance	147,511,420.08	8.32	737,557.13	0.50	146,773,862.95		76,171,121.64	87.99	380,855.58	0.50	75,790,266.06
<b>Total</b>	<b>157,909,252.23</b>	<b>-</b>	<b>11,135,389.28</b>	<b>-</b>	<b>146,773,862.95</b>		<b>86,568,953.79</b>	<b>-</b>	<b>10,778,687.73</b>	<b>-</b>	<b>75,790,266.06</b>

1) *Other receivables that are individually significant and 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
<b>Total</b>	<b>10,340,232.15</b>	<b>10,340,232.15</b>	<b>-</b>	<b>-</b>

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 "Delegation Nominees contract" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB 10,640,000.00 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 the end of 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 June 30, 2014, the Company has not received the above mentioned debt principal and interest, and shall pay attention to further follow-up.

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
<b>Total</b>	<b>57,600.00</b>	<b>57,600.00</b>	<b>-</b>	<b>-</b>

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

Items	Book value	%	Bad debts
Within 1 year	81,943,200.60	0.50	409,716.02
1-2 years	54,649,897.86	0.50	273,249.50
2-3 years	2,654,172.27	0.50	13,270.86
3-4 years	4,988,141.24	0.50	24,940.71
4-5 years	1,593,524.96	0.50	7,967.62
Over 5 years	1,682,483.15	0.50	8,412.42
<b>Total</b>	<b>147,511,420.08</b>	<b>-</b>	<b>737,557.13</b>

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

(4) *Top 5 Clients*

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)	Nature
Government grants receivables	Third party	85,430,000.00	Within 1 year	54.10	Product subsidy
JandD Projects Limited	Third party	4,820,279.33	2-5 years	3.05	Open credit
Boldwin Structure Engineering Co. Ltd.	Third party	1,428,736.90	2-5 years	0.90	Open credit
Xiamen Jingfa Electrical Machinery Equipment Co., Ltd.	Third party	1,210,760.00	Within 1 year	0.77	Open credit
Hainan Haizheng Bidding Co., Ltd.	Third party	505,000.00	Within 1 year	0.32	Open credit
<b>Total</b>		<b>93,394,776.23</b>		<b>59.14</b>	

(5) *Please refer to the Note VI.3 as for other receivables.*

(6) *Other receivables with foreign currency balance*

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	456,127.14	6.1528	2,806,459.07	163,015.51	6.0969	993,889.26
HKD	13,133,766.95	0.7938	10,425,584.20	10,158,902.24	0.7862	7,986,928.93
EUR				10,566.30	8.4189	88,956.62
<b>Total</b>			<b>13,232,043.27</b>			<b>9,069,774.81</b>

9. **Inventories**

(1) *Classification*

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	1,154,536,008.04	21,914,374.86	1,132,621,633.18	1,010,045,831.62	21,914,374.86	988,131,456.76
Work in progress	469,299,887.99	10,856,520.92	458,443,367.07	770,498,989.57	140,284,038.01	630,214,951.56
Merchandise inventories	10,117,555.39	418,512.22	9,699,043.17	8,871,784.15	465,694.36	8,406,089.79
Capitalized construction contracts	2,591,029,614.02	640,827,688.12	1,950,201,925.90	2,032,197,743.52	707,333,030.21	1,324,864,713.31
Goods in transit	12,479,843.33	-	12,479,843.33	37,316,822.00	-	37,316,822.00
<b>Total</b>	<b>4,237,462,908.77</b>	<b>674,017,096.12</b>	<b>3,563,445,812.65</b>	<b>3,858,931,170.86</b>	<b>869,997,137.44</b>	<b>2,988,934,033.42</b>

**(2) Provision for impairment of inventory**

Items	Beginning Balance	Accrued	Decrease		Ending Balance
			Reversal	Transferred out	
Raw materials	21,914,374.86				<b>21,914,374.86</b>
Work in progress	140,284,038.01			129,427,517.09	<b>10,856,520.92</b>
Merchandise inventories	465,694.36			47,182.14	<b>418,512.22</b>
Capitalized construction contracts (relates to inventories)	707,333,030.21	39,882,069.37	35,660,782.37	322,473,802.14	<b>640,827,688.12</b>
Capitalized construction contracts (relates to contingent liabilities)	514,783,150.95				<b>263,035,977.90</b>
Subtotal	1,384,780,288.39	39,882,069.37	35,660,782.37	451,948,501.37	<b>937,053,074.02</b>
Less: Capitalized construction contracts (relates to contingent liabilities)	514,783,150.95	-	-	-	<b>263,035,977.90</b>
<b>Total</b>	<b>869,997,137.44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>674,017,096.12</b>

**(3) Provision for impairment of inventory**

Items	Calculation basis	Reasons for reversals	Percentage of inventories %
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)		
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)		
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Total cost reduced as a result of higher production efficiency	1.38%

**10. Financial Assets available for sale****(1) Category**

Items	Ending balance	Beginning balance
<b>Equity instrument available-for-sale</b>		
Calculated at fair value	<b>28,190,000.00</b>	29,070,000.00
Of which: China Merchants Energy and Transportation Co., Ltd. (CMES)	<b>25,740,000.00</b>	26,620,000.00
Wuhan Jinyinhu Golf Membership	<b>2,450,000.00</b>	2,450,000.00
<b>Calculated with cost method</b>	<b>6,900,000.00</b>	6,900,000.00
The CSSC Information Technology Co., Ltd.	<b>900,000.00</b>	900,000.00
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	<b>1,000,000.00</b>	1,000,000.00
Guangzhou CSSC Ship Steel Co. Ltd.	<b>5,000,000.00</b>	5,000,000.00
<b>Total</b>	<b>35,090,000.00</b>	35,970,000.00

Items	Equity instrument available-for-sale at fair value	Total
Beginning fair value	29,070,000.00	29,070,000.00
The cost of equity instrument/amortized cost of debt instrument	39,459,259.00	39,459,259.00
Ending fair value	28,190,000.00	28,190,000.00
The change in fair value that recorded into other comprehensive profits	-11,269,259.00	-11,269,259.00
The impairment		

As at June 30, 2014, the holding shares of "CMES" and "CMBC" are unrestrained outstanding shares, the fair value is calculated based on the period 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 for the year 2012, and based on prudence, recognize the fair value RMB50,000 each. The holding shares of The CSSC Information Technology Co., Ltd., China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd. and Guangzhou CSSC Ship Steel Co. Ltd. are calculated based on the investment cost.

(2) The analysis is as follows:

Items	Ending Balance	Beginning Balance
Listed	25,740,000.00	26,620,000.00
China (except HK)	25,740,000.00	26,620,000.00
Subtotal	25,740,000.00	26,620,000.00
Unlisted	9,350,000.00	9,350,000.00
<b>Total</b>	<b>35,090,000.00</b>	<b>35,970,000.00</b>

(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.

11. Long-term equity investment

(1) Classification

Items	Ending Balance	Beginning Balance
Equity method	45,681,112.24	42,956,414.09
Associate company	45,681,112.24	42,956,414.09
<b>Total</b>	<b>45,681,112.24</b>	<b>42,956,414.09</b>
Less: Provision for impairment		
<b>Net value</b>	<b>45,681,112.24</b>	<b>42,956,414.09</b>

(2) Analysis

Items	Ending Balance	Beginning Balance
Unlisted	45,681,112.24	42,956,414.09
<b>Total</b>	<b>45,681,112.24</b>	<b>42,956,414.09</b>

(3) Measurement on cost method and equity method

Investee	Share holding (%)	Voting rights (%)	Initial investment	Beginning Balance	Increase or decrease	Adjustment	Cash dividends	Other change in equity	Ending Balance	Impairment	Current period impairment provision
<b>Cost method</b>											
Subtotal											
<b>Equity method</b>											
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	25.00	25.00	1,722,060.00	4,505,874.94		-43,633.62	1,399,866.01		3,062,375.31		
Zhanjiang Nantai Ship Hi-Tech Services Ltd.	40.00	40.00	800,000.00	920,821.16		-58,018.72			862,802.44		
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	32.00	32.00	15,558,800.00	37,437,488.25		4,255,797.78			41,693,286.03		
Guangzhou Long Xue Shipbuilding Co., Ltd.	33.33	33.33	500,000.00	92,229.74		-29,581.28			62,648.46		
Subtotal			18,580,860.00	42,956,414.09	-	4,124,564.16	1,399,866.01		45,681,112.24		
Total			18,580,860.00	42,956,414.09	-	4,124,564.16	1,399,866.01		45,681,112.24		

(4) Investment in associated companies and joint ventures

Investee	Nature	Registration place	Operation place	Legal representative	Organization Code	Business type	Registered capital ('0000)	Share holding (%)	Voting rights (%)
<b>Joint ventures</b>									
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	USD120	25.00	25.00
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	200	40.00	40.00
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	8500	32.00	32.00
Guangzhou Longxue Real Estate Limited	Company with limited liability	Guangzhou	Guangzhou	Li Jirong	563984656	Property management, property lease	1,500	33.33	33.33

(continued)

Investee	The Ending Balance of total assets	The Ending Balance of total liabilities	The Ending Balance of net assets	Total operating revenue	Net profit
<b>Joint ventures</b>					
1. Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	21,014,741.10	8,482,979.34	12,531,761.76	9,754,866.02	-174,534.49
2. Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	6,706,275.88	4,603,209.28	2,103,066.60	940,589.68	-145,046.81
3. Zhenjiang Shipyard modern power generation equipment Co., Ltd.	257,275,682.65	111,503,782.30	145,771,900.35	90,149,899.57	13,299,368.06
4. Guangzhou Longxue Real Estate Limited	228,218.90	40,273.51	187,945.39	-	-88,743.84

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

## 12. Investment property

### (1) Cost method

Items	Beginning Balance	Increase	Decrease	Ending Balance
<b>Original cost</b>	36,977,375.29	–	7,805,636.29	<b>29,171,739.00</b>
Buildings	36,977,375.29	–	7,805,636.29	<b>29,171,739.00</b>
<b>Accumulated depreciation and amortization</b>	5,554,466.41	375,665.01	1,210,248.66	<b>4,719,882.76</b>
Buildings	5,554,466.41	375,665.01	1,210,248.66	<b>4,719,882.76</b>
<b>Carrying amount</b>	31,422,908.88	–	–	<b>24,451,856.24</b>
Buildings	31,422,908.88	–	–	<b>24,451,856.24</b>
<b>Provision for impairment</b>	1,855,011.59	–	1,855,011.59	–
Buildings	1,855,011.59	–	1,855,011.59	–
<b>Net book value</b>	29,567,897.29	–	–	<b>24,451,856.24</b>
Buildings	29,567,897.29	–	–	<b>24,451,856.24</b>

The depreciation and amortization of Investment Property through profit and loss for current period is RMB 375,665.01 (last period: RMB375,665.00).

### (2) Investment properties analyzed by region and useful life

Items	Ending Balance	Beginning Balance
Inside China	<b>24,451,856.24</b>	29,567,897.29
Mid-term (10-50 years)	<b>24,451,856.24</b>	29,567,897.29
<b>Total</b>	<b>24,451,856.24</b>	29,567,897.29

## 13. Fixed assets

### (1) Fixed assets category

Items	Beginning Balance	Increase	Decrease	Ending Balance
<b>Total original cost</b>	9,210,640,363.67	24,060,894.37	443,558.54	<b>9,234,257,699.50</b>
Buildings	5,727,197,903.74	3,646,064.38	71,300.23	<b>5,730,772,667.89</b>
Machinery	3,123,513,500.38	14,857,519.79	368,458.31	<b>3,138,002,561.86</b>
Transportation facilities	163,529,776.22	3,016,920.00	3,800.00	<b>166,542,896.22</b>
Office equipments	196,399,183.33	2,540,390.20	–	<b>198,939,573.53</b>
<b>Total accumulated depreciation</b>	2,348,956,841.51	193,208,411.04	197,032.02	<b>2,541,968,220.53</b>
Buildings	995,453,242.61	93,707,215.31	–	<b>1,089,160,457.92</b>
Machinery	1,217,360,811.28	85,206,215.45	197,032.02	<b>1,302,369,994.71</b>
Transportation facilities	72,852,909.62	6,898,170.43	–	<b>79,751,080.05</b>
Office equipments	63,289,878.00	7,396,809.85	–	<b>70,686,687.85</b>
<b>Total carrying amount</b>	6,861,683,522.16	–	–	<b>6,692,289,478.97</b>
Buildings	4,731,744,661.13	–	–	<b>4,641,612,209.97</b>
Machinery	1,906,152,689.10	–	–	<b>1,835,632,567.15</b>
Transportation facilities	90,676,866.60	–	–	<b>86,791,816.17</b>
Office equipments	133,109,305.33	–	–	<b>128,252,885.68</b>
<b>Total provision for impairment</b>	2,941,797.71	–	–	<b>2,941,797.71</b>
Buildings	–	–	–	–
Machinery	2,941,797.71	–	–	<b>2,941,797.71</b>
Transportation facilities	–	–	–	–
Office equipments	–	–	–	–
<b>Total net book value</b>	6,858,741,724.45	–	–	<b>6,689,347,681.26</b>
Buildings	4,731,744,661.13	–	–	<b>4,641,612,209.97</b>
Machinery	1,903,210,891.39	–	–	<b>1,832,690,769.44</b>
Transportation facilities	90,676,866.60	–	–	<b>86,791,816.17</b>
Office equipments	133,109,305.33	–	–	<b>128,252,885.68</b>

The amortization of Fixed assets recognized through profit or loss is RMB193,208,411.04 for current period (last period: RMB189,511,822.89).

The increased Fixed assets included RMB24,060,894.37 of capitalized Construction in progress transferred-in.

**(2) Buildings analyzed by region and useful life**

Items	Ending Balance	Beginning Balance
Inside China	<b>4,626,285,361.43</b>	4,716,276,120.77
Of which: Mid-term (10-50 years)	<b>4,626,285,361.43</b>	4,716,276,120.77
Outside China	<b>15,326,848.54</b>	15,468,540.36
Of which: Long-term (over 50 years)	<b>15,326,848.54</b>	15,468,540.36
<b>Total</b>	<b>4,641,612,209.97</b>	4,731,744,661.13

**(3) Fixed assets with no certificate of title**

Items	Ending Balance		Beginning Balance	
	Original value	Book value	Original value	Book value
Zhongshan base ship joining workshop	<b>138,985,419.99</b>	<b>132,487,712.91</b>	138,985,419.99	134,688,408.03
Company's job shop	<b>118,623,167.42</b>	<b>104,571,408.34</b>	118,623,167.42	106,438,637.26
Component fabrication assembly and welding workshop	<b>61,612,192.39</b>	<b>58,033,274.32</b>	61,612,192.39	59,008,841.80
B & C dormitory and dining rooms	<b>42,989,520.91</b>	<b>40,363,135.27</b>	43,060,821.14	41,018,695.70
Mechanical and electrical suppliers storage	<b>29,498,733.13</b>	<b>26,079,855.43</b>	29,498,733.13	26,415,072.33
Zhongshan base adjacent building to production and living	<b>12,720,815.66</b>	<b>12,223,385.52</b>	12,720,815.66	12,396,032.46
Company 5 floors office building	<b>8,060,675.25</b>	<b>7,039,576.13</b>	8,060,675.25	7,148,371.91
1# Electric Room	<b>5,999,194.71</b>	<b>5,714,197.54</b>		
Oil paint, oil and chemicals storage	<b>3,409,136.61</b>	<b>3,166,100.23</b>		
Oily waste storage room	<b>1,180,087.72</b>	<b>1,095,966.12</b>		
1# Natural gas pressure regulating and blending station	<b>785,892.95</b>	<b>748,561.49</b>		
Weigh house	<b>538,492.36</b>	<b>512,910.66</b>		
Public toilet	<b>421,278.51</b>	<b>361,243.83</b>		
<b>Total</b>	<b>424,824,607.61</b>	<b>392,397,327.79</b>	412,561,824.98	387,114,059.49

Items	Reasons	Expected time to obtain
Zhongshan base ship joining workshop	In process	2015
Company's job shop	In process	2015
Component fabrication assembly and welding workshop	In process	2015
B & C dormitory and dining rooms	In process	2015
Mechanical and electrical suppliers storage	In process	2015
Zhongshan base adjacent building to production and living	In process	2015
Company 5 floors office building	In process	2015
1# Electric Room	In process	2015
Oil paint, oil and chemicals storage	In process	2015
Oily waste storage room	In process	2015
1# Natural gas pressure regulating and blending station	In process	2015
Weigh house	In process	2015
Public toilet	In process	2015

## 14. Construction in progress

### (1) Category

Items	Ending Balance		Beginning Balance			
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Workers' Dormitory Project (Phase I) CSSC Longxue Base	92,291,997.14		92,291,997.14			
Residential Project for Workers	35,567,466.29		35,567,466.29	33,872,935.22		33,872,935.22
Steel structure construction for work team in dock	10,099,140.86		10,099,140.86	8,438,887.70		8,438,887.70
Relocation of asset from Sanjiao town, Zhongshan	8,117,709.36		8,117,709.36	8,117,709.36		8,117,709.36
Project construction cost	4,515,992.04		4,515,992.04	2,240,000.00		2,240,000.00
"1" development the construction of security conditions	4,250,000.00		4,250,000.00	4,250,000.00		4,250,000.00
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting (on the side of Chengxin Avenue)	2,646,306.46		2,646,306.46			
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	2,632,554.04		2,632,554.04			
Engineering and Design Fees for Base Civil Ship Phase I	2,585,500.00		2,585,500.00			
Construction for containers and dormitory room	2,275,568.42		2,275,568.42	1,912,573.20		1,912,573.20
The shipbuilding division stern work platform	2,224,039.02		2,224,039.02	2,224,039.02		2,224,039.02
Survey expense for Workers' Dormitory Project (Phase I)	2,080,000.00		2,080,000.00	1,300,000.00		1,300,000.00
Comprehensive building network wiring, security products expansion and renovation project	2,059,126.00		2,059,126.00	2,059,126.00		2,059,126.00
1#3# Slipway Extension Project	2,041,714.01		2,041,714.01			-
Safety maintenance for the duty room at the edge of dock	1,912,776.42		1,912,776.42	1,108,874.40		1,108,874.40
Plane component fabrication assembly and welding workshop (assembly-line) <sup>(1)</sup>	1,821,055.47		1,821,055.47	-		-
Clearing and grubbing of camber component fabrication assembly and welding workshop in Nansha on the east side <sup>(4)</sup>	1,671,819.23		1,671,819.23	-		-
Electrical goods distribution base project of the old district berths local dredging projects	1,150,454.29		1,150,454.29	1,150,454.29		1,150,454.29
The shipbuilding division 500HP tugboat 1 set	1,130,965.55		1,130,965.55			-
Comprehensive technical advance fee	1,110,662.51		1,110,662.51	1,096,917.01		1,096,917.01
Terminal cargo-loading equipment (32t loading cranes)	1,068,690.00		1,068,690.00	1,068,690.00		1,068,690.00
Other projects	29,598,227.33		29,598,227.33	23,116,940.35		23,116,940.35
<b>Total</b>	<b>212,851,764.44</b>		<b>212,851,764.44</b>	<b>91,957,146.55</b>		<b>91,957,146.55</b>



(2) *The changes in significant construction in progress*

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Decrease	
The old dock berth dredging projects	1,502,683.48	386,028.17	1,888,711.65		–
The shipbuilding division 150 ton platform trailer 1 set	1,959,066.78		1,959,066.78		–
1#3# Slipway Extension Project		2,041,714.01			2,041,714.01
The shipbuilding division 500HP tugboat 1 set		1,130,965.55			1,130,965.55
Electrical goods distribution base project of the old district berths local dredging projects	1,150,454.29				1,150,454.29
The shipbuilding division stern work platform	2,224,039.02				2,224,039.02
“1” development the construction of security conditions	4,250,000.00				4,250,000.00
Comprehensive building network wiring, security products expansion and renovation project	2,059,126.00				2,059,126.00
Residential Project for Workers	33,872,935.22	1,694,531.07			35,567,466.29
Block coating plants (5 coating)	853,193.68				853,193.68
Terminal cargo-loading equipment (32t loading cranes)	1,068,690.00				1,068,690.00
Steel structure construction for work team in dock	8,438,887.70	1,660,253.16			10,099,140.86
Relocation of asset from Sanjiao town, Zhongshan	8,117,709.36				8,117,709.36
Project construction cost	2,240,000.00	2,275,992.04			4,515,992.04
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side		2,632,554.04			2,632,554.04
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting (on the side of Chengxin Avenue)		2,646,306.46			2,646,306.46
Engineering and Design Fees for Base Civil Ship Phase I		2,585,500.00			2,585,500.00
Clearing and grubbing of camber component fabrication assembly and welding workshop in Nansha on the east side (4)		1,671,819.23			1,671,819.23
Workers' Dormitory Project (Phase I) CSSC Longxue Base		92,291,997.14			92,291,997.14
<b>Total</b>	<b>67,736,785.53</b>	<b>111,017,660.87</b>	<b>3,847,778.43</b>	<b>–</b>	<b>174,906,667.97</b>

(Continued)

Project name	Budget	Budget use-up ratio %	Press of work	Accumulated capitalized interest	Capitalized interest for Current Period	Capitalization %	Source of capital
The old dock berth dredging projects	2,000,000.00	100.00	Completed				Self financed
The shipbuilding division 150 ton platform trailer 1 set	1,900,000.00	100.00	Completed				Self financed
1#3# Slipway Extension Project	4,090,000.00	50.00	Construction in progress				Self financed
The shipbuilding division 500HP tugboat 1 set	4,800,000.00	24.00	Construction in progress				Self financed
Electrical goods distribution base project of the old district berths local dredging projects	22,280,000.00	0.05	Construction in progress				Self financed
The shipbuilding division stern work platform	23,620,000.00	9.00	Construction in progress				Self financed
"1" development the construction of security conditions	14,020,000.00	30.00	Construction in progress				Self financed
Comprehensive building network wiring, security products expansion and renovation project	2,300,000.00	90.00	Construction in progress				Self financed
Residential Project for Workers	277,450,000.00	12.82	Construction in progress				Self financed
Block coating plants (5 coating)	85,865,200.00	0.99	Construction in progress				Self financed
Terminal cargo-loading equipment (32t loading cranes)	19,987,000.00	5.35	Construction in progress				Self financed
Steel structure construction for work team in dock	11,286,564.62	89.48	Construction in progress				Self financed
Relocation of asset from Sanjiao town, Zhongshan	8,874,020.10	91.48	Construction in progress				Self financed
Project construction cost	6,289,667.95	71.80	Construction in progress				Self financed
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	4,410,000.00	59.70	Construction in progress				Self financed
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting (on the side of Chengxin Avenue)	4,310,000.00	61.40	Construction in progress				Self financed
Engineering and Design Fees for Base Civil Ship Phase I	3,800,000.00	68.04	Construction in progress				Self financed
Clearing and grubbing of camber component fabrication assembly and welding workshop in Nansha on the east side (4)	2,910,000.00	57.45	Construction in progress				Self financed
Workers' Dormitory Project (Phase I) CSSC Longxue Base	627,700,000.00	16.11	Construction in progress				Self financed

## 15. Fixed assets disposal

Items	Ending Balance	Beginning Balance	Reasons
Machinery and equipment	<b>29,732.76</b>	29,376.32	Scrapped
<b>Total</b>	<b>29,732.76</b>	29,376.32	

## 16. Intangible assets

Items	Beginning Balance	Increase	Decrease	Ending Balance
<b>Total original cost</b>	1,495,807,885.81	436,548.09	–	<b>1,496,244,433.90</b>
Land use right	1,366,803,783.08	–	–	<b>1,366,803,783.08</b>
Software	129,004,102.73	436,548.09	–	<b>129,440,650.82</b>
<b>Total accumulated amortization</b>	192,833,726.93	19,914,562.57	–	<b>212,748,289.50</b>
Land use right	117,595,500.66	13,919,049.23	–	<b>131,514,549.89</b>
Software	75,238,226.27	5,995,513.34	–	<b>81,233,739.61</b>
<b>Total net carry value</b>	1,302,974,158.88			<b>1,283,496,144.40</b>
Land use right	1,249,208,282.42			<b>1,235,289,233.19</b>
Software	53,765,876.46			<b>48,206,911.21</b>
<b>Total provision</b>				
<b>Total net book value</b>	1,302,974,158.88			<b>1,283,496,144.40</b>
Land use right	1,249,208,282.42			<b>1,235,289,233.19</b>
Software	53,765,876.46			<b>48,206,911.21</b>

Land use right analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China	<b>1,235,289,233.18</b>	1,249,208,282.42
Of which: Mid-term (10-50 years)	<b>1,235,289,233.18</b>	1,249,208,282.42
<b>Total</b>	<b>1,235,289,233.18</b>	1,249,208,282.42

The amortization of Intangible assets recognized through profit or loss is RMB 19,914,562.57 for current period (last period: RMB 18,788,566.34).

## 17. Research and development expenditures

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Expensed	Capitalized	
<b>Total</b>		83,386,634.09	83,386,634.09		
76000 tons of semi submerged ship design and construction technology R & D and industrialization		34,131,496.35	34,131,496.35		
Energy conservation and environment protection VLCC research and development		6,460,647.67	6,460,647.67		
Research on typical cabin arrangement and decoration design manufacturing technology and luxury cruise		5,530,101.20	5,530,101.20		
High performance large curvature complex curved hull plate forming intelligent robot		3,664,599.98	3,664,599.98		
Research & Development of comprehensive manufacturing technology		2,691,707.78	2,691,707.78		
Shipbuilding computer integrated manufacturing system-GSI-SCIMS II		2,508,045.17	2,508,045.17		
Complex component forming key technology and equipment technology		1,583,103.68	1,583,103.68		
Emulation of precise shipbuilding techniques		1,509,805.02	1,509,805.02		
Research & Development of 50000 tons of chemical/product oil cargo		1,481,960.58	1,481,960.58		
Research on optimized green coating process		1,437,406.25	1,437,406.25		
Research on ship builders' energy evaluation and surveillance management system		1,329,826.86	1,329,826.86		
Research and Development of Aframax product oil tanker		913,476.27	913,476.27		
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		745,205.73	745,205.73		
50000 ton handymax products tanker replacement exploitation		634,428.21	634,428.21		
Other research projects		18,764,823.34	18,764,823.34		

## 18. Long-term unamortized assets

Items	Beginning Balance	Increase	Amortized	Decrease	Ending Balance	Reasons
Reconstruction cost of second – phase plant	8,448,077.41	387,600.00	1,052,155.55		7,783,521.86	
Long Island Ferry additional Dolphins Engineering	3,476,413.96		579,402.30		2,897,011.66	
<b>Total</b>	11,924,491.37	387,600.00	1,631,557.85		10,680,533.52	

## 19. Deferred tax assets and deferred tax liabilities

### (1) Recognized deferred tax assets and deferred tax liabilities

Items	Ending Balance	Beginning Balance
<b>Deferred tax assets</b>		
Provision for impairment of assets	69,711,277.97	91,364,977.78
Deductible loss	301,596,402.71	296,231,916.46
Prepaid housing subsidy	2,508,103.54	2,765,585.89
Monetary housing allowance for retired employees	8,097,977.31	8,141,075.65
Medical insurance for retired employees within 10 years	129,034.47	129,034.47
Payroll for retiring employees	29,328.92	57,021.74
Accrued expense	–	107,252.09
Payroll balance owing at year end	–	117,803.41
Financial liabilities at fair value through profit and loss	70,385.72	–
Available-for-sale financial assets	1,704,000.00	1,572,000.00
Employee education expense	2,396,844.85	2,113,212.61
Tradable financial liabilities	5,487,812.98	
Product maintenance cost	10,196,012.05	
<b>Total</b>	<b>401,927,180.52</b>	<b>402,599,880.10</b>
<b>Deferred tax liabilities</b>		
Fair value changes in Financial assets available for sale	13,611.16	13,611.16
Financial value changes in available-for-sale financial assets	4,394,540.99	10,381,512.56
Realized gain on investments	934,963.88	934,963.88
<b>Total</b>	<b>5,343,116.03</b>	<b>11,330,087.60</b>

### (2) Unrecognized as deferred tax assets

Items	Ending Balance	Beginning Balance
Deductible temporary difference		
Deductible loss	1,181,249,551.25	1,066,288,264.07
Provision for impairment of assets	400,684,416.85	495,484,409.98
Expected liabilities	161,445,911.74	310,446,180.97
Unpaid payroll	2,725,971.62	8,298,561.99
<b>Total</b>	<b>1,746,105,851.46</b>	<b>1,880,517,417.01</b>

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

### (3) Deductible loss that is not recognized as deferred assets will be expired as follows:

Items	Ending Balance	Beginning Balance
2014	267,045,413.45	267,045,413.45
2015	561,286.27	561,286.27
2016		
2017	75,825,240.29	75,825,240.29
2018	722,856,324.06	722,856,324.06
2019	114,961,287.18	
<b>Total</b>	<b>1,181,249,551.25</b>	<b>1,066,288,264.07</b>

**(4) Taxable differences and deductible differences items**

Items	Ending Balance	Beginning Balance
Deductible difference item		
I Deductible temporary difference	<b>1,227,412,607.24</b>	1,520,756,204.88
1. Recognized deferred tax assets	<b>662,556,307.03</b>	706,527,051.94
(1) Provision for impairment of assets	<b>459,645,811.31</b>	607,125,196.17
(2) Prepaid housing subsidy	<b>15,501,187.00</b>	17,949,437.96
(3) Monetary housing allowance for retired employees	<b>53,986,515.40</b>	54,273,837.64
(4) Medical insurance for retired employees within 10 years	<b>860,229.85</b>	860,229.78
(5) Payroll for retiring employees	<b>195,526.14</b>	380,144.94
(6) Accrued expenses	-	715,013.93
(7) Financial liabilities at fair value through profit and loss	<b>469,238.12</b>	
(8) Payroll balance owing at year end	-	655,107.45
(10) Fair value changes in available-for-sale financial assets	<b>11,360,000.00</b>	10,480,000.00
(11) Employee education expense	<b>15,978,965.67</b>	14,088,084.07
(12) Product maintenance cost	<b>67,973,413.65</b>	
(13) Tradable financial liabilities	<b>36,585,419.89</b>	
2. Unrecognized deferred tax assets	<b>564,856,300.21</b>	814,229,152.94
(1) Provision for impairment of assets	<b>400,684,416.85</b>	495,484,409.98
(2) Expected liabilities	<b>161,445,911.74</b>	310,446,180.97
(3) Unpaid payroll	<b>2,725,971.62</b>	8,298,561.99
II Deductible loss	<b>2,372,896,211.82</b>	2,251,215,929.90
1. Realized deferred tax assets	<b>1,191,646,660.57</b>	1,184,927,665.83
2. Unrealized deferred tax assets	<b>1,181,249,551.25</b>	1,066,288,264.07
<b>Subtotal</b>	<b>3,600,308,819.06</b>	3,771,972,134.78
<b>Taxable temporary difference</b>		
Fair value changes in Financial assets available for sale	<b>90,741.00</b>	90,741.07
Fair value changes in available-for-sale financial assets	<b>29,296,939.92</b>	69,210,083.75
Realized gain on investments	<b>9,349,638.80</b>	9,349,638.80
<b>Subtotal</b>	<b>38,737,319.72</b>	78,650,463.62

**20. Provision for impairment of assets**

Items	Beginning Balance	Accrued	Decrease		Ending Balance
			Reverse	Write-off	
Bad debts	23,478,689.43	996,372.47	211,425.24	-	<b>24,263,636.66</b>
Provision for devaluation of Inventories (Inventory)	869,997,137.44	39,882,069.37	35,660,782.37	451,948,501.37	<b>674,017,096.12</b>
Provision for devaluation of Inventories (Provision)	514,783,150.95	-	-	-	<b>263,035,977.90</b>
Provision for impairment of Investment property	1,855,011.59			1,855,011.59	
Provision for impairment of Fixed assets	2,941,797.71				<b>2,941,797.71</b>
<b>Total</b>	<b>1,413,055,787.12</b>	<b>40,878,441.84</b>	<b>35,872,207.61</b>	<b>453,803,512.96</b>	<b>964,258,508.39</b>

## 21. Short-term loans

### (1) Category

Type	Currency	Ending Balance			Beginning Balance		
		Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
Unsecured loans	RMB	10,000,000.00		10,000,000.00		410,000,000.00	
Secured loans	RMB	1,010,000,000.00		1,010,000,000.00			
Mortgage loans	USD	386,710,963.83	6.1528	2,379,355,218.25	258,387,088.00	6.0969	1,575,360,236.83
Unsecured loans	USD	167,281,472.00	6.1528	1,029,249,440.92	123,810,540.80	6.0969	754,860,486.19
Unsecured loans	EUR	741,212.50	8.3946	6,222,182.45			
<b>Total</b>				<b>4,434,826,841.62</b>			<b>2,740,220,723.02</b>

Mortgage: As at June 30, 2014, the short-term loans of RMB2,379,355,218.25 are granted with other cash fund of RMB 2,246,234,935.13 of the Group as the pledge.

Interest rate: As at June 30, 2014, the weighted average annual interest rate of the short-term loans is 4.62%. (June 30, 2013: 2.33%)

The company has paid back RMB2,566,748,620.84 after the balance date.

### 22. 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	37,054,658.01	
<b>Total</b>	<b>37,054,658.01</b>	

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

### 23. Notes payable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	766,255,574.66	889,353,412.06
<b>Total</b>	<b>766,255,574.66</b>	<b>889,353,412.06</b>

The amount due until next year is RMB766,255,574.66.

### 24. Accounts payable

#### (1) Category

Items	Ending Balance	Beginning Balance
Materials purchased	1,372,534,689.32	1,072,748,768.37
Settlements for projects	272,082,069.45	42,153,031.54
Product settlement	92,129,962.09	81,552,364.48
Warranty	90,300,646.84	80,982,340.21
Other Projects and Labor Costs	148,210,018.68	477,497,878.26
<b>Total</b>	<b>1,975,257,386.38</b>	<b>1,754,934,382.86</b>

## (2) Aging analysis

Aging analysis of Accounts Payable ended on June 30, 2014 as following:

Items	Ending Balance	Beginning Balance
Within 1 year	1,952,922,406.10	1,597,722,846.21
1-2 years	8,022,705.02	114,528,141.54
2-3 years	8,848,983.10	34,909,536.34
Over 3 years	5,463,292.16	7,773,858.77
<b>Total</b>	<b>1,975,257,386.38</b>	<b>1,754,934,382.86</b>

Large-amount Accounts payable aged more than 1 year at June 30, 2014

Clients	Amount	Nature	Reasons
Shanghai Dacheng Venture Capital Co., Ltd.	10,823,877.62	Materials purchased	Not settled
Asian Star Anchor Chain Co., Ltd. Jiangsu	1,098,250.00	Materials purchased	Not settled
Wuhan Marine Equipment Company	1,190,000.00	Warranty payable	Not settled
A research institute of China Shipbuilding Industry Corporation	2,644,250.00	Warranty payable	Not settled
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	1,745,201.85	Pier management fee	Not settled

(3) On June 30, 2014, the Advances from customers balance details exclude shareholders who hold 5% or more of the Company's (or the Group's) shares.

(4) See advances from customers from related parties in Note VI/3.

(5) Accounts payable with foreign currency balance

Original currency	Ending Balance			Beginning Balance		
	Exchange rate	RMB	Original currency	Exchange rate	RMB	Reasons
USD	10,819,410.98	6.1528	66,570,087.33	8,484,100.56	6.0969	51,726,712.71
HKD	485,375.08	0.7938	385,290.74	1,063,782.82	0.7862	836,346.05
<b>Total</b>			<b>66,955,378.07</b>			<b>52,563,058.76</b>

## 25. Advances from customers

(1) Advances from customers

Items	Ending Balance	Beginning Balance
<b>Total</b>	<b>269,859,401.46</b>	<b>535,392,138.97</b>
Over 1 year	121,496,312.54	213,120,811.69

(2) On June 30, 2014, large-amount Advances from customers aged more than 1 year

Clients	Amount	Nature	Reasons
Greece Pioneer Ocean Shipping Co., Ltd	51,927,588.78	Vessel engineering projects	Not settled
Guangdong Changhong Highway Engineering Co., Ltd.	17,094,017.10	Subcontract engineering project	Not settled
Qingyuan Storage Power Generation Co., Ltd.	22,086,926.13	Subcontract engineering project	Not settled
Shenzhen Energy and Environment Protection Co., Ltd.	4,022,058.11	Payment for goods	Not settled
Qingdao Haier Special Freezer Co., Ltd.	3,119,247.86	Payment for goods	Not settled
<b>Total</b>	<b>98,249,837.98</b>		

(3) Advance from construction contract on June 30, 2014

Clients	Amount	Nature	Reasons
Greece Pioneer Ocean Shipping Co., Ltd	51,927,588.78	Vessel engineering projects	Not settled
<b>Total</b>	<b>51,927,588.78</b>		



- (4) On June 30, 2014, the Advances from customers balance details exclude shareholders who hold 5% or more of the Company's (or the Group's) shares.
- (5) See advances from customers from related parties in Note VI/3.
- (6) Advances from customers with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	15,543,899.44	6.2257	96,771,003.53	35,308,035.37	6.2177	219,535,119.11
HKD	708,376.05	0.8062	571,083.00			
EUR	3,010,606.87	6.9128	20,811,858.43			
<b>Total</b>			<b>118,153,944.96</b>			<b>219,535,119.11</b>

## 26. Employee Benefit Payable

Items	Beginning Balance	Increase	Decrease	Ending Balance
(1) Compensation while employment	30,407,822.70	1,173,547,899.26	1,176,804,543.14	<b>27,151,178.82</b>
1.1. Wages or salaries, bonuses, allowances and subsidies	4,917,000.93	403,525,128.60	405,605,156.08	<b>2,836,973.45</b>
1.2. Staff welfare	5,072,421.30	14,353,018.95	14,353,023.95	<b>5,072,416.30</b>
1.3. Basic medical insurance	87,149.43	30,395,900.70	29,954,542.67	<b>528,507.46</b>
1.4. Work-related injury insurance		2,155,857.16	2,155,699.59	<b>157.57</b>
1.5. Maternity insurance		2,188,538.79	2,188,538.79	
1.6. Supplementary medical insurance	2,754.71	2,000,790.67	1,986,274.88	<b>17,270.50</b>
1.7. Housing fund	4,103,896.00	43,122,463.00	45,741,737.00	<b>1,484,622.00</b>
1.8. Union & Education funds	16,224,600.33	7,476,568.95	6,489,937.74	<b>17,211,231.54</b>
1.9. Outsourcing Labor compensation		668,329,632.44	668,329,632.44	
1.10. Non-monetary benefits				
(2) Compensation after employment ended	575,806.29	60,184,656.91	59,115,138.94	<b>1,645,324.26</b>
2.1. Basic pension	227,550.12	56,775,696.64	55,622,436.16	<b>1,380,810.60</b>
2.2. Unemployment Insurance	11,462.75	3,306,761.15	3,249,236.38	<b>68,987.52</b>
2.3. Corporate annuity				
2.4. Share-based payment in cash	336,793.42	102,199.12	243,466.40	<b>195,526.14</b>
(3) Severance benefits		237,222.00	237,222.00	
(4) Other long-term Staff Welfare payable within 1 year	2,795,580.00	100,220.00	100,220.00	<b>2,795,580.00</b>
4.1. Housing subsidies for retirees	2,502,040.00	100,220.00	100,220.00	<b>2,502,040.00</b>
4.2. Housing assistance for employees	293,540.00			<b>293,540.00</b>
<b>Total</b>	<b>33,779,208.99</b>	<b>1,234,069,998.17</b>	<b>1,236,257,124.08</b>	<b>31,592,083.08</b>

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.

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 month'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 month'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 month'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. According to CSSC regarding to the control of labor cost and enterprise's economic performance, approved by the 2012-33th general manager's office meeting, that is 2012-33th The Party committee on December 4, 2012, the enterprise annuity Council on December 7, 2012, submitted and approved by Workers' congress welfare committee on December 20, 2012, the Company stopped to pay enterprise annuity from January, 2013.

## 27. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-279,268,312.13	-193,001,944.78
Business Tax	560,669.91	8,581,737.60
Corporate Income Tax	3,097,729.62	23,254,911.17
Individual Income Tax	1,502,156.95	9,805,338.19
City Maintenance and Construction Tax	388,666.96	1,708,040.91
Real Estate Tax	14,207,287.93	3,951,045.63
Land Use Tax	8,205,003.51	1,682,911.05
Education Surcharge	277,506.73	1,220,338.33
Flood control and maintain expenses	2,030,096.50	2,850,910.56
Land Appreciation Tax	504,945.00	
Stamp tax	484,203.90	
<b>Total</b>	<b>-248,010,045.12</b>	<b>-139,946,711.34</b>

As of June 30, 2014, the corporate income tax payable of RMB210,764.75 of Hong Kong subsidiary is included.

## 28. Interest payable

Item	Ending Balance	Beginning Balance
Long-term loans with installment interest and principal return	25,948,340.92	62,243,867.83
Short-term loans	18,121,241.08	6,535,111.18
<b>Total</b>	<b>44,069,582.00</b>	<b>68,778,979.01</b>

Interest payable with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	3,501,734.65	6.1528	21,545,472.95	2,781,084.10	6.0969	16,955,991.63
<b>Total</b>			<b>21,545,472.95</b>			<b>16,955,991.63</b>

## 29. Dividend payable

Share class	Ending Balance	Beginning Balance	Reasons for unsettlement over 1 year
A stock	67,010.53	66,449.19	In progress of confirming rights of individual dividend payable
H stock	110,711.24	110,711.24	In progress of confirming rights of individual dividend payable
Non-controlling shareholder		260,000.00	
<b>Total</b>	<b>177,721.77</b>	<b>437,160.43</b>	

## 30. Other payables

### (1) Aging analysis

Items	Ending Balance	Beginning Balance
<b>Total</b>	<b>35,335,585.11</b>	<b>30,953,655.67</b>
Of which: Over 1 year	3,532,989.60	3,356,962.82

### (2) Large-amount Other payables on June 30, 2013

Items	Amount	Nature
Housing assistance	7,596,670.00	Housing allowance
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	4,872,835.18	Other accounts
Wuhan Yinhu golf membership	1,210,000.00	Membership due
Medical insurance for retirees	860,229.85	Retiring medical insurance
Monetary housing allowance for retired employees	800,000.00	Monetary housing allowance for retired employee
<b>Total</b>	<b>15,339,735.03</b>	

(3) On June 30, 2014, the Other payables balance details exclude shareholders who hold 5% or more of the Company's (or the Group's) shares.

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

### 31. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Non-current liabilities due within one year	<b>841,832,517.25</b>	1,769,219,805.15
<b>Total</b>	<b>841,832,517.25</b>	1,769,219,805.15

### 32. Other current liabilities

Items	Ending Balance	Beginning Balance
<b>Long-term project settlement</b>	<b>3,540,634,194.09</b>	3,149,375,750.95
Shipbuilding products	<b>3,540,634,194.09</b>	3,149,375,750.95
<b>Deferred income</b>	<b>4,269,927.98</b>	4,269,927.98
Government subsidy	<b>4,269,927.98</b>	4,269,927.98
<b>Total</b>	<b>3,544,904,122.07</b>	3,153,645,678.93

#### Government subsidy

Items	December 31, 2013	Amount increase current period	Flow to Non-operating income	Other charges	June 30, 2014	Asset/Profit Related to
Metering scientific instruments for the Group	9,999.96		4,999.98	4,999.98	9,999.96	Related to assets
150 tons self-propelled hydraulic flatbed (Revamp fund)	166,666.68		83,333.34	83,333.34	166,666.68	Related to assets
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	142,191.84		71,095.92	71,095.92	142,191.84	Related to assets
Dock adaptive transformation	26,666.64		13,333.32	13,333.32	26,666.64	Related to assets
Noise control engineering for painting workshop	15,789.48		7,894.74	7,894.74	15,789.48	Related to assets
Coating technology and transformation (coating workshop building)	153,698.64		76,849.32	76,849.32	153,698.64	Related to assets
Noise control engineering for new area	9,519.96		4,759.98	4,759.98	9,519.96	Related to assets
Transferring capabilities of regional value integration and upgrading technologies	50,000.04		25,000.02	25,000.02	50,000.04	Related to assets
Integrated ship building project	2,461,881.12		1,230,940.56	1,230,940.56	2,461,881.12	Related to assets
Innovative capacity-building projects of the Enterprise Technology Centre	300,000.00		150,000.00	150,000.00	300,000.00	Related to assets
Upfront fees for infrastructure development of the quality Department metering station	737,997.48		368,998.74	368,998.74	737,997.48	Related to assets
Dock adaptive transformation (1)	33,333.36		16,666.68	16,666.68	33,333.36	Related to assets
The production capacity expansion and technological transformation project for civilian shipbuilding of CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	100,000.00				100,000.00	Related to assets
Construction of single workers' dormitory project (blocks B and C) and canteen	62,182.78		31,091.39	31,091.39	62,182.78	Related to assets
<b>Total</b>	<b>4,269,927.98</b>		<b>2,084,963.99</b>	<b>2,084,963.99</b>	<b>4,269,927.98</b>	

### 33. Long-term loans

#### (1) Category

Classification	Ending Balance	Beginning Balance
Unsecured loans	<b>1,477,000,000.00</b>	3,535,000,000.00
Mortgage loans	<b>2,710,096,354.63</b>	2,077,624,278.31
Secured loans	<b>1,100,000,000.00</b>	2,100,000,000.00
Less: Due within 1 year	<b>841,832,517.25</b>	1,769,219,805.15
<b>Total</b>	<b>4,445,263,837.38</b>	5,943,404,473.16

Mortgage: As at June 30, 2014, the long-term loans of RMB 1,565,675,554.63 are granted with other monetary fund of RMB 2,178,405,070.82 of the Group as the pledge. The long-term loans of RMB 1,051,214,613.34 are granted with the payment of USD192,830,200 derived from ship sales contracts as the pledge.

Interest rate: As at June 30, 2014, the weighted average annual interest rate of the long-term loans is 4.16%. (June 30, 2013: 4.16%)

**(2) Long-term loans due date**

Item	Ending Balance	Beginning Balance
1-2 years	<b>2,845,263,837.38</b>	1,288,404,473.16
2-5 years		977,000,000.00
Over 5 years	<b>1,600,000,000.00</b>	3,678,000,000.00
<b>Total</b>	<b>4,445,263,837.38</b>	5,943,404,473.16

**(3) The five companies with the largest long-term borrowings balance**

Company Name	Start date	Ending date	Currency	Interest rate %	Ending Balance		Beginning Balance	
					Foreign currency	Functional currency	Foreign currency	Functional currency
CSSC Finance Co., Ltd.	2012/7/18	2019/7/15	RMB	5.00		<b>1,600,000,000.00</b>		1,600,000,000.00
	2012/6/20	2022/6/15	RMB	5.25		<b>600,000,000.00</b>		600,000,000.00
	2012/7/18	2019/7/15	RMB	5.00		<b>500,000,000.00</b>		500,000,000.00
	2013/12/20	2014/12/19	USD	3.60	<b>10,000,000.00</b>	<b>61,528,000.00</b>	10,000,000.00	6,969,000.00
Unified-borrowing and unified-lending CSSC mid-term note	2011/2/14	2016/2/14	RMB	5.25		<b>977,000,000.00</b>		977,000,000.00
Citibank (China) Co., Ltd., Fairmont branch, Beijing					<b>99,620,000.00</b>	<b>612,941,936.00</b>	89,620,000.00	546,404,178.00
	2013/8/14	2015/8/13	USD	2.10	<b>30,000,000.00</b>	<b>184,584,000.00</b>	30,000,000.00	182,907,000.00
	2013/9/3	2015/8/13	USD	2.10	<b>6,000,000.00</b>	<b>36,916,800.00</b>	6,000,000.00	36,581,400.00
	2013/10/9	2015/10/8	USD	2.10	<b>30,250,000.00</b>	<b>186,122,200.00</b>	30,250,000.00	184,431,225.00
	2013/10/17	2015/10/16	USD	2.10	<b>9,700,000.00</b>	<b>59,682,160.00</b>	9,700,000.00	59,139,930.00
	2013/10/24	2015/10/23	USD	2.10	<b>2,100,000.00</b>	<b>12,920,880.00</b>	2,100,000.00	12,803,490.00
	2013/11/27	2015/11/26	USD	2.10	<b>1,570,000.00</b>	<b>9,659,896.00</b>	1,570,000.00	9,572,133.00
	2013/12/26	2015/12/25	USD	2.10	<b>10,000,000.00</b>	<b>61,528,000.00</b>	10,000,000.00	60,969,000.00
	2014/1/24	2016/1/22	USD	2.10	<b>10,000,000.00</b>	<b>61,528,000.00</b>		
	JP Morgan Chase Bank Guangzhou Branch					<b>63,852,624.73</b>	<b>392,872,429.43</b>	47,531,100.00
2013/5/8		2015/5/8	USD	1.72	<b>8,977,000.00</b>	<b>55,233,685.60</b>	9,263,500.00	56,478,633.15
2013/5/24		2015/5/22	USD	1.72	<b>9,475,200.00</b>	<b>58,299,010.56</b>	9,777,600.00	59,613,049.44
2013/6/25		2015/6/25	USD	1.80	<b>15,980,000.00</b>	<b>98,321,744.00</b>	16,490,000.00	100,537,881.00
2013/6/28		2015/6/28	USD	1.72	<b>1,247,351.00</b>	<b>7,674,701.23</b>	1,247,351.00	7,604,974.31
2013/7/3		2015/7/3	USD	1.72	<b>3,303,607.15</b>	<b>20,326,434.07</b>	3,303,607.15	20,141,762.43
2013/7/9		2015/7/9	USD	1.72	<b>449,041.85</b>	<b>2,762,864.69</b>	449,041.85	2,737,763.26
2013/7/18		2015/7/18	USD	1.80	<b>6,790,000.00</b>	<b>41,777,512.00</b>	7,000,000.00	42,678,300.00
2014/1/22		2016/1/21	USD	1.80	<b>15,196,820.00</b>	<b>93,502,994.10</b>		
2014/1/27		2016/1/27	USD	1.80	<b>2,433,604.73</b>	<b>14,973,483.18</b>		
Citibank (China) Co., Ltd., Guangzhou Branch					<b>31,000,000.00</b>	<b>190,736,800.00</b>	31,000,000.00	189,003,900.00
	2012/8/22	2014/8/22	USD	2.70	<b>10,000,000.00</b>	<b>61,528,000.00</b>	10,000,000.00	60,969,000.00
	2013/3/18	2015/3/18	USD	2.10	<b>6,000,000.00</b>	<b>36,916,800.00</b>	6,000,000.00	36,581,400.00
	2013/4/18	2015/4/18	USD	1.80	<b>15,000,000.00</b>	<b>92,292,000.00</b>	15,000,000.00	91,453,500.00

**(4) Long-term loans with foreign currency balance**

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	<b>289,614,117.36</b>	<b>6.1528</b>	<b>1,781,937,741.29</b>	340,767,320.82	6.0969	2,077,624,278.31
Of which: long-term loan due within 1 year	<b>114,821,043.63</b>	<b>6.1528</b>	<b>706,470,917.25</b>	129,446,080.00	6.0969	789,219,805.15
<b>Total</b>			<b>2,488,408,658.54</b>			<b>2,866,844,083.46</b>

### 34. Special payable

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	
<b>Total</b>	<b>24,570,000.00</b>			<b>24,570,000.00</b>	

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.

### 35. Estimated liabilities

Items	Beginning Balance	Increase	Decrease	Ending Balance
Product quality warranties	143,063,924.16	4,035,872.33	31,234,918.62	115,864,877.87
Onerous construction contract <sup>note</sup>	514,783,150.95	–	–	263,035,977.90
<b>Total</b>	<b>657,847,075.11</b>	<b>–</b>	<b>–</b>	<b>378,900,855.77</b>

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.

### 36. Other non-current liabilities

#### (1) Category

Items	Ending Balance	Beginning Balance
<b>(1) Deferred Revenue</b>	<b>90,026,474.98</b>	95,980,132.15
Upfront fees for comprehensive technology upgrading	43,700,000.00	43,700,000.00
Research & Development of manufacturing technology of ships	19,469,921.45	21,977,966.62
Integrated ship building project	13,156,185.97	14,387,126.53
Upfront fees for infrastructure development of the quality Department metering station	2,329,431.86	2,698,430.60
The production capacity expansion and technological transformation project for civilian shipbuilding of CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	1,500,000.00	1,500,000.00
Enterprise Technology Center innovative capacity-building projects	1,350,000.00	1,500,000.00
150 tons self-propelled hydraulic flatbed	1,124,999.93	1,208,333.27
Coating technology and transformation	1,024,657.48	1,101,506.80
Technological transformation potential fund-40,000 tons ship to develop new equipment and technological transformation	924,246.24	995,342.16
Special funds for innovative enterprises	839,600.00	839,600.00
Dock adaptive transformation (1)	716,666.44	733,333.12
Dock adaptive transformation	573,333.56	586,666.88
Key technology and equipment of large ship and special ship	260,000.00	260,000.00
Noise control engineering for new area	190,733.54	195,493.52
Noise control engineering for painting workshop	181,578.90	189,473.64
Transferring capabilities of regional value integration and upgrading technologies	39,041.61	64,041.63
Metering scientific instruments for the Group	27,500.29	32,500.27
R&D on key technologies for transforming 10,000 ton VLCC into Floating Production Storage and Offloading (FPSO)	339,820.19	
Construction of single workers' dormitory project (blocks B and C) and canteen	541,257.52	
Construction of Zhongshan Base	1,237,500.00	
Technology research and development for Lizhi area-Steel Structure Center	500,000.00	
Subsidy for construction of base		1,809,848.91
2011's Funding for technology research and development for Lizhi area-Engineering Center		500,000.00
High performance large curvature complex curved hull plate forming intelligent robot		511,492.56
The high-tech ship project of the Ministry of Industry and Information Technology undertaken by CSSC Integrated Technology Economy Institute – "Research on the Energy Consumption Evaluation and Monitoring and Management Systems of Shipbuilding Enterprises"		192,010.67
Funding for R&D on green coating production process optimization		657,144.78
R&D on the upgrading of 320,000-ton VLCCs		339,820.19
<b>(2) Long-term Staff Welfare</b>	<b>60,447,835.25</b>	60,735,157.49
2.1 Monetary housing subsidies for retirees	52,284,475.40	52,571,797.64
2.2 Housing assistance for employees	7,303,130.00	7,303,130.00
2.3 Medical insurance for retirees	860,229.85	860,229.85
<b>Total</b>	<b>150,474,310.23</b>	156,715,289.64

(2) Government Subsidies

Items	Beginning balance	Amount Increase Current Period	Flow to Non-operating income	Other Changes	Ending Balance	Asset/Profit Related to
Metering scientific instruments for the Group	32,500.27			4,999.98	27,500.29	Related to Asset
150 tons self-propelled hydraulic flatbed	1,208,333.27			83,333.34	1,124,999.93	Related to Asset
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	995,342.16			71,095.92	924,246.24	Related to Asset
Dock adaptive transformation	586,666.88			13,333.32	573,333.56	Related to Asset
Noise control engineering for painting workshop	189,473.64			7,894.74	181,578.90	Related to Asset
Coating technology and transformation (coating workshop building)	1,101,506.80			76,849.32	1,024,657.48	Related to Asset
Noise control engineering for new area	195,493.52			4,759.98	190,733.54	Related to Asset
Transferring capabilities of regional value integration and upgrading technologies	64,041.63			25,000.02	39,041.61	Related to Asset
Integrated ship building project	14,387,126.53			1,230,940.56	13,156,185.97	Related to Asset
Enterprise Technology Center innovative capacity-building projects	1,500,000.00			150,000.00	1,350,000.00	Related to Asset
Upfront fees for infrastructure development of the quality Department metering station	2,698,430.60			368,998.74	2,329,431.86	Related to Asset
Upfront fees for comprehensive technology upgrading	43,700,000.00				43,700,000.00	Related to Asset
Dock adaptive transformation (1)	733,333.12			16,666.68	716,666.44	Related to Asset
Research & Development of manufacturing technology of ships	21,977,966.62		2,508,045.17		19,469,921.45	Related to Profit
Key technology and equipment of large ship and special ship	260,000.00				260,000.00	Related to Asset
Key equipment and technology of complex component modeling		800,000.00	800,000.00			Related to Asset
High performance large curvature complex curved hull plate forming intelligent robot	511,492.56		511,492.56			Related to Asset
Research & Development of designing and manufacturing technology of classical cabin layout and decoration luxury cruise ship		6,000,000.00	6,000,000.00			Related to Profit
Emulation of precise shipbuilding techniques		1,300,000.00	1,300,000.00			Related to Profit
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		600,000.00	600,000.00			Related to Asset
Research on the shipbuilding document of International Maritime Organization		120,000.00	120,000.00			Related to Asset
The production capacity expansion and technological transformation project for civilian shipbuilding of CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	1,500,000.00				1,500,000.00	Related to Asset
The high-tech ship project of the Ministry of Industry and Information Technology undertaken by CSSC Integrated Technology Economy Institute – “Research on the Energy Consumption Evaluation and Monitoring and Management Systems of Shipbuilding Enterprises”	192,010.67	1,100,000.00	1,292,010.67			Related to Profit
Funding for R&D on green coating production process optimization	657,144.78		657,144.78			Related to Profit
R&D on key technologies for transforming-280,000 ton VLCC into Floating Production Storage and Offloading (FPSO)	339,820.19				339,820.19	Related to Asset
Research on innovative project in Guangzhou	839,600.00				839,600.00	Related to Asset
Research and development and application of energy management systems for shipbuilding industry		380,000.00	380,000.00			Related to Profit
Construction of single workers’ dormitory project (blocks B and C) and canteen	549,848.91			8,591.39	541,257.52	Related to Asset
Construction of Zhongshan Base	1,260,000.00			22,500.00	1,237,500.00	Related to Asset
Technology research and development for Lizhi area-Steel Structure Center	500,000.00				500,000.00	Related to Asset
<b>Total</b>	<b>95,980,132.15</b>	<b>10,300,000.00</b>	<b>14,168,693.18</b>	<b>2,084,963.99</b>	<b>90,026,474.98</b>	

### 37. Share capital

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

#### Current Period

Classification	Beginning Balance		Changes					Ending Balance	
	Amount	%	Insurance	Stock dividends	Shares converted from public reserve	Others	Subtotal	Amount	%
<b>Unlimited shares</b>									
Ordinary shares	438,463,454.00	68.18						438,463,454.00	42.55
Foreign shares	204,617,400.00	31.82	41,512,907				41,512,907	246,130,307.00	23.88
<b>Restricted shares</b>									
Shares held by foreign investor			345,940,890.00				345,940,890.00	345,940,890.00	33.57
Shares held by foreign legal person			345,940,890.00				345,940,890.00	345,940,890.00	33.57
<b>Total</b>	<b>643,080,854.00</b>	<b>100.00</b>	<b>387,453,797.00</b>				<b>387,453,797.00</b>	<b>1,030,534,651.00</b>	<b>100.00</b>

Based on the resolutions of the first extraordinary shareholders' meeting in 2013, the first domestic shareholders' class (A shares) meeting in 2013, the first foreign share shareholders' class (H shares) meeting in 2013, and the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed the issuance of 345,940,890, 31,134,680 and 10,378,227 overseas listed foreign shares with face value of RMB1 per share to CSSC HK, Baosteel International and China Shipping HK respectively. All issued shares are ordinary shares and the registered capital has been therefore increased to RMB1,030,534,651.

#### Last Period

Classification	Beginning Balance		Changes					Ending Balance	
	Amount	%	Insurance	Stock dividends	Shares converted from public reserve	Others	Subtotal	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
<b>Total</b>	<b>643,080,854.00</b>	<b>100.00</b>						<b>643,080,854.00</b>	<b>100.00</b>

### 38. Capital reserves

#### Current Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	2,137,480,680.31	1,781,748,959.47	630,403,130.29	<b>3,288,826,509.49</b>
Other capital reserves	-8,247,938.90	-748,000.00		<b>-8,995,938.90</b>
<b>Total</b>	<b>2,129,232,741.41</b>	<b>1,781,000,959.47</b>	<b>630,403,130.29</b>	<b>3,279,830,570.59</b>

Share capital premium increased by RMB1,781,748,959.47. On February 11 2014, the Company completed the issuance of 387,453,797 overseas-listed foreign shares (H shares) in aggregate to CSSC HK, Baosteel International and China Shipping HK. Share capital premium therefore increased by the remaining proceeds after the issuance cost;

Share capital premium decreased by RMB630,403,130.29. On 28 February 2014, the Company completed the acquisition of 100% equity in Longxue Shipbuilding. As a result, the share capital premium of the shareholding by CSSC, accounting for 60%, decreased by RMB 388,347,749.5 and the share capital premium of minority interests, accounting for 40%, decreased by RMB242,055,380.79.

Other Capital Reserves increased by RMB-748,000.00, which was derived from the after-tax change of fair value of the securities available for sale.

### Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital surplus	2,134,982,007.95	2,498,672.36		<b>2,137,480,680.31</b>
Other capital reserves	173,151,908.32	-1,309,000.00	180,090,847.22	<b>-8,247,938.90</b>
<b>Total</b>	<b>2,308,133,916.27</b>	<b>1,189,672.36</b>	<b>180,090,847.22</b>	<b>2,129,232,741.41</b>

The increase in Share Capital Surplus of RMB2,498,672.36 in Current Period 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.

### 39. Special reserves

#### Current Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees	956,026.41	9,296,154.58	8,805,156.48	<b>1,447,024.51</b>
<b>Total</b>	<b>956,026.41</b>	<b>9,296,154.58</b>	<b>8,805,156.48</b>	<b>1,447,024.51</b>

#### Last period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		53,704,333.91	52,748,307.50	<b>956,026.41</b>
<b>Total</b>		<b>53,704,333.91</b>	<b>52,748,307.50</b>	<b>956,026.41</b>

### 40. Surplus reserves

#### Current Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	425,721,705.82			<b>425,721,705.82</b>
Discretionary surplus reserves	18,926,387.43			<b>18,926,387.43</b>
<b>Total</b>	<b>444,648,093.25</b>			<b>444,648,093.25</b>

#### Last Period

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

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



#### 41. Undistributed profits

##### Current Period

Items	Amount	Appropriation %
<b>Ending Balance of Last Period</b>	<b>691,646,062.40</b>	
Add: Beginning retained earnings adjustment		
Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
<b>Beginning Balance of Current Period</b>	<b>691,646,062.40</b>	
Add: Net profit attributable to Parent Company	<b>-271,115,881.22</b>	10% of parent company's profit
Less: Provision of statutory surplus reserve		
Provision of other capital reserves		
Provision of general risk reserve		
Ordinary share dividend payable	<b>10,305,346.51</b>	
Capitalized ordinary share dividend		
<b>Ending Balance of Current Period</b>	<b>410,224,834.67</b>	

##### Last Period

Items	Amount	Appropriation %
<b>Ending Balance of Last Period</b>	<b>2,393,852,509.26</b>	
Add: Beginning retained earnings adjustment		
Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments	<b>-1,401,947,033.96</b>	
<b>Beginning Balance of Current Period</b>	<b>991,905,475.30</b>	
Add: Net profit attributable to Parent Company	<b>-210,488,810.94</b>	10% of parent company's profit
Less: Provision of statutory surplus reserve	<b>12,600,899.48</b>	
Provision of other capital reserves		
Provision of general risk reserve		
Ordinary share dividend payable	<b>77,169,702.48</b>	
Capitalized ordinary share dividend		
<b>Ending Balance of Current Period</b>	<b>691,646,062.40</b>	

#### 42. Non-controlling shareholder's equity

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

Subsidiary	Holding rights %	Ending Balance	Beginning Balance
Guangzhou Longxue Pipe Co., Ltd.	57.14	27,918,472.75	27,807,344.79
Guangzhou Hongfan Technology Co., Ltd.	49	12,636,701.69	11,876,132.84
Fanguang Development Co., Ltd.	20	719,641.41	640,912.40
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	40		-21,662,302.82
<b>Total</b>	<b>-</b>	<b>41,274,815.85</b>	<b>18,662,087.21</b>

Reasons for the decrease in the holding rights in Longxue Shipbuilding: in February 2014, the Company acquired 100% equity interest in Longxue Shipbuilding, which has been consolidated into the Company as a subsidiary in Current Period.

#### 43. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	<b>13,242,111,532.19</b>	12,782,140,134.89
Less: Current liabilities	<b>11,733,155,428.29</b>	10,836,768,433.75
<b>Net current assets</b>	<b>1,508,956,103.90</b>	1,945,371,701.14

#### 44. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	<b>21,945,667,537.57</b>	21,558,861,223.94
Less: current liabilities	<b>11,733,155,428.29</b>	10,836,768,433.75
<b>Total assets less current liabilities</b>	<b>10,212,512,109.28</b>	10,722,092,790.19

#### 45. Loans

Detailed information:

Items	Ending Balance	Beginning Balance
Short-term loans	<b>4,434,826,841.62</b>	2,740,220,723.02
Non-current assets due within 1 year	<b>841,832,517.25</b>	1,769,219,805.15
Long-term loans	<b>4,445,263,837.38</b>	5,943,404,473.16
<b>Total</b>	<b>9,721,923,196.25</b>	10,452,845,001.33

##### (1) Brief analysis

Items	Ending Balance	Beginning Balance
Bank loans	<b>9,721,923,196.25</b>	10,452,845,001.33
– Due within 5 years	<b>8,121,923,196.25</b>	6,774,845,001.33
– Due after 5 years	<b>1,600,000,000.00</b>	3,678,000,000.00
<b>Total</b>	<b>9,721,923,196.25</b>	10,452,845,001.33

##### (2) Due date analysis

Items	Ending Balance	Beginning Balance
Pay back as required or within 1 year	<b>5,276,659,358.87</b>	4,509,440,528.17
1-2 years	<b>2,845,263,837.38</b>	1,288,404,473.16
2-5 years		977,000,000.00
Over 5 years	<b>1,600,000,000.00</b>	3,678,000,000.00
<b>Total</b>	<b>9,721,923,196.25</b>	10,452,845,001.33

#### 46. Operating income & Operating cost

Items	Current Period	Last Period
Main business income	<b>3,774,729,555.23</b>	2,527,464,050.12
Other business income	<b>112,154,617.75</b>	109,534,229.75
<b>Total</b>	<b>3,886,884,172.98</b>	2,636,998,279.87
Main business cost	<b>3,737,134,694.21</b>	2,406,787,087.64
Other business cost	<b>74,832,108.88</b>	77,973,748.55
<b>Total</b>	<b>3,811,966,803.09</b>	2,484,760,836.19

## Gross margin

Items	Current Period	Last Period
Main business income	<b>3,774,729,555.23</b>	2,527,464,050.12
Main business cost	<b>3,737,134,694.21</b>	2,406,787,087.64
Gross margin	<b>37,594,861.02</b>	120,676,962.48

## Revenue from construction contracts

Items	Current Period	Last Period
Revenue from construction contracts	<b>3,380,529,954.76</b>	2,134,153,480.64

**(1) Main business income – classified by products**

Items	Current Period		Last Period	
	Main business income	Main business cost	Main business income	Main business cost
Shipbuilding products	<b>3,380,529,954.76</b>	<b>3,372,876,844.16</b>	2,134,153,480.64	2,037,396,557.07
Steel Structure Engineering	<b>174,635,191.40</b>	<b>157,162,608.05</b>	351,357,573.31	329,535,184.21
Mechanical and electrical products and others	<b>219,564,409.07</b>	<b>207,095,242.00</b>	41,952,996.17	39,855,346.36
<b>Total</b>	<b>3,774,729,555.23</b>	<b>3,737,134,694.21</b>	2,527,464,050.12	2,406,787,087.64

**(2) Main business income – classified by regions**

Items	Current Period		Last Period	
	Main business income	Main business cost	Main business income	Main business cost
China	<b>1,738,677,275.77</b>	<b>1,579,489,476.80</b>	608,410,981.48	543,058,238.71
Greece	<b>270,691,310.05</b>	<b>307,989,014.50</b>	220,686,959.01	206,117,616.04
Liberia	<b>258,369,499.41</b>	<b>324,529,608.32</b>	202,409,712.24	202,409,712.24
Singapore	<b>228,726,979.27</b>	<b>228,726,979.27</b>	117,294,438.66	129,544,913.81
Netherlands	<b>227,881,332.00</b>	<b>222,552,093.25</b>	25,890,163.90	25,890,163.90
Sweden	<b>178,483,682.07</b>	<b>188,084,780.26</b>	64,003,567.59	61,625,302.67
British Virgin Islands	<b>155,942,964.93</b>	<b>151,034,870.17</b>	176,732,811.17	155,621,489.88
Switzerland	<b>154,069,640.34</b>	<b>150,499,645.74</b>	–	–
Mauritius	<b>145,783,047.13</b>	<b>175,985,570.35</b>	56,688,559.06	56,688,559.06
Denmark	<b>143,925,343.61</b>	<b>165,093,312.68</b>	491,391,155.33	441,901,975.32
Hong Kong	<b>103,930,988.58</b>	<b>84,668,285.38</b>	396,846,048.92	435,630,420.26
Australia	<b>63,919,749.01</b>	<b>64,439,298.20</b>	–	–
USA	<b>32,491,015.71</b>	<b>24,874,581.54</b>	–	–
Macau	<b>22,647,520.17</b>	<b>21,313,887.45</b>	–	–
Canada	<b>20,627,469.09</b>	<b>20,131,540.88</b>	57,752,525.61	51,046,625.61
Norway	<b>15,473,695.09</b>	<b>15,473,695.09</b>	–	–
Marshall Islands	<b>8,410,919.47</b>	<b>8,410,919.47</b>	–	–
Philippines	–	–	87,630,033.20	76,893,354.08
Colombia	–	–	4,405,310.38	3,369,824.74
Other countries and regions	<b>4,677,123.53</b>	<b>3,837,134.86</b>	17,321,783.57	16,988,891.32
<b>Total</b>	<b>3,774,729,555.23</b>	<b>3,737,134,694.21</b>	2,527,464,050.12	2,406,787,087.64

**(3) Other business income & Other business cost**

Items	Current Period		Last Period	
	Other business income	Other business cost	Other business income	Other business cost
Sales of materials	37,682,934.50	37,266,749.87	36,565,568.37	27,297,585.61
Sales of scrap materials	10,877,363.60	8,315,764.58	26,791,209.96	18,894,301.69
Service income	10,993,774.65	4,788,349.81	6,006,504.13	2,186,308.32
Rental income	24,796,837.84	4,618,923.83	12,297,612.42	3,242,492.09
Income from power providing	13,926,975.46	14,142,377.17	27,873,334.87	26,353,060.84
Income from transferring investment property	10,222,240.00	5,699,943.62		
Other	3,654,491.70			
<b>Total</b>	<b>112,154,617.75</b>	<b>74,832,108.88</b>	109,534,229.75	77,973,748.55

**(4) Construction in progress**

Contracts	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Provision for the decrease in contract value at the end of the period
<b>Total construction in progress</b>	15,065,137,589.40	5,624,994,413.97	-361,467,900.41	4,974,728,843.87	903,863,666.02
Including: construction in progress expected to record loss at the end of the period					
50500 series (tanks for product oil/chemicals)	4,550,455,719.90	913,688,413.66	-12,768,105.67	952,427,804.86	421,279,308.90
Fixed price 40000 series (tanks for product oil/chemicals)	171,481,113.11	200,290,590.96	-14,642,983.91	84,919,958.50	3,222,945.01
contract 37500 series (tanks for product oil/chemicals)	225,137,706.00	157,703,864.12	-1,862,746.34	89,441,280.00	25,566.15
82,000 dwt bulk carriers	680,741,686.76	493,640,070.24	-87,464,700.99	187,429,499.17	145,404,297.27
32,000 dwt tankers for crude oil	1,250,128,692.89	1,531,798,676.69	-281,238,573.27	627,427,060.90	4,987,858.88
115,000 dwt tankers for product oil	1,678,155,214.52	1,109,077,717.09	-213,114,588.68	344,980,310.00	156,030,348.68
308,000 dwt tankers for crude oil	1,059,552,897.54	433,553,881.84	2,503,969.13	179,862,944.44	121,855,541.17
250,000 ton series (tanks for product oil/chemicals)	719,118,325.08	55,622,533.52	-	141,164,157.50	51,057,799.96

Because the declining trend of the ship's price, the estimated total revenue of contracts decrease affected by the appreciation of the RMB against the U.S. dollar; as well as changes of demand-supply relationship in the shipbuilding market higher the construction standard, so that the estimated total cost of contracts increases; the estimated total cost of the Group's ship contracts exceeds the estimated total revenue, resulting in an estimated loss.

(5) The total sales revenue for Current Period from top 5 clients is RMB 1,228,859,566.02 (Last Period: RMB1,164,537,034.69), accounting for 31.62% of total sales revenue for Current Period. (Last Period: 44.16%), the details are showing below:

Customer	Amount	%
Customer 1	432,352,573.81	11.12%
Customer 2	228,726,979.27	5.88%
Customer 3	227,881,332.00	5.86%
Customer 4	183,955,716.01	4.73%
Customer 5	155,942,964.93	4.01%
<b>Total</b>	<b>1,228,859,566.02</b>	<b>31.60%</b>

**47. Business tax and surcharges**

Items	Current Period	Last Period	Tax Base
Business Tax	4,914,592.07	2,652,432.67	Service revenue
City Maintenance and Construction Tax	5,519,448.20	5,748,552.03	Turnover tax payable
Education Surcharge	3,942,738.06	4,139,304.33	Turnover tax payable
<b>Total</b>	<b>14,376,778.33</b>	12,540,289.03	

**48. Sales Expense**

Items	Current Period	Last Period
Ship maintenance fee	-13,223,867.03	-1,591,019.06
Consignment fee	950,088.35	1,283,400.00
Salary	2,523,793.01	2,761,490.48
Business expenditure	1,417,437.33	1,456,244.75
Advertisement	547,102.88	374,844.51
Exhibition	802,063.21	281,789.13
Other selling expenses	881,358.99	1,054,145.71
<b>Total</b>	<b>-6,102,023.26</b>	<b>5,620,895.52</b>

**49. Administration Expense**

Items	Current Period	Last Period
Salaries	74,551,157.05	74,672,014.90
Research and development fee	83,386,634.09	32,741,537.58
Repairing expenses	38,901,657.87	29,776,498.85
Taxation	25,374,106.84	19,536,537.83
Depreciation	19,525,179.05	23,130,362.75
Amortization of intangible assets	19,613,028.58	19,237,588.85
Business entertainment Expense	1,835,049.29	2,895,888.84
Travelling expense	1,541,081.96	1,784,129.89
Security expense	6,963,584.99	2,114,859.87
Agency fee	6,745,537.76	2,256,271.51
Board meeting fee	4,523,997.17	1,395,020.88
Water supply and electricity expense	3,218,024.63	3,292,326.03
Office supply	1,321,414.53	1,356,579.85
Rental expense	629,611.78	220,536.00
Insurance expense	477,000.68	-
Environmental protection fee	2,470,744.46	1,375,965.00
Labor training	1,162,458.00	1,132,999.99
Others	18,099,454.93	27,548,114.39
<b>Total</b>	<b>310,339,723.66</b>	<b>244,467,233.01</b>

**50. Financial expense****(1) Category**

Items	Current Period	Last Period
Interest expenditure	219,902,817.77	219,772,099.24
Less: Interest income	134,663,684.66	123,453,453.92
Add: Exchange loss	-23,612,954.75	-40,253,240.90
Add: Other expenditure	2,046,273.26	4,003,016.31
<b>Total</b>	<b>63,672,451.62</b>	<b>60,068,420.73</b>

**(2) Interest expenditure category**

Items	Current Period	Last Period
Bank loan interest due within 5 years	152,534,125.77	83,200,322.98
Bank loan interest due after 5 years		36,942,000.00
Other interest due within 5 years	26,743,692.00	32,329,776.26
Other interest due after 5 years	40,625,000.00	67,300,000.00
Subtotal	219,902,817.77	219,772,099.24
Less: Capitalized interest		
<b>Total</b>	<b>219,902,817.77</b>	<b>219,772,099.24</b>

**(3) Interest income category**

Items	Current Period	Last Period
Interest income from bank deposit	134,663,684.66	123,453,453.92
<b>Total</b>	<b>134,663,684.66</b>	<b>123,453,453.92</b>

**51. Assets impairment losses**

Items	Current Period	Last Period
Bad debts	784,947.23	1,254,844.03
Loss from inventory devaluation	4,221,287.00	67,683,869.92
<b>Total</b>	<b>5,006,234.23</b>	<b>68,938,713.95</b>

**52. Gain or loss on changes in fair value**

Items	Current Period	Last Period
Tradable financial assets	535,771.74	9,786,619.53
Financial assets held-for-trading From: Derivative financial instruments	535,771.74	9,786,619.53
Financial liabilities held-for-trading	-77,503,573.58	-197,655.52
From: Derivative financial instruments	-77,503,573.58	-197,655.52
<b>Total</b>	<b>-76,967,801.84</b>	<b>9,588,964.01</b>

**53. Investment income****(1) Source of investment income**

Items	Current Period	Last Period
From long-term equity investment under equity method	4,124,564.16	1,150,743.88
From long-term equity investment under cost method		
From holding financial assets available for sale		11,065,829.50
Realized gain on disposal of Financial assets held-for-trading	3,839,958.27	24,126,845.00
<b>Total</b>	<b>7,964,522.43</b>	<b>36,343,418.38</b>

The Investment income from listed companies for current period is RMB0.00 (last period: RMB11,032,819.50).

**(2) Investment income on Long-term equity investments, equity method**

Items	Current Period	Last Period
<b>Total</b>	<b>4,124,564.16</b>	<b>1,150,743.88</b>
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	4,255,797.78	700,885.14
Guangzhou economic and Technological Development Zone, Southern China special coating Co. Ltd.	-43,633.62	605,358.60
Zhanjiang Nanhai Marine High-tech Service Co. Ltd.	-58,018.72	-33,926.16
Guangzhou Longxue Real Estate Limited	-29,581.28	-121,573.70

**54. Non-operating income****(1) Non-operating income category**

Items	Current Period	Last Period
Gain on disposal of non-current assets		1,137.40
Gain on Liquidation of fixed assets		1,137.40
Government grants	102,928,893.17	13,127,295.05
Penalty income	89,250.00	31,000.00
Compensation income	186,186.20	897,435.90
Others	2,592,670.92	958,781.36
<b>Total</b>	<b>105,797,000.29</b>	<b>15,015,649.71</b>

The non-operating gains or losses for current period are RMB18,913,630.90 (last period: RMB13,618,743.58)

## (2) Government grants category

Items	Current Period	Last period	Sources & Basis	Related to assets/revenue
Product subsidy	85,430,000.00	1,345,386.13	National Funding	Relate to revenue
Special fund for export credit insurance	44,900.00		Liwan District national treasury payment centre; capital export credit insurance in 2013 special	Relate to revenue
New product subsidy	11,839,537.73	6,939,725.06	National Funding	Relate to revenue
Service and trading subsidy from provincial, municipal and regional government	1,000,000.00		National Funding	Relate to revenue
Government subsidy		4,193,349.49	National Funding	Relate to revenue
Guangzhou City Bureau Finance Treasury Branch; financial management capital of 2013 annual headquarters economy subsidy funds for the development of strategic leading industries – model enterprise of industrial design	200,000.00		Guangzhou City Bureau Finance Treasury Branch; financial management capital of 2013 annual headquarters economy subsidy funds	Relate to revenue
The high-tech ship project of the Ministry of Industry and Information Technology undertaken by CSSC Integrated Technology Economy Institute – “Research on the Energy Consumption Evaluation and Monitoring and Management Systems of Shipbuilding Enterprises”	1,292,010.67		National Funding: Research on ship builders’ energy evaluation and surveillance management system	Relate to revenue
Research funding for optimized green coating process	657,144.78		National Funding: Research on optimized green coating process	Relate to revenue
Research and development and application of energy management systems for shipbuilding industry	380,000.00		Nansha District Innovation and independent development: Research and development and application of energy management systems for shipbuilding industry	Relate to revenue
Other	2,085,299.99	648,834.37		Relate to revenue
<b>Total</b>	<b>102,928,893.17</b>	<b>13,127,295.05</b>		

## 55. Non-operating expense

Items	Current Period	Last Period
Loss on disposal of non-current assets	30,085.63	206,316.62
Loss on Liquidation of fixed assets	30,085.63	206,316.62
Penalties	38,535.17	36,111.51
Compensation	–	748,226.10
Donation	–	10,000.00
Others	17,663.70	554,570.32
<b>Total</b>	<b>86,284.50</b>	<b>1,555,224.55</b>

The non-operating gains or losses for current period are RMB86,284.50 (last period: 1,555,224.55).

## 56. Income tax expenses

### (1) Income tax expenses

Items	Current Period	Last Period
Current income tax expenses	3,401,643.41	17,566,227.43
Hong Kong	3,416,403.07	15,630,990.23
China		2,116,164.55
Overstated in previous year (understated)	-14,759.66	-180,927.35
Deferred income tax expenses	-5,302,170.83	-88,273,560.58
<b>Total</b>	<b>-1,900,527.42</b>	<b>-70,707,333.15</b>

## 57. Audit fees

The audit fees charged in Current Period is RMB1.85 million. (Last Period: RMB1.85 million)

## 58. Depreciation and amortization

Items	Current Period	Last Period
Investment properties	375,665.01	375,665.00
Depreciation of fixed assets	193,208,411.04	189,511,822.89
Amortization of intangible assets	19,914,562.57	18,788,566.34
<b>Total</b>	<b>213,498,638.62</b>	<b>208,676,054.23</b>

## 59. Profit (or loss) on sale of investment or real estates

- (1) No investment was sold in this term. (None in the corresponding period of last year)
- (2) Sold real estate: On March 27, 2014, the Company's general manager office discussed and agreed to list and transfer five real estates, (located in Hua Yuan Mansion, No.496 Xin Cheng Road, Sha Ping Town, He Shan City), in Beijing property right transaction center. The net profit was RMB4,398,956.39, after deducting the net book value and related taxes, when the Company completed the property transfer procedures with the buyers in June, 2014. (None in the corresponding period of last year)

## 60. 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.

Basic EPS and Diluted EPS are calculated as followed:

Items	No.	Current Period	Last Period
Net profit attributable to shareholders of Parent Company	1	-271,115,881.22	-42,438,921.12
Non-operating profit and loss attributable to shareholders of Parent Company	2	-47,506,966.32	-58,697,377.28
Net profit after deducting non-operating profit and loss attributable to shareholders of Parent Company	3=1-2	-223,608,914.90	16,258,456.16
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	387,453,797.00	
The number of months from next month to the year end regarding the number of shares (II)	7	4.00	
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	6.00	6.00
Weighted average number of ordinary shares issued out	12=4+5+6×7÷11-8×9÷11-10	901,383,385.33	643,080,854.00
Adjusted weighted average number of ordinary shares issued out for calculating the EPS after deducting non-operating profit and loss due to business combination under common control	13	1,030,534,651.00	1,030,534,651.00
Basic EPS (I)	14=1÷13	-0.2631	-0.0412
Basic EPS (II)	15=3÷12	-0.2481	0.0253
Potential diluted interests of ordinary shares recognized as expense	16		
Transfer fee	17		
Income tax rate	18	0.15	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted EPS (I)	20=[1+ (16-17) × (1-18)]÷ (13+19)	-0.2631	-0.0412
Diluted EPS (II)	21=[3+ (16-17) × (1-18)]÷ (12+19)	-0.2481	0.0253

## 61. Dividends

In the six months as at June 30, 2014, dividends amounted to RMB10,305,346.51 has been declared for the accounting year ended December 31, 2013. (2013: RMB77,169,702.48).

According to the decisions of board of directors stated on August 29, 2014, the Company would not distribute the interim dividends 6-month period ended on June 30, 2014 (last period: None).



**62. Other comprehensive income**

Items	Current Period	Last Period
<b>1. Items to be reclassified to profit and loss when qualified in future accounting periods</b>		
Gains and losses from Financial assets available for sale	-880,000.00	-44,136,447.50
Less: Financial assets available for sale tax effects	-132,000.00	-6,620,467.12
Transferred from Other Comprehensive Income in previous year to current profit and loss		
<b>2. Items cannot be classified in the future accounting periods</b>		
<b>Total</b>	<b>-748,000.00</b>	<b>-37,515,980.38</b>

**63. Supplemental information for Consolidated Profit and loss Statement**

Expenses includes: operating expense, selling expense, administrative expenses, the details are listed by nature as follows:

Items	Current Period	Last Period
Raw material consumed	2,908,025,694.48	1,665,245,520.07
Salaries expense	490,920,745.63	466,088,717.33
Depreciation expense	193,584,076.05	189,887,487.89
Amortization	19,914,562.57	18,788,566.34
Product specific fee	427,863,846.44	322,677,006.34
Power cost	60,513,022.46	51,355,256.94
Taxes and surcharges	12,383,357.04	17,015,286.92
Others	2,999,198.82	3,791,122.89
<b>Total</b>	<b>4,116,204,503.49</b>	<b>2,734,848,964.72</b>

**64. Notes to the Consolidated Cash Flow Statement****(1) Other cash receipts or payments from operating activities, investing activities and financing activities***I. Other cash receipts from operating activities*

Items	Current Period	Last Period
Government subsidies	2,771,092.53	4,625,000.00
Income from other accounts	58,216,011.89	54,510,248.50
Other non-operating income	1,453,369.39	50,920.00
Income from default of shipbuilding contract		25,624,848.00
Received product subsidy		106,723,600.00
Funding for R&D project		6,480,250.89
<b>Total</b>	<b>62,440,473.81</b>	<b>198,014,867.39</b>

*II. Other cash payments from operating activities*

Items	Current Period	Last Period
Administrative expenditure	87,889,618.05	95,523,852.82
Selling expense	7,121,843.77	4,922,818.30
Repairing expense		
Paid to other accounts	104,924,333.83	15,714,766.47
Bank charges		
Non-operating expense	56,198.87	1,348,796.42
<b>Total</b>	<b>199,991,994.52</b>	<b>127,248,595.48</b>

*III. Other cash receipts from investing activities*

Items	Current Period	Last Period
Fixed deposit pledge resolution	1,461,743,904.62	1,350,788,660.66
Interest income from deposit	154,996,644.44	137,657,374.29
<b>Total</b>	<b>1,616,740,549.06</b>	<b>1,488,446,034.95</b>

IV. *Other cash payments from investment activities*

Items	Current Period	Last Period
Fixed deposit pledge	2,351,232,328.75	1,576,221,408.82
<b>Total</b>	<b>2,351,232,328.75</b>	<b>1,576,221,408.82</b>

V. *Other cash payments from financing activities*

Items	Current Period	Last Period
Issuance fee and other related expense for Shuguang Project	2,338,482.84	
Others	27,273.12	21,071.16
<b>Total</b>	<b>2,365,755.96</b>	<b>21,071.16</b>

(2) *Supplemental information for Consolidated Cash Flow Statement*

Items	Current Period	Last Period
<b>1. Reconciliation of not profit to cash flows from operating activities</b>		
Net profit	-273,767,830.89	-109,297,967.86
Add: Provision for impairment	5,006,234.23	68,938,713.95
Fixed assets depreciation, Oil-and-gas depletion, Productive biological assets depreciation	193,584,076.05	189,887,487.89
Intangible assets amortization	19,914,562.57	18,788,566.34
Long-term unamortized assets amortization	1,631,557.85	1,458,285.26
Loss on changes in fair value (gain marked "-")	30,085.63	205,179.22
Investments income (gain marked "-")	76,967,801.84	-9,588,964.01
Finance costs (gain marked "-")	61,626,178.36	56,065,404.42
Investments income (gain marked "-")	-7,964,522.43	-36,343,418.38
Decrease in Inventories (increase marked "-")	540,699.58	-89,156,536.61
Decrease in Deferred tax liabilities (increase marked "-")	-5,986,971.57	894,622.77
Increase in Inventories (increase marked "-")	-534,777,314.43	-994,398,614.14
Decrease in Receivables from operating activities (increase marked "-")	-525,124,421.08	148,254,931.64
Increase in Payables from operating activities (increase marked "-")	-352,811,298.34	9,527,816.39
Others		
Net Cash Flow From Operating Activities	-1,341,131,162.63	-744,764,493.12
<b>2. Investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
<b>3. Net changes in cash and cash equivalents</b>		
Ending balance	2,761,211,308.52	3,430,442,588.66
Less: Beginning balance	4,221,502,128.98	4,942,987,547.29
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-1,460,290,820.46	-1,512,544,958.63

(3) *Cash and Cash Equivalents*

Items	Current Period	Last Period
Cash	2,761,211,308.52	3,430,442,588.66
Including: Cash	182,639.51	188,626.00
Bank deposit available-for-use	2,760,881,921.63	3,269,471,740.10
Other cash fund available-for-use	146,747.38	160,782,222.56
Cash Equivalents		
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	2,761,211,308.52	3,430,442,588.66
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
CSSC	State-owned business	Shanghai	Shipbuilding	Hu Wenming	710924478

##### 2) Change of capital

Controlling shareholder	Beginning Balance ('000,000)	Increase	Decrease	Ending Balance ('000,000)
CSSC	6,374.3			6,374.3

##### 3) Change of holding shares or equity

Controlling shareholder	Holding amounts		Holding rights %	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
CSSC	252,610,380.00	252,610,380.00	24.51	35.71

#### (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:

##### 3) Change of holding shares or equity

The Group's shareholding situation in subsidiaries, see Note IV.

#### (3) Joint ventures and associates

The Group has no joint ventures, associates refer to Note V/12.

#### (4) Other related parties

Type	Company name	Business type	Organization code
<b>Under common control of the controlling shareholder and the ultimate controller</b>			
	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

Type	Company name	Business type	Organization code
<b>Under common control of the controlling shareholder and the ultimate controller</b>			
	The 11th Research Institute of CSSC	Marine accessories, equipment	71780666-9
	Design and Research Institute of China Shipbuilding and Marine Engineering	Purchasing goods and services	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	Overseas 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
	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
	Huahai 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
	China State Shipbuilding Steel Structure Engineering Company Limited	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 Nansha Longxue 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

## 2. Related party transactions

### (1) Consolidated

#### 1) Purchasing goods or services

Company Name	Transactions	Current Period		Last Period	
		Amount	%	Amount	%
<b>Under common control of the controlling shareholder and the ultimate controller</b>					
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Purchasing materials	727,627,640.10	19.09	904,177,875.06	36.39
Hualian Ship Co., Ltd.	Marine accessories	63,656,942.19	1.67	67,305,041.80	2.71
Guangzhou Shipyard Co., Ltd.	Purchasing materials, marine accessories and technical labor services	48,919,838.39	1.28	85,484,069.23	3.44
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	39,990,000.00	1.05	79,357,521.37	3.19
China Marine Power Co., Ltd.	Marine accessories	33,519,743.59	0.88	33,519,743.59	1.35
CSSC Nanjing Oasis Machine Co., Ltd.	Marine accessories	10,065,000.00	0.26	19,430,470.09	0.78
Guangzhou Shipyard Co., Ltd.	Marine accessories	9,302,526.90	0.24	9,727,648.91	0.39
Shanghai Merchant Ship Design and Research Institute	Labor technical services	7,298,858.45	0.19	15,460,650.90	0.62
China Shipbuilding Trading Company	Labor technical services	6,222,245.08	0.16	6,222,245.08	0.25
Design and Research Institute of China Shipbuilding and Marine Engineering	Labor technical services	4,370,000.00	0.12	1,178,105.40	0.05
Nanjing CSSC Oasis Machinery Co. Ltd.-Zhenjiang marine auxiliary machinery factory	Marine accessories	4,478,717.93	0.12	6,121,264.94	0.25
Shanghai Navigation Instrument Co., Ltd.	Marine accessories	4,216,000.00	0.11	8,453,300.00	0.34
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	4,040,000.00	0.11	5,531,452.99	0.22
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	3,158,689.15	0.08	6,833,902.83	0.28
Nanjing CSSC Oasis Environmental protection Co., Ltd.	Marine accessories	3,066,376.06	0.08	3,365,945.29	0.14
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	Marine accessories	2,575,000.00	0.07	3,002,350.43	0.12
China Shipbuilding Trading Company	Marine accessories	2,454,703.72	0.06	1,995,972.28	0.08
Guangzhou Shipbuilding Corporation	Labor technical services	2,061,697.55	0.05	6,157,752.63	0.25
Shanghai Jiangnan Shipbuilding Pipe System CO., Ltd.	Marine accessories	1,527,775.42	0.04	1,527,775.42	0.06
Zhenjiang CSSC Waxilan propeller Co., Ltd.	Marine accessories	1,178,105.40	0.03		
China Ship Power Station Equipment Co., Ltd.	Marine accessories	1,160,000.00	0.03	1,160,000.00	0.05
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	967,878.23	0.03	967,878.23	0.04
Guijiang Shipbuilding Co., Ltd.	Marine accessories	767,692.30	0.02	767,692.30	0.03
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	Marine accessories	752,136.76	0.02	752,136.76	0.03
China Shipbuilding Technology Institute of Economic Research	Labor technical services	528,770.75	0.02	8,501.00	0.00
The ship survey and Design Institute (Xiamen) Co., Ltd.	Labor technical services	423,735.85	0.01	548,101.42	0.02
The ship survey and Design Institute Co., Ltd.	Labor technical services	379,954.94	0.01	379,954.94	0.02
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Marine accessories	345,240.34	0.01	7,227,178.47	0.29
Beijing Shipbuilding Information Technology Co., Ltd.	Labor technical services	246,153.84	0.01	246,153.84	0.01
Panyu Ship Hatch Workshop of Guangzhou Shipyard Company Limited	Marine accessories	153,846.15	0.00	429,745.68	0.02
Guangzhou Huangpu Shipbuilding Co., Ltd.	Labor technical services	49,669.81	0.00	49,669.81	0.00
Anqing Marine Electric Co., Ltd.	Marine accessories	14,400.00	0.00	14,400.00	0.00
The Shanghai Navigation Instrument Co., Ltd.	Labor technical services	11,300.00	0.00		
Jiangnan Shipbuilding Group Co., Ltd.	Labor technical services	3,600.00	0.00		
Guangzhou CSSC Marine Diesel Engine Co., Ltd. China Special Coating Industrial Co., Ltd.	Labor technical services			240,000.00	0.01
Guangzhou Shipbuilding NanshaLongxue construction Development Co., Ltd.	Labor technical services			10,683.76	0.00
Eastern Shanghai Zhonghua Shipbuilding Group) Co., Ltd.	Marine accessories			1,200,000.00	0.05
Jiangxi Chaoyang Machinery Factory	Marine accessories			24,179.49	0.00
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories			1,193,675.21	0.05
Shanghai Starry ship Ocean Engineering Service Co., Ltd	Marine accessories			128,205.13	0.01
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Marine accessories			521,367.52	0.02
9th Design and Research Institute of the China Shipbuilding	Labor technical services	605,660.37	0.02	426,415.09	0.02
China Shipbuilding Industry complete Logistics Co., Ltd.	Purchasing materials			38,420,905.59	1.55
CSSC Huahai Marine Equipment Co., Ltd.	Marine accessories			1,530,000.00	0.06
Zhenjiang CSSC equipment Co., Ltd.	Marine accessories			27,270,256.41	1.10
Shanghai Shipbuilding Technology Research Institute (11th Institute of China Shipbuilding)	Labor technical services			1,799,358.97	0.07
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Labor technical services			183,018.87	0.01
<b>Joint ventures and associates</b>					
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd	Labor technical services			303,163.26	0.01
<b>Total</b>		<b>986,139,899.27</b>	<b>25.87</b>	<b>1,350,655,729.99</b>	<b>54.38</b>

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 labor 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 labors, 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".
- 2) *Sell goods or render services*

Company name	Related party transactions	Current Period		Last Period	
		Amount	Percentage of similar transactions %	Amount	Percentage of similar transactions %
<b>Under common control of the controlling shareholder and the ultimate controller</b>					
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labor technical services	103,520,675.84	2.66	163,874,570.37	6.21
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Selling materials	30,826,930.26	0.79	63,941,373.63	2.42
Guangzhou Wenchong Shipbuilding Factory Company Limited	Labor technical services	10,599,060.08	0.27	10,599,060.08	0.40
Guangzhou Huangchuan Ocean Engineering Co. Ltd.	Materials	8,671,519.61	0.22	19,665,372.69	0.75
Guangzhou Shipyard Co., Ltd.	Labor technical services	6,548,030.55	0.17	11,863,126.15	0.45
Guangzhou Wenchong Shipyard Co. Ltd.	Labour technical services and materials	2,240,547.63	0.06	6,351,792.45	0.24
CSSC Southern China Ship Machinery Co., Ltd.	Power supply	510,688.19	0.01	819,214.28	0.03
Beijing Shipbuilding Information Technology Co., Ltd.	Labor technical services	363,247.86	0.01	363,247.86	0.01
Guangzhou Huangpu Shipbuilding Co., Ltd.	Rendering labour and technical services	201,343.60	0.01	9,075,747.92	0.34
Guijiang Shipbuilding Co., Ltd.	Labor technical services	189,666.99	0.00	317,142.12	0.01
CSSC Chengxi Shipbuilding Co., Ltd.	Labor technical services	162,393.16	0.00	162,393.16	0.01
Guangzhou CSSC Marine Diesel Engine Co., Ltd.	Labor technical services	109,017.01	0.00	936,305.40	0.04
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Power supply	48,170.87	0.00	55,830.28	0.00
Eastern Shanghai Heavy Machinery Co., Ltd.	Materials			1,625,630.77	0.06
CSSC Southern China Ship Machinery Co., Ltd.	Power supply			249,805.09	0.01
Shanghai Jiangnan Shipbuilding Pipe System CO., Ltd.				113,064.09	0.00
Panyu Ship Hatch Workshop of Guangzhou Shipyard Company Limited				53,794.87	0.00
<b>Joint ventures and associates</b>					
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd	Labor technical services	19,762.46	0.00	19,762.46	0.00
<b>Total</b>		<b>164,011,054.11</b>	<b>4.20</b>	<b>290,087,233.67</b>	<b>11.00</b>

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) Labor 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 Period	Last Period
Finance Co., CSSC	<b>1,803,931,005.50</b>	939,594,680.41	<b>9,895,830.02</b>	11,396,568.44

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 expense	
	Ending Balance	Beginning Balance	Current Period	Ending Balance
Finance Co., CSSC	<b>1,661,528,000.00</b>	3,630,969,000.00	41,815,837.32	<b>99,629,776.26</b>

Pricing policy: the interest rate for RMB loan is adjusted downward, based on the benchmark interest rate for mid-to-long-term loan (6.55%) and short term loan (5.60%) stipulated by the PBOC. The interest rate for USD loan is determined with reference to the USD loan interest rate for the same period.

4) *Guarantee by related party*

Name of Guarantor	Name of Guarantee	Guaranteed Amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled or not
China Shipbuilding Trading Company	The Group	10,000,000.00	2013-7-16	2014-7-16	No
China Shipbuilding Trading Company	The Group	200,000,000.00	2013-9-2	2014-7-16	No
China Shipbuilding Trading Company	The Group	120,000,000.00	2014-1-27	2015-1-10	No
China Shipbuilding Trading Company	The Group	280,000,000.00	2014-3-18	2015-1-10	No
China Shipbuilding Trading Company	The Group	200,000,000.00	2014-5-28	2015-6-30	No
China Shipbuilding Trading Company	The Group	200,000,000.00	2014-6-24	2015-6-18	No
China Shipbuilding Trading Company	The Group	10,000,000.00	2013-7-16	2014-7-16	No
China Shipbuilding Trading Company	The Group	200,000,000.00	2013-9-2	2014-7-16	No
Shanghai Shipyard Co., Ltd.	The Group	500,000,000.00	2012-6-22	2022-6-21	No

5) *Other related party transactions*

Items	Company Name	Current Period	Last Period	Pricing policy
Sales agency fees	China Shipbuilding Trading Co., Ltd.	<b>4,262,707.24</b>	10,289,129.83	Note
Sales agency fees	Shipbuilding International Trading Co., Ltd.	<b>3,059,113.78</b>	2,864,344.73	
Purchasing agent fees	Hualian Ship Co., Ltd.	<b>940,742.99</b>	1,189,222.06	
Purchasing agent fees	China Shipbuilding Trading Co., Ltd.	<b>6,222,245.08</b>	37,697.46	

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.

**(2) Parent Company**

## 1) Purchase goods or services

Company Name	Related party transactions	Pricing policy	Current Period		Last Period	
			Amount	Percentage of similar transactions %	Amount	Percentage of similar transactions %
<b>Under common control of the controlling shareholder and the ultimate controller</b>						
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Purchasing materials	Note	656,416,242.56	21.27	76,000,407.99	6.06
Hualian Ship Co., Ltd.	Equipment	Note	63,656,942.19	2.06		
Eastern Shanghai Heavy Machinery Co., Ltd.	Equipment	Note	39,990,000.00	1.30		
China Marine Power Co., Ltd.	Equipment	Note	29,930,000.00	0.97		
Guangzhou Shipyard Co., Ltd.	Labor and technical services	Note	27,646,654.48	0.95	28,769,434.26	2.29
CSSC Nanjing Oasis Machine Co., Ltd.	Equipment	Note	10,065,000.00	0.33	6,083,418.81	0.48
Guangzhou Shipyard Co., Ltd.	Marine accessories	Note	7,311,629.46	0.24		
Shanghai Merchant Ship Design and Research Institute	Labor and technical services	Note	7,121,500.00	0.23		
China Shipbuilding Trading Company (Headquarters)	Purchasing materials	Note	6,222,245.08	0.20		
Shanghai Navigation Instrument Co., Ltd.	Marine accessories	Note	4,216,000.00	0.14		
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	Note	4,040,000.00	0.13	1,491,452.99	0.12
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	Purchasing materials	Note	2,575,000.00	0.08	427,350.43	0.03
Guangzhou Shipbuilding Corporation	Purchasing materials	Note	2,061,697.55	0.07	4,096,055.08	0.33
Zhenjiang CSSC Waxilan propeller Co., Ltd.	Equipment	Note	1,178,105.40	0.04		
China Ship Power Station Equipment Co., Ltd.	Labor and technical services	Note	1,160,000.00	0.04		
Guijiang Shipbuilding Co., Ltd.	Labor and technical services	Note	767,692.30	0.02		
Nanjing CSSC Oasis Machinery Co. Ltd.- Zhenjiang marine auxiliary machinery factory	Marine accessories	Note	630,000.00	0.02		
9th Design and Research Institute of the China Shipbuilding	Labor and technical services	Note	603,773.58	0.02		
Nanjing CSSC Oasis Environmental protection Co., Ltd.	Purchasing materials	Note	568,000.00	0.02		
China Shipbuilding Technology Institute of Economic Research	Purchasing materials	Note	528,770.75	0.02	8,501.00	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	Note	442,750.00	0.01	484,273.50	0.04
The ship survey and Design Institute (Xiamen) Co., Ltd.	Labor and technical services	Note	423,735.85	0.01		
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Purchasing materials	Note	258,230.80	0.01	18,432.09	
Beijing Shipbuilding Information Technology Co., Ltd.	Equipment	Note	246,153.84	0.01		
Guangzhou Huangpu Shipbuilding Co., Ltd.	Purchasing materials	Note	49,669.81	0.00		
Anqing Marine Electric Co., Ltd.	Purchasing materials	Note	14,400.00	0.00		
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	Note	13,390.00	0.00	3,675,213.68	0.29
The Shanghai Navigation Instrument Co., Ltd.	Purchasing materials	Note	11,300.00	0.00		
Jiangnan Shipbuilding Group Co., Ltd.	Labor and technical services	Note	3,600.00	0.00		
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Marine accessories	Note	3,360.00	0.00	1,369,380.34	0.11
Zhenjiang CSSC equipment Co., Ltd.	Equipment	Note			27,270,256.41	2.17
China Shipbuilding Industry complete Logistics Co., Ltd.	Purchasing materials	Note			5,972,732.74	0.48
Shanghai Shipbuilding Technology Research Institute (11th Institute of China Shipbuilding)	Purchasing materials	Note			1,799,358.97	0.14
CSSC Huahai Marine Equipment Co., Ltd.	Purchasing materials	Note			1,530,000.00	0.12
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Marine accessories	Note			1,200,000.00	0.10
9th Design and Research Institute of the China Shipbuilding	Equipment	Note			426,415.09	0.03
Design and Research Institute of China Shipbuilding and Marine Engineering	Purchasing materials	Note			183,018.87	0.01
Shanghai Starry ship Ocean Engineering Service Co., Ltd	Purchasing materials	Note			128,205.13	0.01
<b>Joint ventures and associates</b>						
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd	Labor and technical services	Note			303,163.26	0.02
<b>Total</b>			<b>868,155,843.65</b>	<b>28.19</b>	<b>161,237,070.64</b>	<b>12.83</b>

Note: Pricing principles refer to Note VI.2/(1)/1).



2) *Sell goods and render services*

Company Name	Transactions	Pricing policy	Current Period		Last Period	
			Amount	%	Amount	%
<b>Under common control of the controlling shareholder and the ultimate controller</b>						
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Labour technical services	Note	9,657,423.00	0.31	8,699,150.88	0.63
Guangzhou Longxue Shipbuilding Co., Ltd.	Labour technical services	Note	3,528,166.30	0.12	4,486,348.78	0.32
Guangzhou Shipyard Co., Ltd.	Labour technical services	Note	1,295,705.00	0.05	454,438.01	0.03
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labour technical services	Note	239,515.08	0.01	278,607.08	0.02
Guangzhou Huangchuan Ocean Engineering Co. Ltd.	Labour technical services	Note	124,033.02	0.00		-
CSSC Southern China Ship Machinery Co., Ltd.	Labour technical services	Note	63,863.21	0.00	38,240.57	0.00
Guangzhou Wenchong Shipyard Co. Ltd.	Operation lease	Note	105,604.41	0.00	204,769.23	0.01
Guangzhou CSSC Marine Diesel Engine Co., Ltd.	Labour technical services	Note	10,726.41	0.00	69,118.73	0.00
Guijiang Shipbuilding Co., Ltd.	Labour technical services	Note	5,721.70	0.00	6,849.06	0.00
Guangzhou Huangpu Shipbuilding Co., Ltd.	Labour technical services	Note		-	104,420.76	0.01
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Power supply	Note	6,914.46	0.00	377.36	0.00
Joint ventures and associates						
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd	Labour technical services	Note	19,762.46	0.00	14,319.45	0.00
<b>Total</b>			<b>15,057,435.05</b>	<b>0.49</b>	<b>14,356,639.91</b>	<b>1.02</b>

Note: Pricing principles refer to Note VI.2/(1)/2).

3) *Financial services*

(a) *Deposits*

Company Name	Balance		Interest income	
	Ending Balance	Beginning Balance	Current Period	Last Period
CSSC Finance Co., Ltd.	1,758,777,657.98	599,589,174.38	9,808,909.83	8,511,717.80

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 expense	
	Ending Balance	Beginning Balance	Current Period	Last Period
CSSC Finance Co., Ltd.	600,000,000.00	600,000,000.00	15,083,333.32	15,083,333.32

Pricing policy: the interest rate for RMB loan is based on the benchmark interest rate for mid-to-long-term loan (6.55%) stipulated by the PBOC.

4) *Guarantee between related parties*

There's no guarantee between related parties occurred Current Period.

5) *Other related party transactions*

Relevant information is consistent with those contained in notes to the consolidated statements. See Note VI.2 (1)/5) for details.

## (2) Consolidated and Parent Company

Key management staff

### 1) Directors and supervisors

Payroll for directors and supervisors for Current Period

Name	Emoluments	Salaries	Retiring Welfare	Total	Note
<b>Directors</b>					
Han Guangde		575,624.66	13,656.60	589,281.26	Including the incentive-linked remuneration for the year 2013 of RMB392,523.00.
Zhou Dusheng		449,648.66	13,656.60	463,305.26	Including the incentive-linked remuneration for the year 2013 of RMB 285,216.00.
Chen Ji		505,481.66	13,656.60	519,138.26	Including the incentive-linked remuneration for the year 2013 of RMB 353,660.00.
Chen Liping		486,492.66	13,656.60	500,149.26	Including the incentive-linked remuneration for the year 2013 of RMB 353,610.00.
Yang Li	60,000.00			60,000.00	
Wang Jun	60,000.00			60,000.00	
Chen Zhongqian	60,000.00			60,000.00	
Qiu Jiacheng	60,000.00			60,000.00	
Li Junping	20,000.00			20,000.00	Resigned on 8 May 2014
<b>Supervisors</b>					
Chen Jingqi		497,393.36	13,656.60	511,049.96	Including the incentive-linked remuneration for the year 2013 of RMB 353,472.00.
Fu Xiaosi	45,000.00			45,000.00	
Zhu Zhengfu	45,000.00			45,000.00	
Qin Tinggui		307,410.32	13,656.60	321,066.92	Including the incentive-linked remuneration for the year 2013 of RMB 181,677.00.
Chen Shaolong		262,977.56	13,656.60	276,634.16	Including the incentive-linked remuneration for the year 2013 of RMB 134,861.00.

Payroll for directors and supervisors for last year

Name	Emoluments	Salaries	Retiring welfare	Total
<b>Directors</b>				
Yu Baoshan		150,071.00	12,192.00	162,263.00
Han Guangde		145,732.00	12,192.00	157,924.00
Chen Ji		133,282.00	12,192.00	145,474.00
Yang Li		132,374.00	12,192.00	144,566.00
Chen Jingqi		143,574.00	12,192.00	155,766.00
Gao Feng	50,000.00			50,000.00
Zhou Dusheng	50,000.00			50,000.00
Wang Jun	50,000.00			50,000.00
Fu Zhengping	50,000.00			50,000.00
Qiu Jiacheng	50,000.00			50,000.00
De Lihua	50,000.00			50,000.00
Pan Zhaoguo	50,000.00			50,000.00
<b>Supervisors</b>				
Chen Shaolong		120,054.00	12,192.00	132,246.00
Qin Tinggui		124,829.00	12,192.00	137,021.00
Fu Xiaosi	40,000.00			40,000.00
Zhu Zhengfu	40,000.00			40,000.00

Note 1: 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 2: 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 3: 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.

Note 4: On May 4, 2014, Mr. De Lihua and Mr. Pan Zhaoguo, both of whom were directors, renounced their respective qualifications as candidates of independent non-executive directors of the eighth session of the Board and did not participate in the elections of the independent non-executive directors of the eighth session of the Board at the annual general meeting for 2013 held on May 8, 2014 due to reasons of their personal careers.

Note 5: On May 8, 2014, Mr. Li Junping was elected as an independent non-executive director of the 8th Board of Directors of the Company at the annual general meeting for 2013.

Note 6: On May 14, 2014, Mr. Wang Hong and Mr. Zhu Zhenyu were appointed as the independent directors of the 8th Board of Directors of the Company at the second meeting of the 8th Board of Directors, the appointment of whom was passed at the second extraordinary general meeting for the year 2014 on June 30, 2014.

No one of the Board of Directors or Board of Supervisors give up any payroll for Current Period. 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.

b) *Top 5 staff with highest salaries*

The top 5 staff with highest salaries include 4 members of the Board of Directors and 1 supervisor (last period: 3 directors, 1 supervisor and 1 senior manager). They are listed as followed:

Items	Current Period	Last Period
Salaries and allowances	2,514,641.00	705,033.00
Retiring welfare	68,283.00	60,960.00
<b>Total</b>	<b>2,582,924.00</b>	<b>765,993.00</b>

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 the number of people

Items	Current year	Last year
0-RMB 786,200 (0-HKD 1,000,000)	5	5
RMB 793,801-RMB1,190,700 (HKD 1,000,001-HKD 1,500,000)		
RMB 1,190,701-RMB 1,587,600 (HKD 1,500,001-HKD 2,000,000)		
<b>Total</b>	<b>5</b>	<b>5</b>

### 3. Correspondence account balance between related parties

#### (1) Consolidated

##### 1) Accounts receivable

Related parties	Ending Balance	Beginning Balance
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	85,105,778.90	70,293,211.66
CSSC Steel Structure Engineering Co., Ltd.	13,018,890.26	13,018,890.26
Guangzhou Shipbuilding Factory Company Limited	6,636,704.35	3,305,702.52
Guangzhou Huangpu Shipbuilding Co., Ltd.	5,404,191.57	5,413,907.78
CSSC Huangpu Wenchong Shipbuilding Ship Company Limited	4,167,497.90	
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	1,964,415.56	1,403,966.26
CSSC Southern China Ship Machinery Co., Ltd.	1,283,104.18	1,223,653.44
Guangzhou Shipbuilding Corporation	1,084,588.47	324,650.00
Guijiang Shipbuilding Co., Ltd.	431,322.00	126,749.30
Guangzhou Shipbuilding Nansha Longxue construction Development Co., Ltd.	84,574.00	84,574.00
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd	33,887.98	
Jiangxi CSSC Valve Co., Ltd.	27,840.00	27,840.00
Ships and Ocean Engineering Design and Research Institute of Guangzhou	10,448.00	162,962.00
Design and Research Institute of China Shipbuilding and Marine Engineering	9,852.30	
Guangzhou CSSC Marine Diesel Engine Co., Ltd.	5,337.14	58,447.14
Beijing Shipbuilding Information Technology Co., Ltd.		390,000.00
Shanghai Merchant Vessel Design and Research Institute		240,000.00
Panyu Ship Hatch Workshop of Guangzhou Shipyard Company Limited		47,574.40
<b>Total</b>	<b>119,268,432.61</b>	<b>96,122,128.76</b>

2) *Prepayments*

<b>Related parties</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	<b>801,394,308.20</b>	537,402,191.81
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd.	<b>50,347,900.00</b>	117,043,700.00
Hualian Ship Co., Ltd.	<b>19,369,797.87</b>	25,426,900.53
Eastern Shanghai Heavy Machinery Co., Ltd.	<b>22,785,000.00</b>	
China Marine Power Co., Ltd.	<b>14,770,000.00</b>	1,680,000.00
China Shipbuilding Trading Company	<b>6,434,200.51</b>	6,972,851.51
Guangzhou Shipyard Co., Ltd.	<b>2,268,000.00</b>	756,000.00
Anqing CSSC Diesel Engine Co., Ltd.	<b>1,660,000.00</b>	
CSSC Southern China Ship Machinery Co., Ltd.	<b>1,162,000.00</b>	
Guangzhou Shipyard HR Service Co. Ltd.	<b>21,030.00</b>	
China Shipbuilding Industry complete Logistics Co., Ltd.		130.99
<b>Total</b>	<b>920,212,236.58</b>	689,281,774.84

3) *Accounts payable*

<b>Related parties</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	<b>247,727,753.57</b>	8,574,002.36
Eastern Shanghai Heavy Machinery Co., Ltd.	<b>35,994,000.00</b>	9,234,000.00
China Marine Power Co., Ltd.	<b>25,796,430.00</b>	25,194,430.00
Guangzhou Shipyard Co., Ltd.	<b>19,818,645.87</b>	20,638,449.41
Nanjing CSSC Oasis Machinery Co. Ltd.	<b>8,387,900.00</b>	2,350,000.00
Shanghai Navigation Instrument Co., Ltd.	<b>6,013,300.00</b>	1,805,625.50
CSSC Southern China Ship Machinery Co., Ltd.	<b>4,181,384.75</b>	7,962,500.00
Nanjing CSSC Oasis Machinery Co. Ltd.-Zhenjiang marine auxiliary machinery factory	<b>3,693,925.00</b>	2,288,025.00
Anqing CSSC Diesel Engine Co., Ltd.	<b>3,120,000.00</b>	3,120,000.00
Shanghai Haixun Electrical Engineering Co., Ltd.	<b>2,745,995.00</b>	11,637,400.00
Guangzhou Shipyard Co., Ltd.	<b>2,034,354.59</b>	1,647,236.14
China Shipbuilding Trading (Guangzhou) Co., Ltd.	<b>1,935,481.18</b>	2,555,838.42
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	<b>1,907,558.52</b>	1,907,558.52
Design and Research Institute of China Shipbuilding and Marine Engineering	<b>1,680,000.00</b>	1,200,000.00
A Research Institute of China Shipbuilding Industry Corp	<b>1,632,350.00</b>	1,632,350.00
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	<b>1,375,000.00</b>	1,600,000.00
Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	<b>1,232,970.58</b>	428,900.00
Guangzhou Shipbuilding Corporation	<b>1,185,274.94</b>	753,385.40
Zhenjiang CSSC Waxilan propeller Co., Ltd.	<b>1,178,105.40</b>	4,419,843.12
Nanjing CSSC Oasis Machinery Co. Ltd.	<b>803,100.00</b>	1,272,100.00
Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	<b>667,400.00</b>	1,674,400.00
China Ship Power Station Equipment Co., Ltd.	<b>505,500.00</b>	331,500.00
Guijiang Shipbuilding Co., Ltd.	<b>499,000.00</b>	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	<b>495,800.00</b>	3,730,400.00
The 11th Research Institute of CSSC	<b>435,000.00</b>	435,000.00
Shipbuilding International Trading Co., Ltd.	<b>433,414.30</b>	
Shanghai DeruiSihua Ships Equipment Co., Ltd.	<b>403,360.00</b>	4,957,000.00
9th Design and Research Institute of the China Shipbuilding	<b>402,368.00</b>	454,868.00
Shanghai Merchant Ship Design and Research Institute	<b>346,000.00</b>	5,428,900.00
CSSC Huahai Marine Equipment Co., Ltd.	<b>190,125.00</b>	190,125.00
Guangzhou CSSC Ship Steel Co. Ltd.	<b>132,168.94</b>	
The Shanghai Lingang ship Equipment Co., Ltd	<b>123,950.00</b>	123,950.00
Guangzhou Shipbuilding Nansha Longxue construction Development Co., Ltd.	<b>100,000.00</b>	15,878,418.28
Jiangxi Chaoyang Machinery Factory	<b>65,358.00</b>	65,358.00
The ship survey and Design Institute Co., Ltd.	<b>38,600.00</b>	772,000.00
Beijing Shipbuilding Information Technology Co., Ltd.	<b>8,325.50</b>	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	<b>7,000.00</b>	
Anqing Marine Electric Co., Ltd.	<b>3,200.00</b>	2,300,000.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd		150,000.00
Shanghai Hudong Shipyard Valve Co., Ltd.		877,596.00
The Shanghai Navigation Instrument Co., Ltd.		15,670.00
National Engineering Research Center of Shanghai ship design technology Co., Ltd.		372,645.00
Panyu Ship Hatch Workshop of Guangzhou Shipyard Company Limited		525,853.17
<b>Total</b>	<b>377,300,099.14</b>	148,505,327.32

4) *Advances from customers of related parties*

Related parties	Ending Balance	Beginning Balance
Shanghai Merchant Ship Design and Research Institute	1,132,075.47	1,132,075.47
The 11th Research Institute of CSSC	583,018.87	300,000.00
Beijing Shipbuilding Information Technology Co., Ltd.	219,000.00	
China Shipbuilding Technology Institute of Economic Research	179,622.64	164,528.30
Guangzhou Wenchong Shipyard Co. Ltd.	29,065.44	29,065.44
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	10,450.00	10,450.00
<b>Total</b>	<b>2,153,232.42</b>	<b>1,636,119.21</b>

5) *Other payables to related-parties*

Related parties	Ending Balance	Beginning Balance
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	4,872,835.18	0.00
Guangzhou Shipyard Co., Ltd.	1,554,904.67	729,460.00
Hualian Ship Co., Ltd.	469,396.39	469,396.39
<b>Total</b>	<b>6,897,136.24</b>	<b>1,198,856.39</b>

(2) *Parent Company*

1) *Accounts receivable*

Related parties	Ending Balance		Beginning Balance	
	Book value	Bad debts	Book value	Bad debts
Guangzhou Shipyard International Marine Engineering Co., Ltd.	109,871,842.89		42,371,016.11	
Guangchuan large-scale machinery and equipment company Co., Ltd.	100,351,511.64		96,216,289.31	
Guangzhou Longxue Shipbuilding Co., Ltd.	19,987,824.49		4,068,393.70	
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	15,499,059.55			
CSSC Steel Structure Engineering Co., Ltd.	12,853,540.26	642,677.01	12,853,540.26	642,677.01
Guangzhou XingShun Shipping Services Co., Ltd.	9,092,929.04		1,364,699.57	
Guangzhou Longxue Pipe Co., Ltd.	1,547,323.00			
Guangzhou Shipyard Co., Ltd.	1,191,476.60	59,573.83	342,929.89	17,146.49
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	531,303.30	26,565.17		
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	309,637.60	15,481.88	207,392.50	10,369.63
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	84,574.00	4,228.70	84,574.00	4,228.70
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	33,887.98	1,694.40	-	
Jiangxi CSSC Valve Co., Ltd.	27,840.00	1,392.00	27,840.00	1,392.00
Fonkwang Developing Co., Ltd.	20,882.60			
CSSC Southern China Ship Machinery Co., Ltd.	15,820.00	791.00		
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	11,259.51			
9th Design and Research Institute of the China Shipbuilding	9,852.30	492.62		
Guangzhou Yonglian Steel Structure Co., Ltd	130.00			
CSSC Guangzhou Marine Diesel Engine Co., Ltd.			19,573.00	978.65
Guangzhou Wenchong Shipyard Co. Ltd.			162,900.00	8,145.00
<b>Total</b>	<b>271,440,694.76</b>	<b>752,896.61</b>	<b>157,719,148.34</b>	<b>684,937.48</b>

2) *Prepayments*

<b>Related parties</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
Guangzhou Longxue Shipbuilding Co., Ltd	<b>1,621,941,350.00</b>	918,550,250.00
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	<b>434,875,115.32</b>	367,078,350.55
Eastern Shanghai Heavy Machinery Co., Ltd.	<b>22,785,000.00</b>	
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	<b>18,033,200.00</b>	18,033,200.00
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd.	<b>17,780,000.00</b>	9,600,000.00
China Marine Power Co., Ltd.	<b>14,770,000.00</b>	
Fonkwang Developing Co., Ltd.	<b>9,361,145.37</b>	82,403,754.16
China Shipbuilding Trading Company	<b>6,434,200.51</b>	6,972,851.51
Anqing CSSC Diesel Engine Co., Ltd.	<b>1,660,000.00</b>	
China United Shipbuilding Company Limited	<b>12,891,599.35</b>	22,128,966.02
CSSC Southern China Ship Machinery Co., Ltd.	<b>1,162,000.00</b>	
Guangchuan large-scale machinery and equipment company Co., Ltd.		1,052,000.00
<b>Total</b>	<b>2,161,693,610.55</b>	1,425,819,372.24

3) *Accounts payable*

<b>Related parties</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	<b>247,727,753.57</b>	697,350.00
Eastern Shanghai Heavy Machinery Co., Ltd.	<b>35,994,000.00</b>	9,234,000.00
Guangzhou Shipyard International Marine Engineering Co., Ltd.	<b>30,614,768.18</b>	103,671,331.82
Guangzhou XingShun Shipping Services Co., Ltd.	<b>26,117,462.97</b>	13,988,267.37
China Marine Power Co., Ltd.	<b>25,796,430.00</b>	21,834,430.00
Guangzhou Shipyard Co., Ltd.	<b>12,067,419.33</b>	10,313,932.30
CSSC Nanjing Oasis Machine Co., Ltd.	<b>6,037,900.00</b>	4,662,900.00
Shanghai Navigation Instrument Co., Ltd.	<b>6,013,300.00</b>	1,821,295.50
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	<b>5,801,573.79</b>	10,696,433.32
Guangzhou Wanda Marine Engineering Co., Ltd.	<b>4,791,153.77</b>	6,117,178.24
Guangchuan large-scale machinery and equipment company Co., Ltd.	<b>4,709,711.92</b>	6,226,086.96
Guangzhou Longxue Shipbuilding Co., Ltd.	<b>3,835,911.48</b>	5,112,445.00
CSSC Southern China Ship Machinery Co., Ltd.	<b>3,348,400.00</b>	7,962,500.00
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	<b>3,205,409.22</b>	
Anqing CSSC Diesel Engine Co., Ltd.	<b>3,120,000.00</b>	3,120,000.00
Shanghai Haixun Electrical Engineering Co., Ltd.	<b>2,745,995.00</b>	
Guangzhou Shipyard Co., Ltd.	<b>1,877,267.96</b>	846,631.07
A Research Institute of China Shipbuilding Industry Corp	<b>1,632,350.00</b>	1,632,350.00
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	<b>1,232,970.58</b>	428,900.00
Guangzhou Shipbuilding Corporation	<b>1,185,274.94</b>	753,385.40
Zhenjiang CSSC Waxilan propeller Co., Ltd.	<b>1,178,105.40</b>	4,419,843.12
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	<b>935,000.00</b>	935,000.00
Guangzhou Hongfan Technology Co., Ltd.	<b>690,000.00</b>	2,740,620.00
Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd.	<b>667,400.00</b>	1,674,400.00
Nanjing CSSC Oasis Machinery Co. Ltd.-Zhenjiang marine auxiliary machinery factory	<b>512,925.00</b>	1,213,025.00
China Ship Power Station Equipment Co., Ltd.	<b>505,500.00</b>	331,500.00
Guijiang Shipbuilding Co., Ltd.	<b>499,000.00</b>	
Guangdong GSI elevator Co., Ltd.	<b>435,000.00</b>	
Shipbuilding International Trading Co., Ltd.	<b>433,414.30</b>	
9th Design and Research Institute of the China Shipbuilding	<b>402,368.00</b>	454,868.00
The 708 Research Institute of CSSC	<b>346,000.00</b>	
Nanjing CSSC Oasis Environmental protection Co., Ltd.	<b>230,000.00</b>	1,029,000.00
CSSC Huahai Marine Equipment Co., Ltd.	<b>190,125.00</b>	190,125.00
Guangzhou CSSC Ship Steel Co. Ltd.	<b>132,168.94</b>	
Jiangxi Chaoyang Machinery Factory	<b>65,358.00</b>	65,358.00
Jiujiang Haitian Equipment Manufacture Co., Ltd.	<b>31,800.00</b>	280,000.00
Beijing Shipbuilding Information Technology Co., Ltd.	<b>8,325.50</b>	
Jiujiang Haitian Equipment Manufacture Co., Ltd.	<b>7,000.00</b>	7,000.00
Shanghai DeruiSihua Ships Equipment Co., Ltd.	<b>3,360.00</b>	4,557,000.00
Anqing Marine Electric Co., Ltd.	<b>3,200.00</b>	2,300,000.00
Shanghai Hudong Shipyard Valve Co., Ltd.		877,596.00
China Shipbuilding Trading Company		280,990.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd		150,000.00
Design and Research Institute of China Shipbuilding and Marine Engineering		12,403,400.00
The ship survey and Design Institute Co., Ltd.	<b>38,600.00</b>	772,000.00
The 11th Research Institute of CSSC		435,000.00
Guangdong GSI elevator Co., Ltd.		307,000.00
Guangzhou CSSC Construction Development Co., Ltd.	<b>100,000.00</b>	100,000.00
<b>Total</b>	<b>435,269,702.85</b>	244,643,142.10

4) *Advances from customers*

Related parties	Ending Balance	Beginning Balance
Shanghai Merchant Ship Design and Research Institute	1,132,075.47	1,132,075.47
The 11th Research Institute of CSSC	583,018.87	300,000.00
China Shipbuilding Technology Institute of Economic Research	179,622.64	164,528.30
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	10,450.00	10,450.00
<b>Total</b>	<b>1,905,166.98</b>	<b>1,607,053.77</b>

## VIII. CONTINGENCIES

### 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) Guangzhou CSSC Longxue Shipbuilding Co., Ltd. ("Longxue Shipbuilding"), our subsidiary, and Guangzhou CSSC Construction Development Co., Ltd. (Guangzhou CSSC) required that Shandong Qingyun Crane Machinery Co., Ltd. and Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall repay a loan of RMB44.4965 million and accrued interest (from 29 July 2007 to the effectiveness of the verdict; calculated in accordance with the lending rates of People's Bank of China over the same period) to Longxue Shipbuilding and Guangzhou CSSC, that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall continue to fulfill their delivery obligations for the 9 cranes under the contract already shipped to Longxue Island, Nansha District, Guangzhou, and that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall bear the cost of this litigation of RMB283,696 and the property preservation fees of RMB5,000. Jinan Intermediate People's Court made a judgement for Longxue Shipbuilding in first instant verdict. The defendant applied for an appeal, which automatically became void due to the late payment of court fees. The court enforced the judgment. Jinan Intermediate People's Court held two auctions for the components and accessories of 17 cranes, the appraised value of which amounted to RMB15.96 million, on May 21 and August 12, 2013 respectively, but there was no successful bidder for both auctions. On December 12, 2013, the court severed a notice to the attorney of Longxue Shipbuilding, stating that the enforcement would be executed by Shanghe County People's Court, which causes inconvenience and obstacle for the execution. Longxue Shipbuilding subsequently made a written objection and submitted relevant materials. After communication, Jinan Intermediate People's Court made a ruling on April 29, 2014, that the enforcement would be executed by Jinan Intermediate People's Court. Upon the appointment of a new acting judge, on June 12, 2014, the staff and attorney of Longxue Shipbuilding, accompanied with the acting judge, visited Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. and commenced an investigation on the property subject to enforcement. On June 27, 2014, Longxue Shipbuilding submitted the second written valuation of land and property to the acting judge and applied for an auction. On July 29, 2014, the court picked up an assessment institution by drawing lots. This litigation is still under processing.

### 2. There's no other significant contingency within the Group, 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 June 30, 2014, there are 43 forward foreign exchange contracts amounting to USD 853,700 million altogether; the longest delivered date of the contract is 28 November 2016; gain from changes in the fair value is RMB 7,757,700 as of June 30, 2014. All forward foreign exchange contracts are delivered.

### 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, 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	0.00
The significant receipt in advance which the aging is over 1 year	51,927,588.78

2. 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.

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.

Segment information of Current Period

Items	Shipbuilding	Steel Structure Engineering	Others	Write-off	Total
Operating income	4,336,318,538.24	177,222,060.34	887,788,919.14	1,514,445,344.74	3,886,884,172.98
Including: External transaction revenue	3,486,123,162.23	177,222,060.34	223,538,950.41		3,886,884,172.98
Revenue between segments	850,195,376.01		664,249,968.73	1,514,445,344.74	
Operating cost	4,313,567,571.53	160,381,598.37	853,497,454.32	1,515,479,821.13	3,811,966,803.09
Period charge	227,626,124.67	12,724,086.90	128,754,959.08	1,195,018.63	367,910,152.02
Segment total profit (total loss)	-184,568,380.28	3,962,139.00	-81,202,029.52	13,860,087.51	-275,668,358.31
Total assets	27,208,912,120.10	361,984,683.30	1,955,620,448.37	7,580,849,714.20	21,945,667,537.57
Total liabilities	21,617,518,579.96	241,029,613.55	1,722,873,238.46	6,843,713,884.27	16,737,707,547.70
Supplementary information					
Capitalized expense	147,033,656.58	749,706.45	3,020,395.61		150,803,758.64
Recognized loss of impairment	-8,623,028.64	12,341.65	-770,995.93	-14,387,917.15	5,006,234.23
Including: Goodwill amortization					
Depreciation and amortization expense	189,169,424.94	582,729.67	24,328,045.39	581,561.38	213,498,638.62
Non-cash expenses other than loss of impairment, depreciation and amortization					



## Segment information of Last Period

Items	Shipbuilding	Steel Structure Engineering	Others	Write-off	Total
Operating income	2,334,169,000.72	353,267,792.89	493,205,840.35	543,644,354.09	2,636,998,279.87
Including: External transaction revenue	2,258,462,260.03	353,267,792.89	25,268,226.95		2,636,998,279.87
Revenue between segments	75,706,740.69		467,937,613.40	543,644,354.09	0.00
Operating cost	2,237,433,274.31	329,535,184.21	460,960,738.28	543,168,360.61	2,484,760,836.19
Period charge	266,257,933.82	23,407,044.44	20,491,571.00		310,156,549.26
Segment total profit (total loss)	-72,076,986.14	10,983,802.13	-22,992,622.96	95,919,494.04	-180,005,301.01
Total assets	21,862,488,039.21	525,439,630.42	790,444,688.38	1,311,961,718.12	21,866,410,639.89
Total liabilities	16,292,465,657.94	357,589,536.26	404,385,889.62	753,310,267.97	16,301,130,815.85
Supplementary information					
Capitalized expense	39,833,734.45	56,892,643.16	25,116,253.53		121,842,631.14
Recognized loss of impairment	68,956,681.90	145,254.73	-163,222.68		68,938,713.95
Including: Goodwill amortization					
Depreciation and amortization expense	193,992,390.56	13,575,349.42	1,108,314.25		208,676,054.23
Non-cash expenses other than loss of impairment, depreciation and amortization					

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 Period	Last Period
Inside China (except Hong Kong)	<b>1,870,378,576.28</b>	717,945,211.23
Hong Kong	<b>100,792,819.67</b>	396,846,048.92
Overseas	<b>1,915,712,777.03</b>	1,522,207,019.72
<b>Total</b>	<b>3,886,884,172.98</b>	2,636,998,279.87

Total non-current assets	Ending Balance	Beginning Balance
Inside China (except Hong Kong)	<b>8,205,530,864.08</b>	8,279,726,254.50
Hong Kong	<b>15,326,848.54</b>	15,468,540.36
Overseas		
<b>Total</b>	<b>8,220,857,712.62</b>	8,295,194,794.86

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 maximise 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, subsidiary-Rongguang Development Co., Ltd, and Guangzhou Yonglian Steel Structure, three of which owning business with purchases and sales in USD, Hong Kong Dollar and Euro depicted as below, all other main operating business are settled in RMB. As of 30 June 2014, except for assets and liabilities with balances in USD 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.

Items	Ending Balance				
	USD	HKD	EUR	GBP	MOP
Cash and bank (Note V.1)	52,692,843.99	<b>219,898,417.19</b>	<b>936,237.39</b>	<b>917.25</b>	
Accounts receivable (Note V.4)	69,313,946.56	<b>15,916,752.13</b>	<b>945,593.00</b>		<b>3,277,585.17</b>
Interest receivables (Note V.6)	3,001,767.53	<b>16,377.61</b>			
Other receivables (Note V.8)	456,127.14	<b>13,133,766.95</b>			
Accounts payable (Note V.24)	10,819,410.98	<b>485,375.08</b>			
Interest payable (Note V.28)	3,501,734.65				
Short-term loans (Note V.21)	553,992,435.83		<b>741,212.50</b>		
Long-term loans (Note V.34)	289,614,117.36				

(continued)

Items	Beginning 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)	45,654,788.00	23,858,985.58			3,277,585.17
Interest receivables (Note V.6)	902,452.90				
Other receivables (Note V.8)	163,015.51	10,158,902.24	10,566.30		
Accounts payable (Note V.24)	8,484,100.56	1,063,782.82			
Interest payable (Note V.28)	2,781,084.10				
Short-term loans (Note V.21)	382,197,628.80				
Long-term loans (Note V.34)	340,767,320.82				

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.

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 June 30 2014 are USD853.70 million and the changes in fair value are RMB7,757,700. 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 June 30 2014, most of the bank borrowings with interest rates are borrowings at floating interest rate contracts in USD with total amount of RMB381,473,600.00; and the fixed interest rate contracts in USD, RMB and EUR with total amount of RMB9,340,449,596.25.

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.

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 June 30 2014, 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 June 30 2014, the total amount for the top 5 of Accounts receivable is RMB1,228,859,566.02.

### (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. In 2014, the bank facilities amount was RMB14,350 million. As at June 30, 2014, the unsecured bank facilities was RMB5,593 million.

The analysis of financial assets and financial liabilities is analysed as below, in terms of maturity deadline regarding undiscounted remaining contractual obligations.

Ending balance

Items	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash and bank	2,688,752,203.94	288,200,000.00	3,159,082,343.95	1,056,921,662.00	
Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and loss account	2,945,750.77	4,997,273.88	10,328,605.09	11,025,310.18	
Interest receivables	16,303,254.61	36,167,368.91	17,169,538.75	35,196,549.49	
Accounts receivable	154,700,011.46	509,400,022.92	90,283,502.21	17,626,530.54	
Other receivables	95,086,520.13	22,026,248.10	15,805,582.34	2,635,680.23	11,219,832.15
Financial liabilities which is measured by fair value and changes in fair value are recognized in the current profit and loss account	67,587.78	163,030.44	1,109,241.51	35,714,798.28	
Notes payable	390,559,293.57	375,696,281.09			
Accounts payable	219,617,243.83	459,234,487.66	1,288,797,557.34	7,608,097.55	
Other payables	9,120,575.43	14,573,388.79	66,801.03	11,574,819.86	
Dividend payable	177,721.77				
Interest payable	5,155,799.34	2,631,565.04	16,612,455.13	19,669,762.49	
Employee benefits	27,115,759.95		4,476,323.13		
Loans	210,000,000.00	227,920,023.37	4,838,739,335.50	2,845,263,837.38	1,600,000,000.00

Beginning balance

Items	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash and bank	5,551,237,057.25	271,199,700.00	526,000,000.00	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	10,479,060.72	10,266,551.00		
Interest receivables	41,379,116.09	18,879,395.09	37,408,701.17	27,502,459.19	
Accounts receivable	242,604,089.18	116,610,756.38	298,284,594.34		
Other receivables	35,744,707.39	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	114,954,276.84	361,521,210.37	412,877,924.85		
Notes payable	256,985,217.77	467,956,905.40	1,028,721,786.29	1,270,473.4	
Accounts payable	10,353,684.18	11,373,984.18	9,225,987.31		
Other payables	437,160.43				
Dividend payable	3,487,874.10	18,489,384.69	46,615,426.09	186,294.13	
Interest payable	30,983,628.99		2,795,580.00		
Employee benefits	15,588,792.62	121,938,000.00	4,371,913,735.55	2,265,404,473.16	3,678,000,000.00

## 2. Fair value

- (1) the measurement for the fair value of financial assets and liabilities please see Note II/10
- (2) the measurement for the fair value of Derivatives (forward foreign exchange contract) please see Note V/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 rate 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:

Currency	Exchange rate change	Current Period		Last Period	
		Effect on Net profit	Effect on equity	Effect on Net profit	Effect on equity
USD	Against RMB appreciation 3%	-18,677,806.85	-18,677,806.85	-9,625,986.87	-9,625,986.87
USD	Against RMB devaluation 3%	18,677,806.85	18,677,806.85	9,625,986.87	9,625,986.87

#### (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.

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.

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 Period		Last Period	
		Effect on Net profit	Effect on equity	Effect on Net profit	Effect on equity
Loans with floating rate	Increase 1%	-3,814,736.00	-3,814,736.00	-19,425,518.73	-19,425,518.73
Loans with floating rate	Decrease 1%	3,814,736.00	3,814,736.00	19,425,518.73	19,425,518.73

## 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
<b>Financial assets</b>					
Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and loss account	69,210,083.75	-39,913,143.83			29,296,939.92
Financial assets available for sale	29,070,000.00		-880,000.00		28,190,000.00
Total	98,280,083.75	-39,913,143.83	-880,000.00		57,486,939.92
<b>Financial liabilities</b>					
Financial liabilities which is measured by fair value and changes in fair value are recognized in the current profit and loss account		37,054,658.01			37,054,658.01
<b>Total</b>		37,054,658.01			37,054,658.01

## 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
<b>Financial assets</b>					
Accounts receivable	955,072,313.61				449,598,711.23
Interest receivables	5,502,165.08				18,482,275.01
Other receivables	9,069,774.81				13,232,043.27
<b>Financial assets Subtotal</b>	<b>969,644,253.50</b>				<b>481,313,029.51</b>
<b>Financial liabilities</b>					
Short-term loans	2,330,220,723.02				3,414,826,841.62
Accounts payable	52,563,058.76				66,955,378.07
Interest payable	16,955,991.63				21,545,472.95
Interest payable	789,219,805.15				706,470,917.25
Interest payable	2,077,624,278.31				1,781,937,741.29
<b>Financial liabilities Subtotal</b>	<b>5,266,583,856.87</b>				<b>5,991,736,351.18</b>

## 3. Annuity and its significant changes

For the details please see Note V.27.

## XIII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Cash and bank

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange rate currency	Amount (RMB) Exchange rate	Original currency	Exchange rate currency	Amount (RMB) Exchange rate
1. Cash						
RMB			44,054.42			48,273.10
USD	1,067.80	6.1528	6,569.96	1,067.80	6.0969	6,510.27
HKD	159.42	0.7938	126.54	159.42	0.7862	125.34
GBP	917.25	10.4978	9,629.11	917.25	10.0556	9,223.50
EUR	954.84	8.3946	8,015.50	954.84	8.4189	8,038.70
Subtotal			68,395.53			72,170.91
2. Bank						
RMB			1,886,810,866.15			2,938,373,227.39
USD	21,398,144.77	6.1528	131,658,505.14	115,248,753.08	6.0969	702,660,122.64
HKD	213,279,688.19	0.7938	169,290,752.51	89,650.36	0.7862	70,483.11
EUR	579,925.47	8.3946	4,868,242.35	129,335.64	8.4189	1,088,863.83
Subtotal			2,192,628,366.15			3,642,192,696.97
3. Others						
RMB			2,844,676,768.33			2,315,581,253.55
Subtotal			2,844,676,768.33			2,315,581,253.55
<b>Total</b>			<b>5,037,373,530.01</b>			<b>5,957,846,121.43</b>

The ending balances of other monetary fund include credit card deposit of RMB124,762.38 (Beginning Balance: RMB108,182.73); and fixed deposit for long-term and short-term mortgage loans amounted RMB 2,844,552,005.95 (Beginning Balance: 2,315,473,070.82), this guaranteed fixed deposit would be terminated after the debt redemption.

**2. Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and loss account**

Items	Ending fair value	Beginning fair value
Forward foreign contract	29,296,939.92	69,210,083.75
<b>Total</b>	<b>29,296,939.92</b>	<b>69,210,083.75</b>

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.

**3. Accounts receivable**

Items	Ending Balance	Beginning Balance
Accounts receivable	665,146,319.07	599,205,935.28
Less: provision for bad debts	2,766,664.98	2,879,932.47
<b>Net value</b>	<b>662,379,654.09</b>	<b>596,326,002.81</b>

**(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	572,648,044.22	86.09	1,886,849.07	570,761,195.15	535,183,354.07	89.32	1,941,900.35	533,241,453.72
1-2 years	42,609,992.32	6.41	64,902.90	42,545,089.42	15,588,034.55	2.60	73,999.60	15,514,034.95
2-3 years	1,978,301.28	0.30	3,706.84	1,974,594.44	26,916,255.89	4.49	33,593.86	26,882,662.03
3-4 years	26,428,457.29	3.97	250,471.89	26,177,985.40				
4-5 years	21,002,781.22	3.16	234,165.60	20,768,615.62	21,177,921.17	3.53	490,069.06	20,687,852.11
Over 5 years	478,742.74	0.07	326,568.68	152,174.06	340,369.60	0.06	340,369.60	
<b>Total</b>	<b>665,146,319.07</b>	<b>—</b>	<b>2,766,664.98</b>	<b>662,379,654.09</b>	<b>599,205,935.28</b>	<b>—</b>	<b>2,879,932.47</b>	<b>596,326,002.81</b>

**(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	0.11	726,479.60	100.00			726,479.60	0.12	726,479.60	100.00
Accounts receivable accrued bad debt provision by a certain percentage of the balance	408,037,076.75	61.35	2,040,185.38	0.50	405,996,891.37		430,690,572.59	71.88	2,153,452.87	0.50
Accounts receivable with no bad debt reserve	256,382,762.72	38.55	—	—	256,382,762.72		167,788,883.09	28.00	—	—
<b>Total</b>	<b>665,146,319.07</b>	<b>—</b>	<b>2,766,664.98</b>	<b>—</b>	<b>662,379,654.09</b>	<b>599,205,935.28</b>	<b>—</b>	<b>2,879,932.47</b>	<b>—</b>	<b>596,326,002.81</b>

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 specialty refrigerator 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
Other	234,969.60	234,969.60	100.00	Long-overdue with risk of uncollectibility as for other 7 companies
<b>Total</b>	<b>726,479.60</b>	<b>726,479.60</b>	<b>100.00</b>	

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

Items	Book value	%	Bad debts
Within 1 year	377,369,813.24	0.50	1,886,849.06
1-2 years	12,980,580.24	0.50	64,902.90
2-3 years	741,367.34	0.50	3,706.84
3-4 years	16,792,377.18	0.50	83,961.89
4-5 years	—	0.50	—
Over 5 years	152,938.75	0.50	764.69
<b>Total</b>	<b>408,037,076.75</b>	<b>—</b>	<b>2,040,185.38</b>

3) *Accounts receivable with no bad debt reserve*

Items	Book value	Bad debts	Net value
Receivables from subsidiaries	256,382,762.72		256,382,762.72
<b>Total</b>	<b>256,382,762.72</b>		<b>256,382,762.72</b>

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

(7) *Top 5 Clients*

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Subsidiary	109,871,842.89	Within 1 year	16.52
Guangchuan large-scale machinery and equipment company Co., Ltd.	Subsidiary	100,351,511.64	Within 1 year	15.09
Denmark NORDN Company	Third Party	78,107,694.94	Within 1 year	11.74
Marshall Islands NAVIG8PRODUCTTANKERISLANDS	Third Party	58,077,442.08	Within 1 year	8.73
Sweden--StenaWeco	Third Party	43,438,768.00	Within 1 year	6.53
<b>Total</b>		<b>389,847,259.55</b>		<b>58.61</b>

**(8) Accounts receivable with foreign currency balance**

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	37,714,627.52	6.1528	232,050,560.21	32,555,992.97	6.0969	198,490,633.54
HKD	86,128.82	0.7937	68,364.75			
<b>Total</b>			<b>232,118,924.96</b>			<b>198,490,633.54</b>

**4. Prepayments****(1) Aging**

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	2,502,345,799.18	95.69	1,627,830,837.17	94.90
1-2 years	92,051,270.59	3.52	60,650,767.97	3.54
2-3 years	1,189,697.94	0.05	7,818,856.25	0.46
Over 3 years	19,331,834.30	0.74	18,928,937.10	1.10
<b>Total</b>	<b>2,614,918,602.01</b>	<b>—</b>	<b>1,715,229,398.49</b>	<b>100.00</b>

**(2) The main company**

Company Name	Relationship	Amount	%	Aging	Reasons
Guangzhou Longxue Shipbuilding Co., Ltd.	Subsidiary	1,621,941,350.00	62.03	Within 1 year	Not settled
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Related party	436,037,115.32	16.67	Within 1 year	Goods undelivered
Poly Technology Co., Ltd.	Third party	56,188,048.00	2.15	Within 1 year	Goods undelivered
Frank Mohn	Third party	35,785,954.75	1.37	2 years	Goods undelivered
Fanguang Development Co., Ltd.	Related party	29,753,857.83	1.14	Within 1 year	Goods undelivered
<b>Total</b>		<b>2,179,706,325.90</b>	<b>83.36</b>		

**(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	25,282,691.12	6.1809	156,270,854.72	14,044,919.21	6.2047	87,144,452.10
EUR	9,675,519.17	10.6290	102,841,031.54	5,522,867.69	8.2668	45,656,179.63
GBP	660,960.00	10.3373	6,832,510.45			
<b>Total</b>			<b>265,944,396.71</b>			<b>132,800,631.73</b>

**5. Interest receivable****(1) Breakdown of interest receivable**

Items	Beginning Balance	Increase	Decrease	Ending Balance
Interest of fixed deposit	108,337,980.19	92,474,314.83	116,881,783.10	<b>83,930,511.92</b>
<b>Total</b>	<b>108,337,980.19</b>	<b>92,474,314.83</b>	<b>116,881,783.10</b>	<b>83,930,511.92</b>



(2) *There is no overdue interest as of the end of Current Period.*

(3) *Interest receivable with foreign currency balance*

Items	Ending Balance			Beginning Balance		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
USD	27,305.56	6.1528	168,005.65	591,072.63	6.0969	3,603,710.71
HKD	16,377.61	0.7938	12,999.73			
<b>Total</b>			<b>181,005.38</b>			<b>3,603,710.71</b>

## 6. Dividend receivable

Items	Beginning Balance	Increase	Decrease	Ending Balance	Uncollectable Reason	impairment
Dividend receivable within 1 year					—	—
Including: Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.		1,399,866.01		1,399,866.01	—	—
Guangzhou Hongfan Technology Co., Ltd.	510,000.00		510,000.00			
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	3,600,000.00			3,600,000.00		
Guangzhou Yonglian Steel Structure Co., Ltd	63,484,936.63		19,484,936.63	44,000,000.00		
<b>Total</b>	<b>67,594,936.63</b>	<b>1,399,866.01</b>	<b>19,994,936.63</b>	<b>48,999,866.01</b>	<b>—</b>	<b>—</b>

## 7. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	3,005,340,865.91	806,680,727.98
Less: provision for bad debts	10,806,722.16	10,640,353.67
<b>Net Value</b>	<b>2,994,534,143.75</b>	<b>796,040,374.31</b>

(1) *Aging analysis*

Items	Ending Balance				Beginning Balance			
	Amount	%	Bad debt	Net value	Amount	%	Bad debt	Net value
Within 1 year	2,573,385,618.33	85.63	401,102.93	2,572,984,515.40	588,411,861.80	72.94	237,666.35	588,174,195.45
1-2 years	221,124,307.40	7.36	5,621.54	221,118,685.86	205,941,126.06	25.53	4,705.63	205,936,420.43
2-3 years	200,407,913.53	6.67	2,039.57	200,405,873.96	14,607.97	0.00	73.04	14,534.93
3-4 years	13,194.50	0.00	65.97	13,128.53	3,300.00	0.00	16.50	3,283.50
4-5 years								
Over 5 years	10,409,832.15	0.34	10,397,892.15	11,940.00	12,309,832.15	1.53	10,397,892.15	1,911,940.00
<b>Total</b>	<b>3,005,340,865.91</b>	<b>—</b>	<b>10,806,722.16</b>	<b>2,994,534,143.75</b>	<b>806,680,727.98</b>	<b>—</b>	<b>10,640,353.67</b>	<b>796,040,374.31</b>

(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	0.34	10,340,232.15	100.00		10,340,232.15	1.28	10,340,232.15	100.00	
Other receivables that are individually insignificant but are provided for bad debts on individual basis	57,600.00	0.00	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	81,777,999.76	2.73	408,890.01	0.50	81,369,109.75	48,504,303.86	6.01	242,521.52	0.50	48,261,782.34
Other receivables with no bad debt reserves	2,913,165,034.00	96.94			2,913,165,034.00	747,778,591.97	92.70			747,778,591.97
<b>Total</b>	<b>3,005,340,865.91</b>	<b>—</b>	<b>10,806,722.16</b>	<b>—</b>	<b>2,994,534,143.75</b>	<b>806,680,727.98</b>	<b>—</b>	<b>10,640,353.67</b>	<b>—</b>	<b>796,040,374.31</b>

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
Mitsuhiro 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
<b>Total</b>	<b>10,397,832.15</b>	<b>10,397,832.15</b>	<b>100.00</b>	

Note: Other receivables of Mitsuhiro 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	80,220,584.33	0.50	401,102.93
1-2 years	1,124,307.40	0.50	5,621.54
2-3 years	407,913.53	0.50	2,039.57
3-4 years	13,194.50	0.50	65.97
4-5 years	—	0.50	—
Over 5 years	12,000.00	0.50	60.00
<b>Total</b>	<b>81,777,999.76</b>	<b>—</b>	<b>408,890.01</b>

3) *Other receivables with no bad debt reserves:*

Items	Book value	Bad debt	Net value
Receivables from subsidiaries	2,913,165,034.00		2,913,165,034.00
<b>Total</b>	<b>2,913,165,034.00</b>		<b>2,913,165,034.00</b>

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

(4) Top 5 clients

Company Name	Relationship	Amount	Aging	Proportion in Accounts Receivable (%)	Nature
Guangzhou Longxue Shipbuilding Co., Ltd.	Subsidiary	2,000,000,000.00	Within 1 year	66.55	Production fund
Guangzhou Longxue Shipbuilding Co., Ltd	Subsidiary	123,056,000.00	Within 1 year	4.77	Entrusted Loan
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Subsidiary	750,000,000.00	0-3 years	24.28	Entrusted Loan
Government subsidy receivables	Third party	55,780,000.00	Within 1 year	1.86	Product subsidy
Fanguang Development Co., Ltd.	Subsidiary	21,396,233.59	Within 1 year	0.71	Advances
Mitsubishi International Co., Ltd., Hong Kong	Third party	10,340,232.15	Over 5 years	0.34	Entrusted Loan
<b>Total</b>		<b>2,960,572,465.74</b>		<b>98.51</b>	

The Company, consigning Industrial and Commercial Bank of China Zhongshan Branch and CSSC Finance Co., Ltd. to grant loans of RMB750,000,000.00 to the subsidiary, Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., for investment and development in the Zhongshan Base. The Company, consigning Citibank (China) Co., Ltd., Guangzhou Branch to grant loans of RMB123,056,000.00 to the subsidiary, Guangzhou Longxue Shipbuilding Co., Ltd, for repayment.

After approval by the Board, the Company granted an one-off production fund of RMB2 billion to Longxue Shipbuilding to tackle its financial issue and to reduce its pressure on financing cost in order to secure the smooth production procedure of Longxue Shipbuilding.

## 8. Inventories

### (1) Classification

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	723,037,980.97	7,528,641.63	715,509,339.34	672,651,200.68	7,528,641.63	665,122,559.05
Work in progress	196,814,038.99	10,162,020.92	186,652,018.07	298,401,232.73	13,016,920.92	285,384,311.81
Merchandise inventories	10,056,604.08	418,512.22	9,638,091.86	8,578,079.97	465,694.36	8,112,385.61
Capitalized construction contracts	1,367,814,604.06	181,493,581.45	1,186,321,022.61	607,163,569.15	201,179,597.93	405,983,971.22
<b>Total</b>	<b>2,297,723,228.10</b>	<b>199,602,756.22</b>	<b>2,098,120,471.88</b>	<b>1,586,794,082.53</b>	<b>222,190,854.84</b>	<b>1,364,603,227.69</b>

### (2) Inventory impairment

Items	Beginning Balance	Accrued	Decrease		Ending Balance
			Reversal	Transferred out	
Raw materials	7,528,641.63				7,528,641.63
Work in progress	13,016,920.92			2,854,900.00	10,162,020.92
Merchandise inventories	465,694.36			47,182.14	418,512.22
Capitalized construction contracts (inventory)	201,179,597.93	6,236,927.10	35,915,668.37	109,797,112.05	181,493,581.45
Capitalized construction contracts (estimated liability)	362,824,075.45	—	—	—	243,034,238.61
Subtotal	585,014,930.29	6,236,927.10	35,915,668.37	112,699,194.19	442,636,994.83
Less: Capitalized construction contracts (estimated liability)	362,824,075.45	—	—	—	243,034,238.61
<b>Total</b>	<b>222,190,854.84</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>199,602,756.22</b>

**(3) The methods of provision for inventory impairment**

Items	Calculation basis	Reasons	Percentage of inventories %
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)		
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)		
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Total cost reduced as a result of higher production efficiency	1.39%

**9. Financial assets available for sale**

**(1) Category**

Items	Ending balance	Beginning balance
<b>Equity instrument available-for-sale</b>		
Measured at fair value	<b>28,190,000.00</b>	29,070,000.00
China Merchants Energy and Transportation Co., Ltd. (CMES)	<b>25,740,000.00</b>	26,620,000.00
Wuhan Jinyinhu Golf Membership	<b>2,450,000.00</b>	2,450,000.00
Measured at cost method	<b>1,000,000.00</b>	1,000,000.00
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	<b>1,000,000.00</b>	1,000,000.00
<b>Total</b>	<b>29,190,000.00</b>	30,070,000.00

Items	Equity instrument available-for-sale at fair value	Total
Beginning fair value	29,070,000.00	29,070,000.00
The cost of equity instrument/amortized cost of debt instrument	39,459,259.00	39,459,259.00
Ending fair value	28,190,000.00	28,190,000.00
The change in fair value that recorded into other comprehensive profits	-11,269,259.00	-11,269,259.00
The impairment		

As at June 30, 2014, 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 period, the company hold 49 membership certification of Wuhan Jinyinhu Golf, according to sales price RMB60,000 per certification Last Period, and based on prudence, recognize the fair value RMB50,000 each. At the end of the period, the equity interest in China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd. held by the Company was calculated at investment cost.

**(2) The analysis is as follows**

Items	Ending Balance	Beginning Balance
Listed	<b>25,740,000.00</b>	26,620,000.00
China (except HK)	<b>25,740,000.00</b>	26,620,000.00
Subtotal	<b>25,740,000.00</b>	26,620,000.00
Unlisted	<b>9,350,000.00</b>	9,350,000.00
<b>Total</b>	<b>35,090,000.00</b>	35,970,000.00

**(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.

## 10. Long-term equity investment

### (1) Classification

Items	Ending Balance	Beginning Balance
Cost method	719,542,665.04	477,487,284.25
Equity method	3,925,177.75	5,426,696.10
Including: associate companies	3,925,177.75	5,426,696.10
<b>Total</b>	<b>723,467,842.79</b>	<b>482,913,980.35</b>
Less: Provision for impairment	-	
<b>Net value</b>	<b>723,467,842.79</b>	<b>482,913,980.35</b>

### (2) Analysis of long-term equity investments are as follows:

Items	Ending Balance	Beginning Balance
Unlisted	723,467,842.79	482,913,980.35
<b>Total</b>	<b>723,467,842.79</b>	<b>482,913,980.35</b>

### (3) Detailed classification by method

Investee	Share holding %	Voting right %	Initial investment	Beginning balance	Increase or decrease	Net profit or loss by equity	Cash dividend declared	Change in other equity	Ending balance	Provision for impairment	Provision impairment during the period
<b>Cost method</b>											
Guangzhou XingShun Shipping Services Co., Ltd.	83.00	83.00	500,000.00	500,000.00		Not applicable		Not applicable	500,000.00		
Guangzhou Wanda Marine Engineering Co., Ltd.	75.00	75.00	2,486,385.00	3,685,222.80		Not applicable		Not applicable	3,685,222.80		
Guangzhou Yonglian Steel Structure Co., Ltd.	75.00	75.00	67,012,395.00	79,095,776.55		Not applicable		Not applicable	79,095,776.55		
Guangdong GSI elevator Co., Ltd.	95.00	95.00	19,950,000.00	19,950,000.00		Not applicable		Not applicable	19,950,000.00		
Guangzhou Hongfan Technology Co., Ltd.	51.00	51.00	4,500,000.00	2,550,000.00		Not applicable		Not applicable	2,550,000.00		
The RongGuang Development Co., Ltd.	100.00	100.00	10,439.94	26,443,792.13		Not applicable		Not applicable	26,443,792.13		
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	80.00	80.00	6,652,492.77	6,652,492.77		Not applicable		Not applicable	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		Not applicable		Not applicable	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		Not applicable		Not applicable	100,000,000.00		
Guangzhou Shipyard International Marine Engineering Co., Ltd.	100.00	100.00	50,000,000.00	50,000,000.00		Not applicable		Not applicable	50,000,000.00		
Guangzhou Longxue Shipbuilding Co., Ltd.	100.00	100.00	242,055,380.79		242,055,380.79	Not applicable		Not applicable	242,055,380.79	-	-
Subtotal			523,167,093.50	477,487,284.25	242,055,380.79		-	Not applicable	719,542,665.04		
<b>Equity method</b>											
South China Special Coating Industrial Co., Ltd.	25.00	25.00	1,937,780.53	4,505,874.94		43,633.62	1,399,866.01		3,062,375.31		
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	40.00	40.00	800,000.00	920,821.16		58,018.72			862,802.44		
Subtotal			2,737,780.53	5,426,696.10	-	101,652.34	1,399,866.01		3,925,177.75		
<b>Total</b>			525,904,874.03	482,913,980.35	242,055,380.79	101,652.34	1,399,866.01		723,467,842.79		

### (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.

## 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
<b>Total original cost</b>	2,033,710,948.70	11,599,440.41	160,399.50	<b>2,045,149,989.61</b>
Buildings	965,175,571.56	2,442,570.40		<b>967,618,141.96</b>
Machinery	1,017,545,168.92	5,859,352.93	160,399.50	<b>1,023,244,122.35</b>
Transportation facilities	28,910,049.48	2,733,484.99		<b>31,643,534.47</b>
Office equipments	22,080,158.74	564,032.09		<b>22,644,190.83</b>
<b>Total accumulated depreciation</b>	1,054,326,876.46	42,457,324.61	152,834.41	<b>1,096,631,366.66</b>
Buildings	365,582,009.08	16,118,827.84		<b>381,700,836.92</b>
Machinery	660,833,796.31	24,197,651.27	152,834.41	<b>684,878,613.17</b>
Transportation facilities	13,587,632.25	1,190,475.46		<b>14,778,107.71</b>
Office equipments	14,323,438.82	950,370.04		<b>15,273,808.86</b>
<b>Total carrying amount</b>	979,384,072.24			<b>948,518,622.95</b>
Buildings	599,593,562.48			<b>585,917,305.04</b>
Machinery	356,711,372.61			<b>338,365,509.18</b>
Transportation facilities	15,322,417.23			<b>16,865,426.76</b>
Office equipments	7,756,719.92			<b>7,370,381.97</b>
<b>Total provision for impairment</b>				
Buildings				
Machinery				
Transportation facilities				
Office equipments				
<b>Total net book value</b>	979,384,072.24			<b>948,518,622.95</b>
Buildings	599,593,562.48			<b>585,917,305.04</b>
Machinery	356,711,372.61			<b>338,365,509.18</b>
Transportation facilities	15,322,417.23			<b>16,865,426.76</b>
Office equipments	7,756,719.92			<b>7,370,381.97</b>

The amortization of fixed assets recognized through profit or loss is RMB 42,457,324.61 for Current Period (last period: RMB44,947,622.97).

The increased fixed assets included RMB11,599,440.41 of capitalized Construction in progress transferred-in.

### (2) Buildings analyzed by region and year:

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	<b>585,917,305.04</b>	599,593,562.48
<b>Total</b>	<b>585,917,305.04</b>	599,593,562.48

### (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	<b>29,498,733.13</b>	<b>26,079,855.43</b>	29,498,733.13	26,415,072.33
Company 5 floors office building	<b>8,060,675.25</b>	<b>7,039,576.13</b>	8,060,675.25	7,148,371.91
<b>Total</b>	<b>37,559,408.38</b>	<b>33,119,431.56</b>	37,559,408.38	33,563,444.24

Items	Reasons	Expected time to obtain
Mechanical and electrical suppliers storage	Transacting ownership certificates	2015
Company 5 floors office building	Transacting ownership certificates	2015

### 13. Construction in progress

#### (1) Category

Items	Ending Balance			Beginning Balance		
	Carrying amount	Impairment	Impairment	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	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	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	1,150,454.29		1,150,454.29
Comprehensive technical innovation upfront fees	1,110,662.51		1,110,662.51	1,096,917.01		1,096,917.01
Research and conservation projects in the prophase of the project funds	759,854.67		759,854.67	693,469.77		693,469.77
Renovation of canteen office building design department office space	845,353.10		845,353.10	655,018.03		655,018.03
Renovation project of the electrical components of water loader				570,514.06		570,514.06
Preliminary design of comprehensive technical innovation project	566,037.74		566,037.74	566,037.74		566,037.74
2 company cars				549,695.10		549,695.10
3# team room mechanical parking facilities	497,654.63		497,654.63	497,654.63		497,654.63
Upfront fee of the construction of equipment for middle and small ship coating	473,233.22		473,233.22	473,233.22		473,233.22
Renovation and upgrade of stern platform	387,468.31		387,468.31	387,468.31		387,468.31
Renovation of ventilation and air-conditioning system of technical center building	454,665.60		454,665.60	134,386.57		134,386.57
Shipbuilding Division onshore power supply with variable frequency function	115,138.60		115,138.60			-
1#3# Slipway Extension Project	2,041,714.01		2,041,714.01			-
The shipbuilding division 500HP tugboat 1 set	1,130,965.55		1,130,965.55			-
Other projects	394,282.85		394,282.85	1,439,672.76		1,439,672.76
<b>Total</b>	<b>18,460,650.10</b>	<b>-</b>	<b>18,460,650.10</b>	<b>20,209,436.77</b>	<b>-</b>	<b>20,209,436.77</b>

#### (2) The changes in significant Construction in progress

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Decrease	
The old dock berth local dredging projects	1,502,683.48	386,028.17	1,888,711.65		-
One 150 ton flatbed truck in Shipbuilding Division	1,959,066.78		1,959,066.78		-
1#3# Slipway Extension Project		2,041,714.01			2,041,714.01
The shipbuilding division 500HP tugboat 1 set		1,130,965.55			1,130,965.55
Electrical goods collection project	1,150,454.29				1,150,454.29
Shipbuilding Division stern platform	2,224,039.02				2,224,039.02
"1" development the construction of security conditions	4,250,000.00				4,250,000.00
Network cabling in building, security product expansion and renovation project	2,059,126.00				2,059,126.00
<b>Total</b>	<b>13,145,369.57</b>	<b>3,558,707.73</b>	<b>3,847,778.43</b>	<b>-</b>	<b>12,856,298.87</b>

(Continued)

Project name	Budget	Budget use-up ratio %	Press of work	Accumulated capitalized interest	Capitalized interest for current period	Capitalization %	Source of capital
The old dock berth local dredging projects	2,000,000.00	0.94	Completed				Self-financing
One 150 ton flatbed truck in Shipbuilding Division	1,900,000.00	1.03	Completed				Self-financing
1#3# Slipway Extension Project	4,090,000.00	0.50	In progress				Self-financing
The shipbuilding division 500HP tugboat 1 set	4,800,000.00	0.24	In progress				Self-financing
Electrical goods distribution base project of the old district berths local dredging projects	22,280,000.00	0.05	In progress				Self-financing
Shipbuilding Division stern platform	23,620,000.00	0.09	In progress				Self-financing
"1" development the construction of security conditions	14,020,000.00	0.30	In progress				Self-financing
Network cabling in building, security product expansion and renovation project	2,300,000.00	0.90	In progress				Self-financing
<b>Total</b>	<b>75,010,000.00</b>	-	-	-			

#### 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
<b>Total original cost</b>	138,078,212.52	246,917.32	-	<b>138,325,129.84</b>
Land use right	73,481,962.38	-	-	<b>73,481,962.38</b>
Software	64,596,250.14	246,917.32	-	<b>64,843,167.46</b>
<b>Total accumulated amortization</b>	74,693,437.20	3,277,964.92	-	<b>77,971,402.12</b>
Land use right	26,784,581.30	739,228.38	-	<b>27,523,809.68</b>
Software	47,908,855.90	2,538,736.54	-	<b>50,447,592.44</b>
<b>Total carrying amount</b>	63,384,775.32			<b>60,353,727.72</b>
Land use right	46,697,381.08			<b>45,958,152.70</b>
Software	16,687,394.24			<b>14,395,575.02</b>
<b>Total provision for impairment</b>				
Land use right				
Software				
<b>Total net book value</b>	63,384,775.32			<b>60,353,727.72</b>
Land use right	46,697,381.08			<b>45,958,152.70</b>
Software	16,687,394.24			<b>14,395,575.02</b>

Land use right analyzed by region and year:

Items	Ending Balance	Beginning Balance
Inside China	<b>45,958,152.70</b>	46,697,381.08
Mid-term (10-50 years)	<b>45,958,152.70</b>	46,697,381.08
<b>Total</b>	<b>45,958,152.70</b>	46,697,381.08

The amortization of Intangible assets recognized through profit or loss is RMB3,277,964.92 for the current period (last period: 3,072,068.99).



## 16. Research and development expenditures

Items	Beginning Balance	Increase	Decrease		Ending Balance
			Expensed	Capitalized	
76000 tons of semi submerged ship design and construction technology R & D and industrialization		34,131,496.35	34,131,496.35		
Energy conservation and environment protection VLCC research and development		6,460,647.67	6,460,647.67		
Research on typical cabin arrangement and decoration design manufacturing technology and luxury cruise		5,530,101.20	5,530,101.20		
High performance large curvature complex curved hull plate forming intelligent robot		3,664,599.98	3,664,599.98		
Research & Development of comprehensive manufacturing technology		2,691,707.78	2,691,707.78		
Shipbuilding computer integrated manufacturing system-GSI-SCIMS II		2,508,045.17	2,508,045.17		
Complex component forming key technology and equipment technology		1,583,103.68	1,583,103.68		
Emulation of precise shipbuilding techniques		1,509,805.02	1,509,805.02		
Research & Development of 50000 tons of chemical/product oil cargo		1,481,960.58	1,481,960.58		
Research and Development of Aframax product oil tanker		913,476.27	913,476.27		
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		745,205.73	745,205.73		
50000 ton handymax products tanker replacement exploitation		634,428.21	634,428.21		
Other research projects		6,894,639.27	6,894,639.27		
<b>Total</b>		<b>68,749,216.91</b>	<b>68,749,216.91</b>		

## 17. Long-term unamortized assets

Items	Beginning balance	Increase	Amortized	Decrease	Ending balance	Reasons
Long Island Ferry additional Dolphins Engineering	3,476,413.96		579,402.30		<b>2,897,011.66</b>	
<b>Total</b>	<b>3,476,413.96</b>		<b>579,402.30</b>		<b>2,897,011.66</b>	

## 18. Deferred tax assets and deferred tax liabilities

### (1) Recognized deferred tax assets and deferred tax liabilities

Items	Ending Balance	Beginning Balance
<b>Deferred tax assets</b>		
Provision for impairment of assets	68,042,971.46	89,669,970.11
Deductible losses	5,364,486.25	
Prepaid housing subsidy	2,325,178.05	2,582,660.40
Monetary housing allowance for retired employees	8,097,977.31	8,141,075.65
Medical insurance for retired employees within 10 years	129,034.47	129,034.47
Payroll for retiring employees	29,328.92	57,021.74
Accrued expenses	10,196,012.05	
Payroll balance owing at period end		68,960.17
Change in fair value of financial liabilities at fair value through profit and loss	5,487,812.98	
Change in fair value of available-for-sale financial assets	1,704,000.00	1,572,000.00
Employee education expense	2,396,844.85	2,113,212.60
<b>Total</b>	<b>103,773,646.34</b>	<b>104,333,935.14</b>
<b>Deferred tax liabilities</b>		
Fair value changes in Financial assets available for sale	13,611.16	13,611.16
Change in fair value of financial assets at fair value through profit and loss	4,394,540.99	10,381,512.56
<b>Total</b>	<b>4,408,152.15</b>	<b>10,395,123.72</b>

### (2) Taxable differences and deductible differences items

Items	Ending Balance	Beginning Balance
<b>Deferred tax assets</b>		
Provision for impairment of assets	453,725,100.43	597,799,800.72
Deductible losses	35,763,241.67	
Prepaid housing subsidy	15,501,187.00	17,217,736.00
Monetary housing allowance for retired employees	53,986,515.40	54,273,837.64
Medical insurance for retired employees within 10 years	860,229.85	860,229.78
Payroll for retiring employees	195,526.14	380,144.94
Accrued expenses	67,973,413.65	
Change in fair value of financial liabilities at fair value through profit and loss	36,585,419.89	
Payroll balance owing at period end	–	459,734.48
Change in fair value of available-for-sale financial assets	11,360,000.00	10,480,000.00
Employee education expense	15,978,965.67	14,088,084.07
<b>Total</b>	<b>691,929,599.69</b>	<b>695,559,567.63</b>
<b>Deferred tax liabilities</b>		
Fair value changes in Financial assets available for sale	90,741.00	90,741.07
Change in fair value of financial assets at fair value through profit and loss	29,296,939.92	69,210,083.75
<b>Total</b>	<b>29,387,680.92</b>	<b>69,300,824.82</b>

## 19. Provision for impairment of assets

Items	Beginning balance	Accrued	Decrease		Ending balance
			Reverse	Write-off	
Bad debts	13,520,286.14	53,101.00			13,573,387.14
Provision for devaluation of Inventories (Inventory)	222,190,854.84	6,236,927.10	35,915,668.37	112,699,194.19	199,602,756.22
Provision for devaluation of Inventories (Provision)	362,824,075.45	–	–	–	243,034,238.61
Provision for impairment of Investment property	1,855,011.59			1,855,011.59	
<b>Total</b>	<b>600,390,228.02</b>	<b>6,290,028.10</b>	<b>35,915,668.37</b>	<b>114,554,205.78</b>	<b>456,210,381.97</b>

## 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	101,210,963.83	6.1528	622,730,818.25	5,000,000.00	6.0969	30,484,500.00
<b>Total</b>		-	-	<b>622,730,818.25</b>			<b>30,484,500.00</b>

Mortgage: As at June 30, 2014, the short-term loans of RMB 622,730,818.25 are granted with other cash fund of RMB 661,446,935.13 of the Group as the pledge.

Interest rate: As at June 30, 2014, the weighted average annual interest rate of the short-term loans is 2.82%. (last period: 1.4%).

### 21. Financial liabilities at fair value through profit and loss

Item	Ending Fair Value	Beginning Fair Value
Forward foreign currency contracts	36,585,419.89	
<b>Total</b>	<b>36,585,419.89</b>	

### 22. Notes payable

Items	Ending balance	Beginning balance
Bank acceptance bill	486,292,873.84	616,401,532.69
<b>Total</b>	<b>486,292,873.84</b>	<b>616,401,532.69</b>

### 23. Accounts payable

#### (1) Category

Items	Ending Balance	Beginning Balance
Materials purchased	1,270,148,296.63	1,020,403,240.45
Settlements for projects	107,710,462.39	16,787,122.95
Product settlement	44,695,102.57	28,526,160.98
Warranty	85,067,284.00	76,468,364.63
Other projects and labour service	947,938.22	190,686,804.44
<b>Total</b>	<b>1,508,569,083.81</b>	<b>1,332,871,693.45</b>

#### (2) Aging analysis

By the end of the period, accounts payable aging analysis according to the invoice date:

Items	Ending Balance	Beginning Balance
Within 1 year	1,470,297,413.90	1,267,625,159.82
1-2 years	25,906,597.70	25,793,996.72
2-3 years	8,427,652.85	33,477,551.26
Over 3 years	3,937,419.36	5,974,985.65
<b>Total</b>	<b>1,508,569,083.81</b>	<b>1,332,871,693.45</b>

Large-amount Accounts payable aged more than 1 year

Clients	Amount	Nature	Reasons
Shanghai Dacheng Venture Capital Co., Ltd.	10,823,877.62	Materials purchased	Not settled
Guangzhou Yonglian Steel Structure Co., Ltd	3,145,225.47	Construction cost payable	Not settled
A research institute of China Shipbuilding Industry Corporation	2,644,250.00	Warranty payable	Not settled
Wuhan Heavy Duty Machine Tool Group Co., Ltd	1,266,000.00	Construction cost and warranty payable	Payable on client's demand
Wuhan Marine Equipment Company	1,190,000.00	Warranty payable	Not settled

(3) *As of June 30 2014, the accounts receivable balance details exclude shareholders who hold 5% or more of the Company's shares.*

(4) *Balances of accounts payable in foreign currencies*

Currency	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
USD	8,289,219.14	6.1529	51,002,322.97	8,287,016.39	6.0969	50,525,110.23
<b>Total</b>			<b>51,002,322.97</b>			<b>50,525,110.23</b>

24. **Advances from customers**

(1) *Aging analysis*

Items	Ending Balance	Beginning Balance
<b>Total</b>	<b>174,048,627.78</b>	407,461,536.38
Over 1 year	<b>84,439,279.53</b>	211,697,365.45

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

Client	Amount	Nature	Reasons
Greece Pioneer Ocean Shipping Co., Ltd	51,927,588.78	Engineering projects	Not settled
Shenzhen Energy and Environment Protection Co., Ltd.	4,022,058.11	Payment for goods	Not settled
Qingdao Haier Special electric freezer Co., Ltd.	3,119,247.86	Payment for goods	Not settled
Guangdong Changhong Highway Engineering Co., Ltd.	17,094,017.10	Payment for goods	Not settled
Qingyuan Storage Power Generation Co., Ltd.	22,086,926.13	Payment for goods	Not settled
<b>Total</b>	<b>98,249,837.98</b>		

(3) *Advances from customers for construction contract at the end of the period*

Client	Amount	Nature	Reasons
Greece Pioneer Ocean Shipping Co., Ltd	51,927,588.78	Engineering projects	Not settled
<b>Total</b>	<b>51,927,588.78</b>		

(4) *The Advances from customers balance details exclude shareholders who hold 5% or more of the Company's shares.*

(5) *Advances from customers with foreign currency balance*

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	14,155,976.98	6.2194	88,041,531.22	34,476,872.42	6.2169	214,338,768.45
<b>Total</b>			<b>88,041,531.22</b>			<b>214,338,768.45</b>

## 25. Employee benefits

Items	Beginning Balance	Increase	Decrease	Ending Balance
<b>(i) short-term payroll</b>	15,788,468.44	324,706,306.73	324,065,366.57	<b>16,429,408.60</b>
1.1. Wages or salaries, bonuses, allowances and subsidies	503,085.93	125,460,217.22	125,887,729.70	<b>75,573.45</b>
1.2. Staff welfare		8,146,615.86	8,146,615.86	
1.3. Basic medical insurance		9,474,482.13	9,474,482.13	
1.4. Work-related injury insurance		883,928.42	883,928.42	
1.5. Maternity insurance		441,964.21	441,964.21	
1.6. Supplementary medical insurance		406,308.45	406,308.45	
1.7. Housing fund		14,677,886.00	14,677,886.00	
1.8. Union & Education funds	15,285,382.51	3,926,888.48	2,858,435.84	<b>16,353,835.15</b>
1.9. Outsourcing labour costs and others		161,288,015.96	161,288,015.96	
1.10. Non-monetary benefits				
<b>(ii) welfare after departure</b>	336,793.42	21,011,740.58	21,153,007.86	<b>195,526.14</b>
2.1. Basic medical insurance		19,888,389.35	19,888,389.35	
2.2. Unemployment insurance		1,021,152.11	1,021,152.11	
2.3. Enterprise annuity				
2.4. Expected early retirement expenses	336,793.42	102,199.12	243,466.40	<b>195,526.14</b>
<b>(iii) Severance benefits</b>				
<b>(iv) other long-term staff welfare due within one year</b>	2,795,580.00			<b>2,795,580.00</b>
4.1. retired staff housing allowance	2,502,040.00			<b>2,502,040.00</b>
4.2. staff house-purchasing aid	293,540.00			<b>293,540.00</b>
<b>Total</b>	<b>18,920,841.86</b>	<b>345,718,047.31</b>	<b>345,218,374.43</b>	<b>19,420,514.74</b>

Related illustrations please refer to Note V.27.

## 26. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-171,120,077.41	-101,432,138.50
Business Tax	62,269.57	7,866,531.44
Corporate Income Tax	-	19,599,693.52
Individual Income Tax	797,485.63	4,985,929.76
City Maintenance and Construction Tax	18,211.30	664,757.57
Real Estate Tax	2,675,938.37	899,961.17
Land use Tax	2,193,849.20	280,593.80
Education Surcharge	13,008.07	474,826.83
Flood control and maintain expenses	1,393,923.22	1,621,852.94
Land Appreciation Tax	504,945.00	
<b>Total</b>	<b>-163,460,447.05</b>	<b>-65,037,991.47</b>

## 27. Interest payable

Items	Ending Balance	Beginning Balance
Interest payable of long-term borrowings, of which interests are paid in instalments and the principal is paid at the maturity rate	5,291,977.90	10,703,500.67
Interest payable of short-term borrowings	1,428,462.04	59,275.40
<b>Total</b>	<b>6,720,439.94</b>	<b>10,762,776.07</b>

Interest payable with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	96,724.87	6.1528	595,128.76	1,614,937.01	6.0969	9,846,109.44
<b>Total</b>			<b>595,128.76</b>			<b>9,846,109.44</b>

**28. Dividend payable**

Name	Ending Balance	Beginning Balance	Reason for not paying over one year
Dividend payable of A Share	<b>67,010.53</b>	66,449.19	Individual shareholder dividends payable undetermined rights
Dividend payable of H Share	<b>110,711.24</b>	110,711.24	Individual shareholder dividends payable undetermined rights
<b>Total</b>	<b>177,721.77</b>	177,160.43	

**29. Other payables****(1) Other payables**

Items	Ending Balance	Beginning Balance
<b>Total</b>	<b>18,296,547.62</b>	17,069,938.74
Including over 1 year	<b>7,266,228.43</b>	2,944,133.26

**(2) Large-amount Other payables by the end of period**

Items	Amount	Nature
Housing assistance	7,596,670.00	Housing assistance
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	4,872,835.18	Account payment
Wuhan Yinhu golf membership	1,210,000.00	Golf membership down payment
Medical insurance for retirees	860,229.85	Medical insurance for retirees
Monetary housing subsidies for retirees	800,000.00	Monetary housing subsidies for retirees
<b>Total</b>	<b>15,339,735.03</b>	

**(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**

Items	Ending Balance	Beginning Balance
Non-current liabilities due within one year	<b>841,832,517.25</b>	789,219,805.15
<b>Total</b>	<b>841,832,517.25</b>	789,219,805.15

**31. Other current liabilities**

Items	Ending Balance	Beginning Balance
<b>Long-term project settlement</b>	<b>3,259,132,001.51</b>	2,766,416,684.35
Shipbuilding products	<b>3,259,132,001.51</b>	2,766,416,684.35
<b>Deferred income</b>	<b>4,107,745.20</b>	4,107,745.20
Government subsidy	<b>4,107,745.20</b>	4,107,745.20
<b>Total</b>	<b>3,263,239,746.71</b>	2,770,524,429.55

PS. The details of deferred income-Governmental subsidy please refer to Note XIII.35.

### 32. Long-term loans

#### (1) Category

Classification	Ending Balance	Beginning Balance
Mortgage loans	2,710,096,354.63	2,077,624,278.31
Guarantee loans	600,000,000.00	600,000,000.00
Less: Due within 1 year	841,832,517.25	789,219,805.15
<b>Total</b>	<b>2,468,263,837.38</b>	<b>1,888,404,473.16</b>

Mortgage: As at June 30, 2014, the long-term loans of RMB1,658,881,741.29 are granted with other monetary fund of RMB2,178,405,070.82 of the Group as the pledge and the long-term loans of RMB1,051,214,613.34 are granted with the payment of USD192,830,200 derived from ship sales contracts as the pledge.

Guarantee: As at the end of the year, the long-term loans of RMB600,000,000.00 are granted with the pledge of Longxue Shipbuilding, a subsidiary.

Interest rate: As at June 30, 2014, the weighted average annual interest rate of the long-term loans is 2.82%. (June 30, 2013: 2.94%).

#### (2) Long-term loans due date

Items	Ending Balance	Beginning Balance
1-2 years	1,868,263,837.38	1,288,404,473.16
2-5 years		
Over 5 years	600,000,000.00	600,000,000.00
<b>Total</b>	<b>2,468,263,837.38</b>	<b>1,888,404,473.16</b>

#### (3) Long-term loans with foreign currency balance

Currency	Ending Balance			Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	269,614,117.36	6.1528	1,658,881,741.29	340,767,320.82	6.0969	2,077,624,278.31
Including: Long-term loans due in 1 year	114,821,043.63	6.1528	706,470,917.25	129,446,080.00	6.0969	789,219,805.15
<b>Total</b>			<b>1,658,881,741.29</b>			<b>2,077,624,278.31</b>

### 33. Special payable

This section is the same with the Consolidated Financial Statements. See Note V.35.

### 34. Estimated liabilities

Items	Beginning Balance	Increase	Decrease	Ending Balance
<b>Product quality warranties</b>	74,130,127.14	5,866,085.86	12,022,799.35	<b>67,973,413.65</b>
Onerous construction contract note	362,824,075.45	—	—	<b>243,034,238.61</b>
<b>Total</b>	<b>436,954,202.59</b>	<b>—</b>	<b>—</b>	<b>311,007,652.26</b>

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 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 for reporting purpose.

### 35. Other non-current liabilities

#### (1) Category

Items	Ending Balance	Beginning Balance
<b>(1) Deferred Revenue</b>	<b>85,068,297.27</b>	90,141,707.60
Upfront fees for comprehensive technology upgrading	<b>43,700,000.00</b>	43,700,000.00
Research & Development of manufacturing technology of ships	<b>19,469,921.45</b>	21,977,966.62
Integrated ship building project	<b>13,156,185.97</b>	14,387,126.53
Upfront fees for infrastructure development of the quality Department metering station	<b>2,329,431.86</b>	2,698,430.60
Enterprise Technology Center innovative capacity-building projects	<b>1,350,000.00</b>	1,500,000.00
150 tons self-propelled hydraulic flatbed	<b>1,124,999.93</b>	1,208,333.27
Coating technology and transformation	<b>1,024,657.48</b>	1,101,506.80
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	<b>924,246.24</b>	995,342.16
Dock adaptive transformation (1)	<b>716,666.44</b>	733,333.12
Dock adaptive transformation	<b>573,333.56</b>	586,666.88
High performance large curvature complex curved hull plate forming intelligent robot		511,492.56
Key technology and equipment of large ship and special ship	<b>260,000.00</b>	260,000.00
Noise control engineering for new area	<b>190,733.54</b>	195,493.52
Noise control engineering for painting workshop	<b>181,578.90</b>	189,473.64
Transferring capabilities of regional value integration and upgrading technologies	<b>39,041.61</b>	64,041.63
Metering scientific instruments for the Group	<b>27,500.29</b>	32,500.27
<b>(2) Long-term Staff Welfare</b>	<b>60,447,835.25</b>	60,735,157.49
2.1 Monetary housing subsidies for retirees	<b>52,284,475.40</b>	52,571,797.64
2.2 Housing assistance for employees	<b>7,303,130.00</b>	7,303,130.00
2.3 Medical insurance for retirees	<b>860,229.85</b>	860,229.85
<b>Total</b>	<b>145,516,132.52</b>	150,876,865.09



## (2) Government grants

Items	Beginning balance	Amount Increase Current Period	Flow to Non-operating Income	Other Changes	Ending Balance	Asset/Profit Related to
Metering scientific instruments for the Group	32,500.27		4,999.98		<b>27,500.29</b>	Related to Asset
150 tons self-propelled hydraulic flatbed	1,208,333.27		83,333.34		<b>1,124,999.93</b>	Related to Asset
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	995,342.16		71,095.92		<b>924,246.24</b>	Related to Asset
Dock adaptive transformation	586,666.88		13,333.32		<b>573,333.56</b>	Related to Asset
Noise control engineering for painting workshop	189,473.64		7,894.74		<b>181,578.90</b>	Related to Asset
Coating technology and transformation (coating workshop building)	1,101,506.80		76,849.32		<b>1,024,657.48</b>	Related to Asset
Noise control engineering for new area	195,493.52		4,759.98		<b>190,733.54</b>	Related to Asset
Transferring capabilities of regional value integration and upgrading technologies	64,041.63		25,000.02		<b>39,041.61</b>	Related to Asset
Integrated ship building project	14,387,126.53		1,230,940.56		<b>13,156,185.97</b>	Related to Asset
Enterprise Technology Center innovative capacity-building projects	1,500,000.00		150,000.00		<b>1,350,000.00</b>	Related to Asset
Upfront fees for infrastructure development of the quality Department metering station	2,698,430.60		368,998.74		<b>2,329,431.86</b>	Related to Asset
Upfront fees for comprehensive technology upgrading	43,700,000.00				<b>43,700,000.00</b>	Related to Asset
Dock adaptive transformation (1)	733,333.12		16,666.68		<b>716,666.44</b>	Related to Asset
Research & Development of manufacturing technology of comprehensive delivery ships	21,977,966.62		2,508,045.17		<b>19,469,921.45</b>	Related to Asset
Key technology and equipment of large ship and special ship	260,000.00		-		<b>260,000.00</b>	Related to Asset
Key equipment and technology of complex component modeling	-	800,000.00	800,000.00			Related to Profit
High performance large curvature complex curved hull plate forming intelligent robot	511,492.56		511,492.56			Related to Profit
Research & Development of designing and manufacturing technology of classical cabin layout and decoration luxury cruise ship	-	6,000,000.00	6,000,000.00			Related to Profit
Emulation of precise shipbuilding techniques	-	1,300,000.00	1,300,000.00			Related to Profit
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle	-	600,000.00	600,000.00			Related to Profit
Research on the shipbuilding document of International Maritime Organization	-	120,000.00	120,000.00			Related to Profit
<b>Total</b>	<b>90,141,707.60</b>	<b>8,820,000.00</b>	<b>13,893,410.33</b>		<b>85,068,297.27</b>	-

## 36. Share capital

This section is the same with the Consolidated Financial Statements. See Note V.38.

### 37. Capital reserves

Current Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	502,982,505.95	1,781,748,959.47	363,083,071.19	<b>1,921,648,394.23</b>
Other capital reserves	-8,248,436.90	-748,000.00		<b>-8,996,436.90</b>
<b>Total</b>	<b>494,734,069.05</b>	<b>1,781,000,959.47</b>	<b>363,083,071.19</b>	<b>1,912,651,957.33</b>

Last Period

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
<b>Total</b>	<b>676,133,916.27</b>	<b>-1,309,000.00</b>	<b>180,090,847.22</b>	<b>494,734,069.05</b>

### 38. Special reserves

Current Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		5,650,446.87	5,650,446.87	
<b>Total</b>		<b>5,650,446.87</b>	<b>5,650,446.87</b>	

Last Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		43,363,109.26	43,363,109.26	
<b>Total</b>		<b>43,363,109.26</b>	<b>43,363,109.26</b>	

### 39. Surplus reserves

Current Period

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	424,890,084.65			<b>424,890,084.65</b>
Discretionary surplus reserves	18,582,196.43			<b>18,582,196.43</b>
<b>Total</b>	<b>443,472,281.08</b>			<b>443,472,281.08</b>

Last Period

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
<b>Total</b>	<b>430,871,381.60</b>	<b>12,600,899.48</b>		<b>443,472,281.08</b>

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

#### 40. Undistributed profits

Current Period

Items	Amounts	Appropriation %
Ending Balance of Last Period	2,367,213,921.15	
Add: Beginning retained earnings adjustment		
Changes in accounting policies		
Corrections of Prior Period Error		
Change of consolidation scope under common control		
Other adjustments		
<b>Beginning Balance of Current Period</b>	<b>2,367,213,921.15</b>	
Add: Net profit attributable to Parent Company	-31,090,292.76	
Less: Provision of statutory surplus reserve		
Provision of other capital reserves		
Provision of general risk reserve		
Ordinary share dividend payable	10,305,346.51	
Capitalized ordinary share dividend		
Ending Balance of Current Period	2,325,818,281.88	

Last Period

Items	Amounts	Appropriation %
Ending Balance of Last Period	2,330,975,528.31	
Add: Beginning retained earnings adjustment		
Changes in accounting policies		
Corrections of Prior Period Error		
Change of consolidation scope under common control		
Other adjustments		
<b>Beginning Balance of Current Period</b>	<b>2,330,975,528.31</b>	
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 other capital reserves		
Provision of general risk reserve		
Ordinary share dividend payable	77,169,702.48	
Capitalized ordinary share dividend		
Ending Balance of Current Period	2,367,213,921.15	

#### 41. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	<b>13,569,553,719.59</b>	10,675,188,125.30
Less: Current liabilities	<b>6,814,453,864.55</b>	5,928,856,222.85
<b>Net current assets</b>	<b>6,755,099,855.04</b>	4,746,331,902.45

#### 42. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	<b>15,480,696,810.15</b>	12,388,558,012.69
Less: current liabilities	<b>6,814,453,864.55</b>	5,928,856,222.85
<b>Total assets less current liabilities</b>	<b>8,666,242,945.60</b>	6,459,701,789.84

#### 43. Loans

Category:

Items	Ending Balance	Beginning Balance
Short-term loans	622,730,818.25	30,484,500.00
Non-current liabilities due within one year	841,832,517.25	789,219,805.15
Long-term loans	2,468,263,837.38	1,888,404,473.16
<b>Total</b>	<b>3,932,827,172.88</b>	<b>2,708,108,778.31</b>

##### (1) Analysis of loans

Items	Ending Balance	Beginning Balance
Bank loans	3,932,827,172.88	2,708,108,778.31
– Due within 5 years	3,332,827,172.88	2,108,108,778.31
– Due after 5 years	600,000,000.00	600,000,000.00
<b>Total</b>	<b>3,932,827,172.88</b>	<b>2,708,108,778.31</b>

##### (2) Due date analysis

Items	Ending Balance	Beginning Balance
Pay back as required or within 1 year	3,332,827,172.88	819,704,305.15
1-2 years		1,288,404,473.16
2-5 years		
Over 5 years	600,000,000.00	600,000,000.00
<b>Total</b>	<b>3,932,827,172.88</b>	<b>2,708,108,778.31</b>

#### 44. Operating income, operating cost

Items	Current Period	Last Period
Main business income	2,924,498,820.91	1,343,838,643.42
Other business income	189,002,525.17	45,958,506.51
<b>Total</b>	<b>3,113,501,346.08</b>	<b>1,389,797,149.93</b>
Main business cost	2,922,104,331.33	1,222,929,675.33
Other business cost	164,003,495.78	31,998,739.99
<b>Total</b>	<b>3,086,107,827.11</b>	<b>1,254,928,415.32</b>

Gross margin

Items	Current Period	Last Period
Main business income	2,924,498,820.91	1,343,838,643.42
Main business cost	2,922,104,331.33	1,222,929,675.33
Gross margin	2,394,489.58	120,908,968.09

Revenue from construction contracts

Items	Current Period	Last Period
Revenue from construction contracts	2,680,532,642.10	1,279,170,064.49

**(1) Main business income – classified by products**

Items	Current Period		Last Period	
	Main business income	Main business cost	Main business income	Main business cost
Shipbuilding products	2,680,532,642.10	2,682,725,916.64	1,279,170,064.49	1,163,871,675.17
Steel Structure Engineering	67,763,989.30	65,107,625.65	22,612,594.85	22,283,286.70
Mechanical and electrical products and others	176,202,189.51	174,270,789.04	42,055,984.08	36,774,713.46
<b>Total</b>	<b>2,924,498,820.91</b>	<b>2,922,104,331.33</b>	<b>1,343,838,643.42</b>	<b>1,222,929,675.33</b>

**(2) Main business income – classified by regions**

Items	Current Period		Last Period	
	Main business income	Main business cost	Main business income	Main business cost
China	1,656,005,033.79	1,590,344,685.47	411,835,637.65	370,758,303.71
Greece	270,691,310.05	307,989,014.50	220,686,959.01	206,117,616.04
Singapore	228,726,979.27	228,726,979.27	–	–
Netherlands	227,881,332.00	222,552,093.25	25,890,163.90	25,890,163.90
Sweden	178,483,682.07	188,084,780.26	64,003,567.59	61,625,302.67
Switzerland	154,069,640.34	150,499,645.74	–	–
Denmark	143,925,343.61	165,093,312.68	491,391,155.33	441,901,975.32
Australia	21,043,422.26	24,122,933.11	–	–
Macau	19,546,682.76	20,563,708.39	–	–
Norway	15,473,695.09	15,473,695.09	–	–
Marshall Islands	8,410,919.47	8,410,919.47	–	–
Hong Kong	–	–	130,031,159.94	116,636,313.69
Other countries and regions	240,780.20	242,564.10	–	–
<b>Total</b>	<b>2,924,498,820.91</b>	<b>2,922,104,331.33</b>	<b>1,343,838,643.42</b>	<b>1,222,929,675.33</b>

**(3) Other business income & other business cost**

Regions	Current Period		Last Period	
	Other business income	Other business cost	Other business income	Other business cost
Sales of materials	136,406,758.12	132,766,635.92	12,904,237.02	10,680,021.19
Sales of scrap materials	11,412,716.25	7,744,585.78	8,940,509.50	5,329,650.10
Service income	9,279,912.26	3,408,616.52	6,475,916.93	4,065,073.80
Rental income	11,835,007.91	3,442,692.72	6,855,533.50	2,219,730.18
Energy income	9,969,230.63	10,941,021.23	10,782,309.56	9,704,264.72
Income from transferring investment property	10,098,900.00	5,699,943.61	–	–
<b>Total</b>	<b>189,002,525.17</b>	<b>164,003,495.78</b>	<b>45,958,506.51</b>	<b>31,998,739.99</b>

**(4) Construction in progress**

Contracts	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Provision for the decrease in contract value at the end of the period
Fixed price contract					
<b>Total construction in progress</b>	11,743,372,357.87	3,769,913,841.11	160,816,059.37	3,852,706,081.30	424,527,820.06
Including: construction in progress expected to record loss at the end of the period					
50500 series (tanks for product oil/chemicals)	4,550,455,719.90	913,688,413.66	-12,768,105.67	952,427,804.86	421,279,308.90
40000 series (tankers for product oil/chemicals)	171,481,113.11	200,290,590.96	-14,642,983.91	84,919,958.50	3,222,945.01
37500 series (tankers for product oil/chemicals)	225,137,706.00	157,703,864.12	-1,862,746.34	89,441,280.00	25,566.15

**(5) Top 5 clients**

Customer	Amount	%
Customer 1	432,352,573.81	13.89%
Customer 2	228,726,979.27	7.35%
Customer 3	227,881,332.00	7.32%
Customer 4	183,955,716.01	5.91%
Customer 5	116,860,841.43	3.75%
<b>Total</b>	<b>1,189,777,442.52</b>	<b>38.22%</b>

**45. Business tax and surcharges**

Items	Current Period	Last Period	Tax Base
Business Tax	<b>1,663,400.02</b>	159,107.79	Service revenue
City Maintenance and Construction Tax	<b>479,580.12</b>	3,207,518.86	Turnover tax payable
Education Surcharge	<b>342,557.90</b>	2,291,084.93	Turnover tax payable
<b>Total</b>	<b>2,485,538.04</b>	5,657,711.58	

**46. Selling expenses**

Items	Current Period	Last Period
Ship maintenance fee	<b>5,866,085.86</b>	-7,553,985.00
Consignment fee	<b>950,088.35</b>	1,283,400.00
Business expenditure	<b>688,592.66</b>	953,477.85
Advertisement	<b>317,955.36</b>	193,620.65
Exhibition	<b>631,534.16</b>	238,750.93
Other selling expenses	<b>17,511.72</b>	534,329.67
<b>Total</b>	<b>8,471,768.11</b>	-4,350,405.90

**47. Administrative expense**

Items	Current Year	Last Year
Research and development fee	<b>68,749,216.91</b>	21,084,290.20
Salaries	<b>38,315,941.60</b>	41,259,863.00
Repairing expenses	<b>14,690,468.19</b>	12,690,750.12
Taxation	<b>9,554,807.71</b>	7,120,912.46
Agency fee	<b>6,179,086.41</b>	1,117,393.67
Depreciation	<b>5,331,456.26</b>	6,180,211.69
Board meeting fee	<b>4,470,083.17</b>	1,297,924.58
Amortization of intangible assets	<b>3,044,211.28</b>	2,838,315.35
Water supply and electricity expense	<b>1,331,280.17</b>	1,214,787.08
Labor training	<b>1,162,458.00</b>	1,132,999.99
Security expense	<b>1,150,150.95</b>	697,625.16
Travelling expense	<b>826,678.58</b>	938,948.45
Environmental protection fee	<b>648,478.86</b>	263,635.00
Business entertainment Expense	<b>547,341.41</b>	944,870.39
Office supply	<b>324,162.29</b>	356,054.93
Insurance expense	<b>131,060.31</b>	822,821.93
Rental expense		395,904.34
Transportation cost		1,974,917.12
Advisory cost		768,826.41
Storage cost		271,559.58
Others	<b>10,148,051.76</b>	4,883,025.35
<b>Total</b>	<b>166,604,933.86</b>	108,255,636.80

**48. Finance costs****(1) Breakdown of financial expense**

Items	Current Period	Last Period
Interest expenditure	48,690,804.03	47,540,446.73
Less: Interest income	98,651,874.10	102,049,561.96
Add Exchange loss	-32,909,142.38	-14,977,818.29
Add: Other expenditure	1,705,468.55	173,596.69
<b>Total</b>	<b>-81,164,743.90</b>	<b>-69,313,336.83</b>

**(2) Interest expenditure category**

Items	Current Period	Last Period
Bank loan interest due within 5 years	33,607,470.71	32,457,113.41
Bank loan interest due after 5 years		
Other interest due within 5 years		
Other interest due after 5 years	15,083,333.32	15,083,333.32
Subtotal	48,690,804.03	47,540,446.73
<b>Total</b>	<b>48,690,804.03</b>	<b>47,540,446.73</b>

**(3) Interest income category**

Items	Current Period	Last Period
Interest income from bank deposit	98,651,874.10	102,049,561.96
<b>Total</b>	<b>98,651,874.10</b>	<b>102,049,561.96</b>

**49. Assets impairment losses**

Items	Current Period	Last Period
Bad debts	53,101.00	108,340.30
Loss from inventory devaluation	-29,678,741.27	58,659,531.74
<b>Total</b>	<b>-29,625,640.27</b>	<b>58,767,872.04</b>

**50. Gain or loss on changes in fair value**

Items	Current Period	Last Period
Financial assets held for trading	535,771.74	9,924,146.52
From: changes in fair value due to derivative instrument	535,771.74	9,924,146.52
Financial liabilities held-for-trading	-77,034,335.46	-148,210.39
From: changes in fair value due to derivative instrument	-77,034,335.46	-148,210.39
<b>Total</b>	<b>-76,498,563.72</b>	<b>9,775,936.13</b>

## 51. Investment income

### (1) Source of investment income

Items	Current Period	Last Period
From long-term equity investment under equity method	-101,652.34	666,958.98
From long-term equity investment under cost method		64,027,946.63
From holding financial assets available for sale		11,032,819.50
From disposal of financial assets at fair value through profit and loss	7,143,558.27	24,120,745.00
<b>Total</b>	<b>7,041,905.93</b>	<b>99,848,470.11</b>

The Investment income for Current Period, through listed companies and non-listed companies were RMB0 and RMB11,032,819.50 respectively.

### (2) Realized gain on Long-term equity investments, equity method

Items	Current Period	Last Period	Reasons for changes
Total	-101,652.34	666,958.98	
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	-43,633.62	700,885.14	
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	-58,018.72	-33,926.16	

## 52. Non-operating income

### (1) Non-operating income category

Items	Current Period	Last Period
Gain on disposal of non-current assets		1,137.40
Gain on Liquidation of fixed assets		1,137.40
Government grants	71,223,310.33	9,571,750.76
Penalty income	89,250.00	24,500.00
Compensation income	186,186.20	
Others	946,512.94	1,795,733.92
<b>Total</b>	<b>72,445,259.47</b>	<b>11,393,122.08</b>

The non-operating gains or losses for Current Period are RMB15,443,310.33 (last period: RMB10,047,735.95).

### (2) Government grants category

Items	Current Period	Last Period	Source and reason	Asset/Profit Related to
Financial bureau branch of payment of Liwan district: export credit insurance special funds for January to August 2013	44,900.00		Financial funding	Related to profit
Guangzhou City Bureau Finance Treasury Branch; financial management capital of 2013 annual headquarters economy subsidy funds for the development of strategic leading industries – model enterprise of industrial design	200,000.00		Financial funding	Related to profit
Government financial funding receivables for transitional period	55,780,000.00		Financial funding	Related to profit
Liwan District, Guangzhou, national treasury payment centre; 2013 service and trading development business	1,000,000.00		Financial funding	Related to profit
Financial subsidy		1,286,639.57	Financial funding	Related to profit
New product subsidy	11,839,537.73	6,939,725.06	Financial funding	Related to profit
Others	2,358,872.60	1,345,386.13	Financial funding	Related to profit
<b>Total</b>	<b>71,223,310.33</b>	<b>9,571,750.76</b>		



**53. Non-operating expense**

Items	Current Period	Last Period
Loss on disposal of non-current assets		63,620.11
Loss on Liquidation of fixed assets		63,620.11
Penalties		
Compensation		731,924.10
Other	10,000.00	554,075.82
<b>Total</b>	<b>10,000.00</b>	<b>1,349,620.03</b>

**54. Income tax expenses****(1) Income tax expense**

Items	Current Period	Last Period
Current income tax expenses	-14,759.66	11,237,649.93
China		11,418,577.28
Hong Kong		
Overstated in previous year (understated)	-14,759.66	-180,927.35
Deferred income tax expenses	-5,294,682.77	-956,781.67
<b>Total</b>	<b>-5,309,442.43</b>	<b>10,280,868.26</b>

**55. Depreciation and amortization**

Items	Current Period	Last Period
Investment property depreciation	375,665.01	375,665.00
Fixed assets depreciation	42,457,324.61	44,947,622.97
Amortization of intangible assets	3,277,964.92	3,072,068.99
<b>Total</b>	<b>46,110,954.54</b>	<b>48,395,356.96</b>

**56. Profit or loss for disposal of investment or property**

See Note V/59.

**57. Dividends**

See Note V/60.

**58. Other comprehensive income**

See Note V/61.

**59. Supplemental information for parent's income statement**

Expenses includes operating cost, selling expense, administrative expense, the details are listed by nature as bellows:

Items	Current Period	Last Period
Raw materials	2,229,164,427.71	700,853,748.60
Salaries	276,431,835.26	195,058,535.90
Depreciation	42,832,989.62	45,323,287.97
Amortization	3,277,964.92	3,072,068.99
Shipbuilding special fee	319,459,535.50	221,086,428.56
Power costs	28,647,978.59	21,492,219.95
Taxes and surcharges	8,756,644.80	7,120,912.46
Others	2,474,388.90	1,015,769.53
<b>Total</b>	<b>2,911,045,765.30</b>	<b>1,195,022,971.96</b>

## 60. 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 Period	Last Period
Product subsidies		106,723,600.00
Infrastructure fund for high-technology search	<b>1,291,092.53</b>	2,577,086.39
Received from other accounts	<b>4,772,457.51</b>	471,729.62
<b>Total</b>	<b>6,063,550.04</b>	109,772,416.01

#### 2) Other cash payments from operating activities

Items	Current Period	Last Period
Administrative expenditure	<b>30,799,235.19</b>	26,834,142.52
Selling expense	<b>2,605,682.25</b>	3,203,579.10
Non-operating expense		1,349,620.03
Payment of Zhongshan Ocean entrusted loan	<b>35,000,000.00</b>	50,000,000.00
Payment of Longxue entrusted loan	<b>123,056,000.00</b>	
Payment of reserves for production of Longxue	<b>2,000,000,000.00</b>	
<b>Total</b>	<b>2,191,460,917.44</b>	81,387,341.65

#### 3) Other cash receipts from investing activities

Items	Current Period	Last Period
Fixed deposit pledge resolution	<b>820,319,628.98</b>	865,252,096.85
Interest income from deposit	<b>116,895,506.55</b>	105,979,259.09
<b>Total</b>	<b>937,215,135.53</b>	971,231,355.94

#### 4) Other cash payment from investing activities

Item	Current Period	Last Period
Fixed deposit pledge	<b>1,349,368,328.75</b>	1,019,825,408.82
<b>Total</b>	<b>1,349,368,328.75</b>	1,019,825,408.82

#### 5) Other cash payments from financing activities

Items	Current Period	Last Period
Fees related to Shuguang project	<b>2,338,482.84</b>	
Others	<b>8,477.33</b>	6,867.55
<b>Total</b>	<b>2,346,960.17</b>	6,867.55

**(2) Supplemental information for Consolidated Cash Flow Statement**

Items	Current Period	Last Period
<b>1. Reconciliation of not profit to cash flows from operating activities</b>		
Net profit	-31,090,292.76	145,238,296.95
Add: Provision for impairment	-29,625,640.27	58,767,872.04
Fixed assets depreciation, oil-and-gas depletion and productive biological assets depreciation	42,777,083.53	45,323,287.99
Intangible assets amortization	3,277,964.92	3,072,068.99
Long-term unamortized assets amortization	579,402.30	605,336.60
Loss from Liquidation of fixed assets, Intangible assets and other long-term assets (gain marked "-")		62,482.71
Loss from scrapped of Fixed assets		
Loss on changes in fair value (gain marked "-")	76,498,563.72	-9,775,936.13
Finance costs (gain marked "-")	-81,164,743.90	-69,313,336.83
Realized loss on investments (gain marked "-")	-7,041,905.93	-99,848,470.11
Decrease in Deferred tax assets (increase marked "-")	560,288.80	-2,445,403.66
Increase in Deferred tax liabilities (decrease marked "-")	-5,986,971.57	1,488,621.99
Decrease in Inventories (increase marked "-")	-534,777,314.43	-42,442,582.45
Decrease in operating receivables (increase marked "-")	-525,124,421.08	-349,688,450.61
Increase in operating payables (decrease marked "-")	-2,750,343,384.53	-312,080,821.48
Others		
Net Cash Flow From Operating Activities	-3,841,461,371.20	-631,037,034.00
<b>2. Investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
<b>3. Net changes in cash and cash equivalents</b>		
Ending balance	2,192,821,524.06	2,952,662,327.33
Less: Beginning balance	3,642,373,050.61	3,461,486,732.84
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-1,449,551,526.55	-508,824,405.51

**(3) Cash and Cash Equivalents**

Items	Current Period	Last Period
Cash	2,192,821,524.06	2,952,662,327.33
Including: Cash	68,395.53	91,412.63
Bank deposit available-for-use	2,192,628,366.15	2,952,470,877.14
Other cash fund available-for-use	124,762.38	100,037.56
Cash Equivalents		
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	2,192,821,524.06	2,952,662,327.33

## XIV. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on August 29, 2014.

## XV. 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 Period	Last Period
Gains and losses from disposal of non-current assets	-30,185.63	-205,179.22
Casual tax rebate or tax exemption with ultra vires or without formal approval		
Government grants expensed	18,913,630.90	11,781,908.92
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	-5,458,797.84	-97,866,993.10
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	-69,824,243.57	33,715,809.01
Reversals of provision for impairment reserves from receivables with individual impairment test	211,425.24	216,597.39
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	1,397,270.52	529,855.81
Other non-operating profit and loss defined		
Subtotal	-54,790,900.38	-51,828,001.19
Income tax impact	-7,741,100.41	6,598,788.58
Impact on non-controlling shareholder's equity (after-tax)	457,166.35	270,587.51
<b>Total</b>	<b>-47,506,966.32</b>	<b>-58,697,377.28</b>

### 2. Return on net assets and earnings per share

Reported profit	Weighted average return on net assets %		Earnings per share			
			Basic EPS		Diluted EPS	
	Current period	Last period	Current period	Last period	Current period	Last period
Net profit attributable to the parent company	-5.64	-0.97	-0.2631	-0.0412	-0.2631	-0.0412
Net profit attributable to the parent company, net of non-operating gains and losses	-4.50	0.40	-0.2481	0.0253	-0.2481	0.0253

### 3. Abnormal issues and explanations

Items	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	Note 1	<b>29,296,939.92</b>	69,210,083.75	-39,913,143.83	-57.67%
Notes receivable	Note 2	<b>12,560,135.81</b>	21,607,944.72	-9,047,808.91	-41.87%
Prepayments	Note 3	<b>1,418,831,926.07</b>	1,070,938,867.43	347,893,058.64	32.48%
Other receivables	Note 4	<b>146,773,862.95</b>	75,790,266.06	70,983,596.89	93.66%
Construction in progress	Note 5	<b>212,851,764.44</b>	91,957,146.55	120,894,617.89	131.47%
Short-term loans	Note 6	<b>4,434,826,841.62</b>	2,740,220,723.02	1,694,606,118.60	61.84%
Advances from customers	Note 7	<b>269,859,401.46</b>	535,392,138.97	-265,532,737.51	-49.60%
Interest payable	Note 8	<b>44,069,582.00</b>	68,778,979.01	-24,709,397.01	-35.93%
Non-current liabilities due within one year	Note 9	<b>841,832,517.25</b>	1,769,219,805.15	-927,387,287.90	-52.42%
Estimated liabilities	Note 10	<b>378,900,855.77</b>	657,847,075.11	-278,946,219.34	-42.40%
Deferred tax liabilities	Note 11	<b>5,343,116.03</b>	11,330,087.60	-5,986,971.57	-52.84%
Share capital	Note 12	<b>1,030,534,651.00</b>	643,080,854.00	387,453,797.00	60.25%
Capital reserves	Note 13	<b>3,279,830,570.59</b>	2,129,232,741.41	1,150,597,829.18	54.04%
Undistributed profits	Note 14	<b>410,224,834.67</b>	691,646,062.40	-281,421,227.73	-40.69%
Non-controlling shareholder's equity	Note 15	<b>41,274,815.85</b>	18,662,087.21	22,612,728.64	121.17%

Note 1: Compared to beginning balance, the ending balance of financial assets held for trading decreased by 57.67%, due to forward exchange rate fluctuations.

Note 2: Compared to beginning balance, the ending balance of notes receivable decreased by 41.87%, due to the receiving bank's acceptance bills having matured.

Note 3: Compared to beginning balance, the ending balances of prepayments increased by 32.48%, mainly due to the increase in prepayment to suppliers because of the additional orders.

Note 4: Compared to beginning balance, the ending balance of other receivables increased by 93.66%, mainly due to the increase in collection of product subsidy.

Note 5: Compared to beginning balance, the ending balance of construction in progress increased by 131.47%, mainly due to the increase in expenses for the newly constructed project of dormitory area for base workers.

Note 6: Compared to beginning balance, the ending balance of short-term loans increased by 61.84%, mainly due to new loans.

Note 7: Compared to beginning balance, the ending balance of advances from customers decreased by 49.60%, mainly due to completion and settlement.

Note 8: Compared to beginning balance, the ending balance of interest payable decreased by 35.93%, mainly due to the decrease in long-term loans.

Note 9: Compared to beginning balance, the ending balance of non-current liabilities due within one year decreased 52.42%, mainly due to maturity of loans.

Note 10: Compared to beginning balance, the ending balance of estimated liabilities decreased 42.40%, mainly due to the decrease in loss from ship contracts.

Note 11: Compared to beginning balance, the ending balance of deferred tax liabilities decreased by 52.84%, mainly due to handling the change in fair value of financial assets which are measured by the fair value and changes in fair value is recognized in current profit and loss account.

Note 12: Compared to beginning balance, the ending balance of share capital increased by 60.25%, due to the issuance of new shares.

Note 13: Compared to beginning balance, the ending balance of capital reserves increased by 54.04, due to increase in capital premium from issuance of new shares.

Note 14: Compared to beginning balance, the ending balance of undistributed profits decreased by 40.69%, due to the operation loss of the Company and the subsidiary Longxue Shipbuilding.

Note 15: Compared to beginning balance, the ending balance of non-controlling shareholders' interest increased by 121.17%, mainly due to the increase in non-controlling shareholders' interest from the acquisition of Longxue Shipbuilding.

Profit and loss	Index	Amount for current period	Amount for the corresponding period of last year	Changes	Change
Operating income	Note 16	3,886,884,172.98	2,636,998,279.87	1,249,885,893.11	47.40%
Operating cost	Note 17	3,811,966,803.09	2,484,760,836.19	1,327,205,966.90	53.41%
Selling expenses	Note 18	-6,102,023.26	5,620,895.52	-11,722,918.78	N/A
Assets impairment losses	Note 19	5,006,234.23	68,938,713.95	-63,932,479.72	-92.74%
Gain on changes in fair value	Note 20	-76,967,801.84	9,588,964.01	-86,556,765.85	N/A
Investment income	Note 21	7,964,522.43	36,343,418.38	-28,378,895.95	-78.09%
Non-operating income	Note 22	105,797,000.29	15,015,649.71	90,781,350.58	604.58%
Non-operating expenses	Note 23	86,284.50	1,555,224.55	-1,468,940.05	-94.45%
Operating profit	Note 24	-275,668,358.31	-180,005,301.01	-95,663,057.30	N/A
Income tax expenses	Note 25	-1,900,527.42	-70,707,333.15	68,806,805.73	N/A

Note 16: Compared with the corresponding period of last year, the operating income increased by 47.40%, due to the significant increase in production volume resulting from the synergy of the two manufacturing areas after consolidation of Longxue Shipbuilding.

Note 17: Compared with the corresponding period of last year, the operating cost increased by 53.41%, due to the increase in production capacity.

Note 18: Compared with the corresponding period of last year, the selling expenses decreased by RMB11,722,918.78, mainly due to the reversal of expired warranty.

Note 19: Compared with the corresponding period of last year, the assets impairment losses decreased by 92.74%, mainly due to the decrease in estimated loss of newly accepted shipbuilding contracts.

Note 20: Compared with the corresponding period of last year, the loss on changes in fair value increased by RMB86,556,765.85, mainly due to forward exchange rate fluctuations.

Note 21: Compared with the corresponding period of last year, the investment income decreased by 78.09%, mainly due to the decrease in dividends caused by the handling of available-for-sale financial assets and the decrease in the revenue from the settlement of financial assets which are measured by the fair value and changes in fair value is recognized in current profit and loss account caused by forward exchange rate fluctuations.

Note 22: Compared with the corresponding period of last year, the non-operating income increased by 604.58%, mainly due to the increase in product subsidy.

Note 23: Compared with the corresponding period of last year, the non-operating expenses decreased by 94.45%, mainly due to compensation from contractual disputes in the corresponding period of last year.

Note 24: Compared with the corresponding period of last year, the operating profit decreased by RMB95,663,057.30, mainly due to the decrease in operation gross profit, the increase in loss from change in fair value and the decrease in investment revenue.

Note 25: Compared with the corresponding period of last year, the income tax expenses increased by RMB68,806,805.73, mainly due to the effect of deferred income tax expenses.

## SECTION X DOCUMENTS AVAILABLE FOR INSPECTION

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- (i) DOCUMENTS AVAILABLE FOR INSPECTION;
- (ii) The original auditor's reports signed and sealed by the legal representative Mr. Han Guangde, chief accountant Mr. Chen Liping and manager of financial center Mr. Hou Zengquan;
- (iii) The originals of announcements and related company documents published in "Shanghai Securities News".

**Guangzhou Shipyard International Company Limited**  
**Han Guangde**  
Chairman  
August 29, 2014