



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

Annual Report 2014

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IMPORTANT NOTICE

The board of directors of Guangzhou Shipyard International Company Limited (“GSI” or the “Company”), the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of this annual report are authentic, accurate and complete, and there are no misrepresentations or misleading statements contained in or material omissions from this annual report, and severally and jointly accept the related legal responsibility.

All Directors attended the 15th meeting of the 8th Session of the Board held on 16 February 2015, at which Mr. Chen Zhongqian, non-executive Director, appointed Mr. Wang Jun, also a non-executive Director, as his proxy for attending and voting in the meeting. The 2014 Annual Report was approved by unanimous vote.

The Company’s Chairman, Mr. Han Guangde, Accounting Director, Mr. Chen Liping, and Accounting Manager, Mr. Hou Zengquan, warrant the truthfulness, accuracy and completeness of the financial report as set out in this annual report.

Shine Wing Certified Public Accountants (Special General Partnership) has issued standard and unqualified auditor’s reports for the annual report of the Company.

Audit Committee of the Company has reviewed and confirmed the financial report of the Company for the year 2014.

According to article 215(3)(4) of the Articles of Association of the Company, the Company may distribute cash dividends if that the debt to asset ratio does not exceed 70%. Given that the debt to asset ratio as of 31 December 2014 was 76.04% and the Company is still subject to downward pressure of the ship market and the shipping market fluctuate in a low position, together with other circumstances of the Company e.g. the needs for manufacturing and operating fund. As such, the Company does not intend to declare any dividends and would not implement any capitalization of common reserve in 2014.

This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.

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

This annual report is prepared in both Chinese and English, in the event that different interpretation occurs, the Chinese version shall prevail.

INTERPRETATION AND NOTICE OF MATERIAL RISKS

(I) INTERPRETATION

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

DWT (deadweight tonnage)	deadweight capacity with ton as unit
Jiangsu Shenghua	Jiangsu Shenghua Shipbuilding Company Limited
Guangli Company	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, a subsidiary of the Company
CSSC	China State Shipbuilding Corporation
The Group	Guangzhou Shipyard International Company Limited and its subsidiaries
United Steel	Guangzhou United Steel Structures Limited, a subsidiary of the Company
Longxue Shipbuilding	Guangzhou CSSC Longxue Shipbuilding Co., Ltd., a subsidiary of the Company
Baosteel International	Baosteel Resources International Co., Ltd., an overseas subsidiary wholly-owned by Baosteel Group Corporation
China Shipping HK	China Shipping (H.K.) Holdings Co., Ltd., an overseas subsidiary wholly-owned by China Shipping (Group) Company
CSSC HK	CSSC (Hong Kong) Shipping Company Limited, an overseas subsidiary wholly-owned by CSSC
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by CSSC
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, wholly-owned by CSSC
Yangzhou Kejin	Yangzhou Kejin Shipbuilding Company Limited
MR tanker	30,000 to 50,000 DWT oil tanker
Guangzhou Shipyard Industrial	Guangzhou Shipyard Industrial Co., Ltd, a subsidiary of the Company upon its establishment
Shanghai Lingxiang	Shanghai Lingxiang Equity Investment Co., Ltd., a controlling shareholder of CSSC
Guangzhou Marine Engineering Corporation	Ships and Ocean Engineering Design and Research Institute of Guangzhou, an institute 100% controlled by CSSC

INTERPRETATION AND NOTICE OF MATERIAL RISKS

Guangzhou Jinzhou

Guangzhou Jinzhou Ship Technology Co., Ltd., a subsidiary of the Company upon its establishment

Shanghai Stock Exchange

The Shanghai Stock Exchange

Hong Kong Stock Exchange

The Stock Exchange of Hong Kong Limited

(II) NOTICE OF MATERIAL RISKS

Affected by global recession and excessive shipbuilding capacity, risks in respect of lower ship price, high labour cost still exist, which affected the earnings level of the Company to a certain extent.

OVERVIEW OF THE COMPANY

(I) GENERAL INFORMATION

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

Abbreviation of Chinese Name of the Company: 廣船國際

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

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

Secretary to the Board and Joint Company Secretary: Shi Weidong

Tel: (8620) 81893807

Fax: (8620) 81896411

E-mail: shiwd@chinagsi.com

Joint Company Secretary: Li Zhidong

Tel: (8620) 81893807

Fax: (8620) 81896411

E-mail: lzd@chinagsi.com

Authorized Securities Representative: Yu Wenbo

Tel: (8620) 81893807

Fax: (8620) 81896411

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

Postal Code: 510382

Tel: (8620) 81891712

Fax: (8620) 81891575

E-mail Address: gsi@chinagsi.com

International Internet Website: www.chinagsi.com

OVERVIEW OF THE COMPANY

5. **The Company's Principal Place of Business in Hong Kong:** 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
6. **The Stock Exchanges on which the Company's Shares are listed:**

A Shares: Shanghai Stock Exchange

Stock Code: 600685; Abbreviated Name: GSI

H Shares: The Stock Exchange of Hong Kong Limited

Stock Code: 00317; Abbreviated Name: Guangzhou Shipyard International
7. **Auditors:** Shinewing Certified Public Accountants (special general partnership)

Office Address: F/8, Tower A, Fuhua Mansion, 8 North Chaoyangmen Street, Dongcheng District, Beijing

Signing Accountants: Liang Xiaoyan, Zhao Xueping
8. **PRC Legal Adviser China:** SG&CO PRC LAWYERS

Office Address: 15/F, 21st Century Tower, No. 210 Century Ave., Lujiazui, Shanghai

Hong Kong Legal Adviser: Tung & Co. Solicitors

in association with Jiayuan Law Office

Office Address: Office 1601, 16/F, LHT Tower, 31 Queen's Road Central, Hong Kong
9. **Share Registrars:**

Share Registrar for A Shares: China Securities Depository & Clearing Corporation Limited, Shanghai office

Address: 3/F, China Assurance Tower, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC

Share Registrar for H Shares: Computershare Hong Kong Investor Services Limited,

Address: Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
10. **Newspapers and Websites for Information Disclosure:**

Shanghai Securities News

Securities Times

China Securities Journal

Securities Daily

OVERVIEW OF THE COMPANY

The website of Shanghai Stock Exchange (www.sse.com.cn)

The website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk)

The website of the Company (www.chinagsi.com)

Place for Inspection of the Annual Report: Office of the Board

11. **Change of registration of the Company:**

Date of registration 14 March 2014

Place of registration Guangzhou

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

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

(II) INTRODUCTION OF THE COMPANY

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

The Company adheres to the quality policy of “Lean Management, Technological Innovation, Continuous Improvement, Sincerity and Mutual Benefit, Customer Satisfaction” and occupational health & safety policy of “Lawful Operation, Cherishing Life, Green Shipbuilding, Continuous Improvement” and has obtained ISO9001:2008, and GJB 9001A-2001 standard certification, Occupational Health & Safety Management System Certificate (OSHAS 18001:2007) and Environmental Management System Certificate (ISO 14001:2004) issued by British Lloyds Society Quality Assurance Ltd. Moreover, the Company has also obtained National Confidential Certificate and Weapon Research & Production Certificate as a key arms manufacturer in the PRC.

Change in principal activities

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

OVERVIEW OF THE COMPANY

In 2004, the Company withdrew from the container business.

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

Through the acquisition of Longxue Shipbuilding, the Company entered the large bulk ship and tanker market in 2013.

In 2014, the Company obtained Sui Wai Jing Mao Zi Pi No. 356 [2014], to approve the business scope of the main operation to include the provision of terminal facilities for ships.

Changes in controlling shareholders since listing of the Company

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

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

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

SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

(1) KEY ACCOUNTING FIGURES

Unit: RMB

Key accounting figures	2014	2013	Changes as compared with the corresponding period of last year	2012
			(%)	
Operating income	9,530,740,881.74	5,838,268,514.19	63.25	7,931,131,129.11
Net profit attributable to shareholders of the Company	151,496,768.77	-218,566,980.38	Not applicable	-1,013,747,873.13
Net profit attributable to shareholders of the Company after deduction of exceptional items	-604,811,205.72	-163,391,324.54	Not applicable	117,305,206.57
Net cash flow from operating activities	855,224,351.73	-21,974,600.43	Not applicable	390,752,719.77
	At the end of 2014	At the end of 2013	Changes for the end of Period as compared with the end of last year	At the end of 2012
			(%)	
Net assets attributable to shareholders of the Company	5,629,276,024.16	3,909,563,777.47	43.99	4,383,245,608.78
Total assets	23,670,093,365.62	21,558,861,223.94	9.79	22,016,883,858.85

Note: The Company acquired Longxue Shipbuilding at the end of February 2014, and included Longxue Shipbuilding into the scope of consolidation, and the consolidated financial statements were prepared under common control, and the comparative financial statements were adjusted retrospectively.

(2) KEY FINANCIAL INDICATORS

Unit: RMB

Key financial indicators	2014	2013	Changes for the end of Period as compared with the end of last year	2012
			(%)	
Basic earnings per share ("EPS") (RMB/share)	0.1470	-0.2121	Not applicable	-0.9837
Diluted EPS (RMB/share)	0.1470	-0.2121	Not applicable	-0.9837
Basic EPS after deduction of exceptional items (RMB/share)	-0.6261	-0.2541	146.40	0.1824
Weighted average returns on net assets (%)	2.75	-5.19	Increase 7.94 per cent point	-20.85
Weighted average returns on net assets after deduction of exceptional items (%)	-11.09	-4.06	Decrease 7.03 per cent point	3.26

Note: For business combination under common control during the reporting period, in calculating weighted average returns on net assets, net assets of the acquirer were weighted starting from the beginning of the reporting period; in calculating weighted average returns on net assets after deduction of exceptional items, net assets of acquirer were weighted starting from the next month of the date of combination. In calculating weighted average returns on net assets during the comparative period, net profit and net assets of acquirer were weighted starting from the beginning of the comparative period; in calculating weighted average returns on net assets after deduction of exceptional items during comparative period, net assets of the acquirer shall not be weighted (weighting is zero).

SUMMARY OF ACCOUNTING FIGURES AND FINANCIAL INDICATORS

(3) NON-RECURRING GAINS OR LOSSES AND THEIR AMOUNTS

Unit: RMB

Non-recurring gains or losses	2014	2013	2012
Gains or losses on disposal of non-current assets	-216,843.97	-237,470.71	2,877,045.13
Government subsidy included in profit and loss for the period, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	59,236,732.79	36,826,679.13	19,005,930.17
Net profit or loss for current period from subsidiaries arising from business combination involving entities under common control from the beginning of the period to the date of combination	-5,458,797.84	-491,309,625.18	-1,966,585,298.35
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, except effective hedging business related to the Company's normal operations	-55,660,753.13	235,678,568.04	26,786,862.04
Reversal of impairment provision for receivables that are tested individually for impairment	349,110.49	223,137.14	2,747,676.99
Other non-operating revenue and expenses except the above	561,242,962.82	10,085,619.34	6,555,516.23
Income from disposal of subsidiary investment	331,997,753.15		
Effect of minority interests	-1,023,760.31	195,983,693.98	786,275,771.60
Effect of income tax	-134,158,429.51	-42,426,257.58	-8,716,583.51
Total	756,307,974.49	-55,175,655.84	-1,131,053,079.70

(4) ITEMS MEASURED AT FAIR VALUE

Unit: RMB

Item	Opening balance	Closing balance	Change	Effects on current profit
Financial assets measured at fair value through profit or loss	69,210,083.75	13,007,994.71	-56,202,089.04	-26,438,732.22
Available-for-sale financial assets	29,070,000.00	0.00	-29,070,000.00	30,890,440.93
Financial liabilities measured at fair value through profit or loss	0.00	-56,475,710.29	56,475,710.29	-56,475,710.29
Total	98,280,083.75	69,483,705.00	-28,796,378.75	-52,024,001.58

REPORT OF THE BOARD

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

In 2014, the Company closely focused on the work policy "reform and innovation, dare to breakthrough", made great efforts to carry out the work commitment "to guarantee the achievements of annual targets and goals" and, guided by the faith of "firm belief and improvement in management", endeavored to promote the work in all aspects. 2014 is the first year in which the Company completed the acquisition and consolidation of Longxue Shipbuilding, with a record high operating income for the year. The Company made rapid progress in capital operations, transformation development, technical innovation, rationalization of production and the Company's comprehensive strength and competitive force were further improved. Although issues such as comparatively long production cycle and low efficiency always hindered the development of the Company, all employees faced to the challenge to constantly explore and make innovation, and passionately enterprise with the corporate spirits of "pulling together and pursuit of excellency" and made arduous efforts for the development of the Company.

As at 31 December 2014, the operating income of the Group prepared under the Accounting Standards for Business Enterprises of the PRC amounted to RMB9,531 million, representing an increase of 63.25% over that of last year. The audited consolidated net profit attributable to shareholders of the Company amounted to RMB151 million, representing a a turn from loss to profit over that of last year. Earnings per share were RMB0.1470, and earnings per share after deduction of non-recurring gains or losses was RMB-0.6261.

1. Main business analysis

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

Unit: RMB

Item	Current year	Last year	Change (%)
Operating income	9,530,740,881.74	5,838,268,514.19	63.25
Operating costs	9,630,980,417.48	5,584,894,832.93	72.45
Selling expenses	33,547,079.26	5,684,005.42	490.20
Administrative expenses	739,731,840.56	701,902,453.20	5.39
Financial expenses	127,889,582.84	136,684,050.21	-6.43
Net cash flows from operating activities	855,224,351.73	-21,974,600.43	Not applicable
Net cash flows from investing activities	-162,425,906.35	354,925,725.92	Not applicable
Net cash flows from financing activities	-203,883,587.71	-991,736,511.50	Not applicable
Research and development expenses	201,194,307.76	167,171,741.92	20.35

(2) *Income*

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

In 2014, the Company recorded operating income of RMB9,268 million; the operating income from the shipbuilding business amounted to RMB8,268 million, representing an increase of 81.23% as compared with last year. The proportion of the income from the shipbuilding business amounted to 89.20%, which was mainly attributable to the year-on-year growth in ships under construction. The income from the steel structure business amounted to RMB406 million, representing a decrease of 7.51% as compared with last year, which was mainly attributable to undertaking of steel structure projects such as reclaimers; the income from other electromechanical equipment amounted to RMB595 million, representing an increase of 5.60% as compared with last year, which was mainly attributable to the increase in the production volume of shearing press and axial rudder processing.

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

In 2014, the Company achieved gross industrial output value of RMB9,121 million, representing an increase of 63.75% as compared with that of RMB5,570 million in 2013, achieving 95.93% of the target gross industrial output value of RMB9,508 million. The Company achieved gross industrial output value of RMB7,481 million in shipbuilding business, which accounted for 97.27% of the annual target of RMB7,691 million; achieved gross industrial output value of RMB948 million in offshore engineering business, which accounted for 109.34% of the annual target of RMB867 million; achieved gross industrial output value of RMB692 million, which accounted for 72.85% of the annual target of RMB950 million.

In 2014, the Company commenced the building of 23 ships, launched 25 ships and completed the building of 18 ships, which were of 1,342,500 DWT in total, representing an increase of 13.03% as compared with last year. With respect to the electromechanical equipment business, the Company completed 36,589 tonnes of steel structure, representing a decrease of 3.60%; sales of 831 sets of shearing press was achieved, representing an increase of 15.10% as compared with last year; 654 sets of elevators were completed, representing a decrease of 22.60% as compared with last year, which was mainly attributable to the adjustment in the real estate industry; the Company completed processing 43 sets of axial rudders, representing an increase of 10.26% as compared with last year, which was mainly due to the recovery in production and shipbuilding.

REPORT OF THE BOARD

③ *Orders analysis*

In 2014, the Company totally undertook 18 ships/2,598,200 DWT of shipbuilding and off-shore engineering products, which accounted for 106% and 100.10% of the targets for the year, respectively. The Company, according to the product positioning in two factories (Liwan Factory and Nansha Factory), first, the Company continued to take MR tankers as the main products in Liwan Factory, constantly optimized the original design, upgraded the types of ships, expand the market share of eco-friendly 50,000 tonnes chemical/product oil tankers and formed batches of orders; second, the Company, according to the features of the facilities in Nansha Factory, mainly undertook orders for ships in large tons and took mature ship types such as ultra-large/large crude (product) oil tankers, super large ore carriers, LR2 product oil tankers as the main products to maximize the utilization of facilities and production efficiencies. In respect of the non-ship business, the orders undertook during the year 2014 was RMB1,581 million, and the plans for the year was completed for 166.40% and representing an increase of 64.70% as compared with the same period of last year, mainly attributable to orders undertaken complete-set mechanicals such as stacker-reclaimers and items like steel structures, Hydraulic shearing, elevator, axle steering system for processing, among which, Macau City of Dreams Project was undertaken by steel structure, and the record which total number of orders undertaken by non-ship single orders was broken, and also laid a foundation for the transformation of non-ship projects. Contracts undertaken by information and control sector and modern service sector were over-fulfilled the year's planning, which provided a strong support for the production development of the Company.

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

The Company continues to adhere to the ideology of "Auto research and development, creative technology", and together with the ship positioning and market orientation, and using the existing ship products as platform, and continue to improve and maximize ship products, which lay a solid foundation for the ship subdivision market order. Replacement and exploitation of the 50,000 tonnes handymax products tanker of the Company and a specific ship product have been awarded CSSC Technology Progress Award for the year 2014; low fuel consumption, energy saving handymax tankers remain leadership in technology, and attracted more orders from ship owners; low-cost standard ore carriers which we developed have successfully undertaken orders from many companies. As for the high technology ships, through increasing investment, strategic corporation agreements were entered into with the 708 Institution and the Shanghai Shipbuilding and Design Institute, we have elevated our own research and development in researches in different functions of different types of ships, such as passenger ships, ro-ro passenger ships and semi-submerged ships in different sea areas. According to the needs to transform and upgrade of our products structure, the ability to build polar module carrier was developed and we have started to undertaken relevant orders, and the gap which the Company's products undertaken in the energy field was filled; research investment in respect of the special ships also increased, and successfully attracted ship owners' attention in the traditional shipping market. In general, the Company remains its leading position in the traditional ship market; undertaken orders such as high new technology and special ships orders, representing 42.88% over the ship sea order, which was the highest level.

Research and development capabilities of both mechanical and electromechanical products and order-taking ability have been strengthened. Research and development on new generation numerical control products and the elevator products have achieved breakthrough, which have become the non-ship brand characteristics of the Company. As for the development of new products, the Company has established environmental protection industry preparatory team, and now cooperation with Guangzhou municipal government in respect of the upstream projects have been launched.

REPORT OF THE BOARD

⑤ Information on major customers

In 2014, among the Group's income from various businesses, the sales realized from the businesses with top five customers was RMB4,281 million in total, accounting for 46.19% of the Group's annual total operating income; wherein, the sales realized from the business with the largest customer was RMB1,870 million, accounting for 20.18% of the Group's annual total operating income.

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

(3) Cost

① Cost analysis

Unit: RMB'0,000

Product	Cost composition	Amount of current period	By product			Change of amount of current period compared with that of last year (%)	Description
			Proportion among total cost this year (%)	Amount in the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)		
1. Shipbuilding business (including offshore engineering)	Direct material	579,103.02	61.38	286,360.49	52.97	102.23	Increase in production volume
	Processing cost	362,901.35	38.46	224,346.68	41.50	61.76	Increase in production volume
	Depreciation loss	-89,054.89	-9.44	-60,861.66	-11.26		Writing off of impairment provision made
2. Steel structure engineering	Direct material	15,823.97	1.68	14,687.41	2.72	7.74	Increase in products
	Processing cost	21,175.84	2.24	24,838.51	4.59	-14.75	Increase in products
	Depreciation loss	-	-	-138.54	-0.03		Writing off of impairment provision made
3. Electromechanical products and others	Direct material	32,903.98	3.49	14,795.01	2.74	122.40	Increase in products
	Processing cost	21,861.42	2.32	36,597.10	6.77	-40.26	Increase in products
	Depreciation loss	-1,191.58	-0.13	-3.26	-0.00		Writing off of impairment provision made
Total		943,523.11	100.00	540,621.73	100.00	74.53	

REPORT OF THE BOARD

② Information on major suppliers

In 2014, among the Group's purchasing for its various businesses, the amount incurred from purchasing the materials and equipment for products from top five major suppliers was RMB3,490 million in total, accounting for 36.99% of the Group's annual purchasing of materials and equipment for products; and wherein, the amount of purchasing from the largest supplier China Shipbuilding Industry Complete Equipment Logistics (Guangzhou) Company Limited was RMB2,766 million, accounting for 29.31% of the Group's total purchasing amount.

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

(4) Expense

During the reporting period, total expenses was RMB901 million, representing an increase of 6.74% over that of last year, details as follows:

- ① Selling expenses incurred were approximately RMB33,550,000 in total during the period, representing an increase of 490.20% over that of last year, mainly attributable to shipbuilding income increased and provision for maintenance was made according to progress, and the reversal of maintenance fee which has past due and due during the last year;
- ② Administrative expenses incurred were approximately RMB739,730,000 in total during the period, representing an increase of 5.39% over that of last year, mainly attributable to research and development expense, capital operation expenses and agency fees increased;
- ③ Financial expense incurred was approximately RMB127,890,000 in total during the period, representing a decrease of 6.43% over that of last year, mainly attributable to interest expense decreased.

(5) Research and development expenditure

① List of research and development expenditure

Unit: RMB

Research and development expenditure recorded in expenses during the period	201,194,307.76
Capitalized research and development expenditure during the period	0.00
Total research and development expenditure	201,194,307.76
The proportion of total research and development expenditure over the net assets (%)	3.55
The Proportion of total research and development expenditure over total revenue (%)	2.11

REPORT OF THE BOARD

② Description

During the year 2014, there were 75 research and development projects of the Company, expenses incurred during the year were RMB201 million. Among which, there were 25 top research and development projects. In respect of external projects, co-operation with research and development institutions was enhanced, and together with the strategic transformation of the Company, research and development in respect of offshore engineering and non-ship were enhanced.

(6) Cash flow

In 2014, the Company's cash flow from operating activities was RMB855 million, representing an increase of RMB877 million over that of last year, and this was mainly attributable to the increase in shipbuilding material, the increase in engineering projects and compensation fee of RMB560 million received upon disposal of subsidiary; the cash flow from investing activities was RMB-162 million, representing a decrease of RMB517 million over that of last year, and this was mainly attributable to the payment for acquisition of equity interest in Longxue Shipbuilding; and the cash flow from financing activities was RMB-204 million, representing an increase of RMB788 million, which was mainly attributable to the payment increase during the year.

(7) Others

① Detailed explanation of material changes in the Company's profit composition or profit sources

Unit: RMB

Profit and loss	Current year	Last year	Changes	Change (%)	Description
Operating income	9,530,740,881.74	5,838,268,514.19	3,692,472,367.55	63.25	Production volume increased, 66 ships were arranged for construction this year (2013: 49 ships)
Operating costs	9,630,980,417.48	5,584,894,832.93	4,046,085,584.55	72.45	Production volume increased, income increased as compared with the same period of the last year
Selling expenses	33,547,079.26	5,684,005.42	27,863,073.84	490.20	Shipbuilding income increased and provision for maintenance was made according to progress, and the reversal of maintenance fee which has past due and due during the last year
Asset impairment loss	11,944,445.50	267,734,476.89	-255,790,031.39	-95.54	Appreciation in forward US dollar, contract estimated total income increased, contract estimated loss decreased
Gains on changes in fair value	-112,677,799.33	46,571,580.25	-159,249,379.58	-341.90	Appreciation in forward US dollar, resulting in income from change in forward exchange settlement fair value decreased
Investment income	395,363,838.64	202,672,876.30	192,690,962.34	95.07	Income arising from disposal of subsidiary, stocks and forward exchange settlement increased;
Non-operating income	813,325,483.25	180,557,982.31	632,767,500.94	350.45	Production loss compensation increased
Other comprehensive income	8,830,870.15	-181,399,847.22	190,230,717.37	Not applicable	Attributable to the disposal of available-for-sale financial assets

REPORT OF THE BOARD

② *Analysis and explanation of progress for implementation of financings and material assets restructuring of the Company in the initial stage*

The Company completed the acquisition of 100% equity interest in Longxue Shipbuilding on 16 June 2014. For details, please refer to the announcements of the Company dated 24 June 2013, 30 September 2013, 25 November 2013, 11 February 2014 and 16 June 2014 and circular dated 8 November 2013 disclosed on the Shanghai Stock Exchange and Hong Kong Stock Exchange.

CSSC, the controlling shareholder of the Company, started material assets reorganisation in respect of the Company in April 2014 to the Company, i.e. the Company purchase 100% equity interest held by CSSC Huangpu Wenchong by way of share issue and payment of cash, and to purchase related shipbuilding business assets held by Yangzhou Kejin by way of addition share issue. The Company's shares have been suspended for trading for nearly seven months, two Board meetings in respect of the restructuring of significant assets, were successfully held on 31 October 2014 and 6 November 2014, respectively, each resolution was considered and approved on the meetings. The Company's shares resumed trading on 3 November 2014. At the general meeting held on 22 December 2014 in respect of the significant assets restructure, all resolutions were considered and approved in the general meeting.

As at 3 March 2015, the restructuring of significant assets of the Company has been approved by the CSRC. The Company disclosed the related approval on the same date on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

③ *Description of the progress of development strategy and business plan*

2014 was the year for transformation development and structure adjustment of the Company, the Company completed the equity acquisition of Longxue Shipbuilding, with the deep integration of the two companies, the Company gradually adapted to the business mode of two companies in three locations. The production of Nansha factory was on the right track gradually, efficiency has been significantly improved. Operating income and gross value of industrial output achieved during the reporting period both have a significant increase as compared with the same period of last year. For details, please refer to paragraph (1) main business analysis of this section.

2. Analysis by industry, products or regional operation

(1) Information of main businesses by industry, product

Unit: RMB

Product	Operating income	Operating cost	Main businesses by product		Change of operating cost compared with that of last year (%)	Change of gross profit margin compared with that of last year (%)
			Gross profit margin (%)	Change of operating income compared with that of last year (%)		
Shipbuilding business	8,267,540,654.78	8,489,494,780.60	-2.68	81.23	88.72	decrease by 4.07 per cent point
Steel structure engineering	405,617,815.60	369,998,188.27	8.78	-7.51	-6.06	decrease by 1.41 per cent point
Electromechanical products and others	595,231,930.96	575,738,154.49	3.27	5.60	12.04	decrease by 5.56 per cent point

REPORT OF THE BOARD

Explanation on principal businesses by industry and by product

From the product structure, proportion of income from shipbuilding and offshore engineering business was 89.2%, representing an increase of 7.21 percentage points as compared with the same period of last year. Proportion of income from steel structure engineering and other sectors decreased as compared with the same period of last year, mainly attributable to the significant increase in income from ship and sea products. During the reporting period, main operating income of RMB9,268 million was achieved, representing an increase of 66.57% as compared with the same period of last year; gross profit was of RMB-166.84 million, representing an decrease of RMB325 million as compared with the same period of last year, mainly attributable to the decrease in gross profits from shipbuilding and offshore engineering products of RMB285 million as compared with the same period of last year.

① *Shipbuilding and offshore engineering business*

Income from shipbuilding and offshore engineering business was RMB8,268 million, representing an increase of 81.23% as compared with the same period of last year. Income increase was mainly due to ships under construction increased as compared with the same period of last year, there were 66 ships under construction, while there were 49 ships under construction for the same period of last year.

② *Steel structure*

Total income was RMB406 million, representing a decrease of 7.51% as compared with the same period of last year. Among which, due to product structure adjustment, and the requirement of producing steel structure at present is high, which led to difficulty in production and the extension of production cycle, resulting in steel structure income from Yonglian Company, a subsidiary, decreased by RMB46.78 million.

③ *Electromechanical products and other businesses*

Total income for the period was RMB595 million, representing an increase of 5.6% as compared with the same period of last year. Among which, income from electromechanical products increased RMB210.34 million, mainly due to sales of host machines of 3# and 4# shield tunnelling machines during the period, resulting in an increase of RMB104 million as compared with the same period of last year; total gross profit for the period was RMB19.49 million, representing a decrease of RMB30.31 million as compared with the same period of last year, mainly due to gross profit loss in electromechanical business.

REPORT OF THE BOARD

(2) Information of principal businesses by region

Unit: RMB

Region	Income from principal businesses	changes of operating income compared with corresponding period of the last year (±%)
Mainland China	4,518,040,567.64	168.62
Hong Kong	323,684,412.87	-62.66
Denmark	318,531,922.55	-53.60
Netherlands	394,972,413.89	37.37
Sweden	629,197,395.79	172.28
Greece	382,929,649.59	-35.26
Canada	135,166,022.96	134.04
USA	92,616,253.63	234.15
British Virgin Islands	155,942,964.93	100.00
Liberia	512,333,042.40	0.56
Singapore	418,822,058.50	179.53
Australia	80,090,503.75	-9.56
Switzerland	470,109,169.16	778.26
Marshall Islands	19,820,788.75	100.00
Mauritius	381,114,373.13	80.18
Norway	249,793,910.07	100.00
Morocco	37,208,798.91	100.00
Austria	68,825,826.05	100.00
Macau	53,512,416.04	100.00
Other countries and regions	25,677,910.73	-17.94
Total	9,268,390,401.34	

REPORT OF THE BOARD

3. ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES

(1) Analytical Statement of Assets and Liabilities

Unit: RMB

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Proportion among total assets at the end of current period (%)	Description
Financial assets at fair value through profit or loss	13,007,994.71	0.05	69,210,083.75	0.32	-81.21	Increases in foreign exchange contracts held for the period and fluctuations in the forward foreign exchange rates
Notes receivables	10,678,923.83	0.05	21,607,944.72	0.10	-50.58	An increase in bank drafts received during the period
Prepayments	1,476,460,562.44	6.24	1,070,938,867.43	4.97	37.87	Increase in production capacity resulting in prepayments of purchase increase
Other receivables	297,586,125.55	1.26	75,790,266.06	0.35	292.64	Increase in product subsidies and export tax refund at the end of the year
Inventories	4,243,869,651.14	17.93	2,988,934,033.42	13.86	41.99	Increase in new orders resulting in increases in materials and work in progress
Financial assets available for sales	6,900,000.00	0.03	35,970,000.00	0.17	-80.82	Sales of shares of China Merchants Energy Shipping
Construction in progress	424,477,179.97	1.79	91,957,146.55	0.43	361.60	Increases in construction in progress of the subsidiary, Longxue Shipbuilding
Deferred income tax assets	577,393,228.99	2.44	402,599,880.10	1.87	43.42	The subsidiary, Longxue Shipbuilding recognizes part of the deductible losses as the deferred income tax assets
Short-term loans	4,042,518,219.57	17.08	2,740,220,723.02	12.71	47.53	Increases in loans
Financial liabilities at fair value through profit or loss	56,475,710.29	0.24	-	-	-	Attributable to changes in the fair value of forward foreign exchange
Notes payable	1,316,585,489.50	5.56	889,353,412.06	4.13	48.04	Purchase of materials increased
Accounts payable	2,404,465,685.59	10.16	1,754,934,382.86	8.14	37.01	Purchase of materials increased
Tax payables	-292,285,242.99	-1.23	-139,946,711.34	-0.65	108.85	Attributable to increases in the input tax
Interests payable	20,919,000.53	0.09	68,778,979.01	0.32	-69.59	Attributable to repayment of loans and payment of interests
Other payables	47,010,552.66	0.20	30,953,655.67	0.14	51.87	Increase in the tender deposit of the Subsidiary
Other current liabilities maturing	4,681,683,042.76	19.78	3,153,645,678.93	14.63	48.45	Vessel engineering projects increased
Long-term loans	3,256,071,388.68	13.76	5,943,404,473.16	27.57	-45.22	Loan repayment
Deferred income tax liability	1,951,199.21	0.01	11,330,087.60	0.05	-82.78	Reduction of changes in fair value gain
Estimated liabilities	269,050,764.55	1.14	657,847,075.11	3.05	-59.10	Decreases in contractual losses
Share capital	1,030,534,651.00	4.35	643,080,854.00	2.98	60.25	Attributable to placement of shares
Capital reserve	3,319,815,828.93	14.03	2,129,232,741.41	9.88	55.92	Attributable to increases in share premium due to placement of shares
Special reserves	1,439,966.32	0.01	956,026.41	0.00	50.62	Increases in the difference between the withholding special safety funds and amount of funds actually utilized
Non-controlling interest	42,856,483.36	0.18	18,662,087.21	0.09	129.64	Attributable to changes in the non-controlling interests of subsidiaries

REPORT OF THE BOARD

(2) *Explanation on the change on measurement nature on financial assets at fair value through profit or loss and major assets*

The financial assets at fair value through profit and loss of the Group are all forward foreign exchange contracts. At the measurement date, the public prices of 3 banks before adjustment were obtained. According to prudence principles, one price from bank is chosen to be input value. The debt rate published by the PBC is chosen to be discount rate. (For details, refer to Note VI.2 to the consolidated financial statements).

4. Core competitiveness analysis

- (1)** Brand strength: By virtue of good reputation, high-quality products and customized services, the Company has enjoyed high brand popularity in the global handy liquid cargo vessel market, semi-submerged ship and ro-ro passenger ship market, in particular, market share of MR tanker reaches 80% in the domestic market, 15% in international market, it ranks top in the PRC market, and ranks third in the handy-size tanker segment enterprise in the world; brand awareness in respect of the building used on land and large-scale steel structure markets of the Company is also high.
- (2)** Technology strength: The Company owns a technical center recognized by the state, persists in independent innovation, and has successively developed multiple types of new green, energy-saving and environment-friendly vessels, like oil tanker, chemical cargo ship, ro-ro ship, ro-ro passenger ship, and semi-submerged ship, etc.. A number of technology indicators of the Company are leading in the industry, which provide a strong technical support for the Company's operational expansion and improved the comprehensive technical-economic performance and market competitiveness of its ships. The Company has achieved the world's advanced standard in terms of ship research & development and manufacturing.
- (3)** Management strength: The Company has extensive, in-depth production and management experience and persists in guiding and organizing production with plans, can well complete the production tasks for various products, manage widely distributed production resources effectively, and has achieved its headquarters' effective management of business segments or units.

5. Investment Analysis

(1) External Equity Investment Analysis

In 2014, the balance of the long-term equity investment of the Company amounted to RMB47.87 million, representing an increase of 11.44% as compared with last year; the income from long-term equity investment for the year amounted to RMB338.35 million, representing a significant increase as compared to RMB2.1 million last year, which is mainly attributable to:

- ① The Company completed the acquisition of 100% equity in Guangzhou CSSC Longxue Shipbuilding Co., Ltd., (“Longxue Shipbuilding”) on 14 March 2014. Therefore, Longxue Shipbuilding, as a wholly-owned subsidiary of the Company, is included in the consolidated statement of the Company during the reporting period.
- ② It was passed upon due consideration during the fifth meeting of the eighth session of the Board that, the Company would contribute part of the land and buildings in the new factory zone of Liwan Factory of the Company as investment in kinds for a consideration for RMB113,008,800 and cash of RMB991,200 to establish Guangzhou Shipyard Industrial with a registered capital of RMB114 million. For the facilitation of continuous development in the future, it was approved in the eighth meeting of the eighth session of the Board that, the assets of the remaining land and buildings as well as structures in the new factory zone of the Company Liwan Factory totalling RMB298,173,400 was injected into Guangzhou Shipyard Industrial as capital increase. Upon the completion of capital increases, the registered capital of Guangzhou Shipyard Industrial became RMB412,173,400 and upon its establishment. Guangzhou Shipyard Industrial’s 100% equity was held by the Company.

It was passed upon deliberation during the ninth meeting of the eighth session of the Board and the third extraordinary shareholders’ meeting of 2014 held on 11 November 2014 that, it was proposed to tender 100% equity in Guangzhou Shipyard Industrial in Shanghai United Assets and Equity Exchange for sales with a minimum consideration not less than the evaluated share value of RMB413,791,300 plus the compensation of RMB560 million for production losses. The project was tendered in Shanghai United Assets and Equity Exchange as at 12 November 2014, and the transfer of 100% equity in the Company by listing was completed at the minimum consideration, and the Company recorded a investment income of RMB301,883,200.

- ③ It was passed upon deliberation during the fifth meeting of the eighth session of the Board that, the Company would contribute the machinery auxiliary building on Gexin Road (with an evaluated value of RMB33,721,700) as investment in kinds and cash of RMB78,300 to establish Guangzhou Jinzhou on 22 August 2014 with a registered capital of RMB33.8 million, which was a wholly-owned subsidiary of the Company upon its establishment. It was passed upon deliberation in the eighth meeting of the eighth session of the Board and the third extraordinary shareholders’ meeting of 2014 held on 11 November 2014 to tendered 100% equity in Guangzhou Jinzhou in Shanghai United Assets and Equity Exchange for sales with a minimum consideration not less than RMB33.8 million. The project was tendered in Shanghai United Assets and Equity Exchange on 12 November, and the transfer of 100% equity in Guangzhou Jinzhou by tendering was completed at the minimum consideration, and the Company recorded a investment income of RMB30,114,500.

REPORT OF THE BOARD

- ④ It was approved in the third extraordinary shareholders' meeting held on 11 November 2014 that, the Company would contribute part of lands (with a floor area of 393,793 square meters) and buildings and structures (with a building area of 175,058.74 square meter and other auxiliary facilities) as investment in kind for a consideration of RMB1,246,803,300 and cash of RMB1,196,700 to establish Guangzhou Shipyard Shipping with a registered capital of RMB1,248,000,000. The company was a wholly-owned subsidiary of the Company.

For details of the investments above, please see related announcements of the Company dated 20 August 2014, 19 September, 2014, 11 November 2014 and 30 December 2014 disclosed on the Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinagsi.com).

(2) Trading of shares in other listed companies:

Stock name	No. of shares held at the beginning of the period (shares)	No. of shares purchased during the reporting period (shares)	Fund utilized (RMB)	No. of shares disposed during the reporting period (shares)	No. of shares held at the end of the period (shares)	Investment income (RMB)
China Merchant Energy Shipping	11,000,000	–		11,000,000	0	30,890,440.93

Investment income generated from selling of China Merchant Energy Shipping stocks during the reporting period was RMB30,890,440.93.

(3) Information of entrusted wealth management and derivatives investment

① Entrusted wealth management

There was no entrusted wealth management during the reporting period.

② Entrusted loan

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 profit or loss
Investment and construction of Zhongshan Base (totally 20 loans)	760,000,000.00	2013.3.4 -2016.12.1	1.5	Base construction	Nil	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary		
Large-scale Machinery	15,000,000.00	2014.10.21 -2016.10.20	1.5	Base construction	Nil	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary		
Longxue Shipbuilding (USD)	20,000,000.00	2014.6.12 -2016.6.12	1	Revolving funds for production	Nil	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary		

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In order to solve the bottleneck of insufficient production resources, the Company increased entrusted loan of RMB45 million to its wholly-owned subsidiary Zhongshan GSI for its construction with Industrial and Commercial Bank of China and CSSC Finance as entrusted financial institutions. The Company has provided 20 entrusted loans with a total amount of RMB760 million to Zhongshan GSI from August 2012 to 31 December 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 U.S. dollar of Longxue Shipbuilding, a wholly-owned subsidiary of the Company matured; as it did not have sufficient fund in U.S. dollar, it was granted 1 entrusted loan with amount of U.S. dollar 20 million through China Citic Bank, which was used for repayment of the matured loans in U.S. dollar. As Longxue Shipbuilding has high quality shipbuilding assets, it is free of capital risk.

During the year 2014, Large-scale Machinery, a wholly-owned subsidiary of the Company, have to pay share cost of for the construction of machinery processing center, as its own funding was insufficient, it was granted 1 entrusted loan with amount of RMB15 million through CSSC Finance, which was used for repayment of construction project payment. Large-scale Machinery has high quality shipbuilding ancillary assets, it is free of capital risk.

③ Information of derivative investment

Type of investment	Fund source	Contracting party	Investment share	Investment period	Product category	Expected earning	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	-41,130,156.7	29,720,358.27	No
USD/Euro dollars forward exchange settlement	Contract for export of ships	Banks	-	Within one year	Forward exchange settlement	-2,337,558.88	-208,753.00	No

In order to prevent exchange rate risk, the Group entered into forward exchange settlement with banks. At at the year end, the Group had in total 59 U.S. dollar forward settle foreign exchange contracts not delivered yet, amounting to approximately USD1,049.7 million in total, the longest delivery period is until 25 July 2017, and the change in fair value loss recognized as at the end of year was approximately RMB41.1302 million; the Group had in total 4 forward purchase foreign exchange contracts not delivered yet, amounting to approximately USD11.4877 million, the longest delivery period is until 28 April 2015, and the change in fair value loss recognized as at the end of year was approximately RMB2.3376 million.

REPORT OF THE BOARD

(4) 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 year	Accumulated use of proceeds	Total amount of proceeds that have not been used	Use and status of proceeds that have not been used
2014	Non-public issue	2,199,595,533.49	2,199,595,533.49	2,199,595,533.49	0	
Total	/	2,199,595,533.49	2,199,595,533.49	2,199,595,533.49	0	/

Overall use of fund raised

On 11 February 2014, the Company has completed the private issue of totally 387,453,797 H shares to CSSC HK, Baosteel International and China Shipping HK at HKD7.29 per share. The net amount of the raised capital after deducting underwriting expense was HKD2,199,595,533.49 among which RMB605 million was paid to acquire 100% equity interest of Longxue Shipbuilding and RMB1,594 million was paid to repay the bank loan of the controlling subsidiary Longxue.

Note: According to the Report of Assets Appraisal (Xin Zi Pin Bao Zi(2013) No.180) issued by Shanghai Lixin Appraisal Co., Ltd. on 31 March 2013, the appraised net assets of Longxue Shipbuilding was RMB955.9649 million. The acquisition price represented the appraised net assets of Longxue Shipbuilding as at 31 March 2013, being RMB955.9649 million. The equity transfer of Longxue Shipbuilding was completed on 28 February 2014. According to the Audited Financial Statements of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. for January to February 2014 (XYZH/2013A5035) issued by ShineWing Certified Public Accountants on 18 March 2014, the net assets of (Longxue Shipbuilding) as at 28 February 2014 was RMB-54,109,262.03. According to the acquisition agreements, the operating loss of RMB350,826,448.02 during the period from the valuation date to completion of acquisition shall be resumed by former shareholders, and the acquisition price after deducting such losses the Company actually paid was RMB605,138,451.98. Therefore, the Company acquired 100% equity interest of Longxue Shipbuilding by the raised capital of RMB605,138,451.98. The raised capital remained totally RMB1,594,457,081.51. The remaining amount was completely used to repay the bank loan of Longxue Shipbuilding by the company.

REPORT OF THE BOARD

(5) 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
Guangzhou CSSC Longxue Shipbuilding Co., Ltd.	Vessels, electrical machinery, general machinery, and steel structure technology design, manufacture, and repair	272,000.00	100	1,258,621	3,085	5,720
Guangdong GSI Elevator Co., Ltd	Production and sale of elevators	2,100	95	8,067	4,223	311
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	80	4,648	564	-196
Guangzhou Hongfan Technology Co., Ltd.	Developing of computer software, system integration, and hardware sales, etc	500	51	3,813	2,864	440
Guangzhou Xingshun Shipping Service Co., Ltd	Installation, welding, fitting, coating, repairing of hull structure	200	83.33	10,241	3,599	132
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	3,309	1,678	234
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	26,636	11,422	234
Guangzhou United Steel Structures Limited	Large steel structure	USD8,850,000	75	30,716	11,963	1,215
Glory Group Developing Co., Ltd	Trading	HKD30,000,000	100	20,498	8,136	931
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	83,836	-10,498	-10,173
GSI 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	5,000	100	62,669	1,068	-4,264

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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
Guangzhou Hongfan Hotel Co., Ltd	Tourism and catering	11,940	93.30	12,515	11,809	118
Guangzhou Shipyard Shipping Co., Ltd	Manufacturing industry of railway, vessel, aviation and aeronautic and other transportation equipment	124,800	100	124,031	124,031	-769
Shares held indirectly						
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	3,309	1,678	234
Guangdong GSI Elevator Co., Ltd.	Elevator manufacturing	2,100	5	8,067	4,223	311
Fonkwang Development Co., Ltd.	General trade	HKD200,000	80	11,865	459	138
Fanguang (Macau) Development Single Person Co., Ltd.	General trade	HKD100,000	80	62	-33	-40
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd	Providing labor services, as well as installation, welding, derusting, and painting of ships	500	20	4,648	564	-196
Guangzhou United Steel Structures Limited	Large steel structure	USD8,850,000	25	30,716	11,963	1,215
Guangzhou Xingshun Shipping Service Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	16.67	10,241	3,599	132
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal metallurgy and steel rolling and processing	7,000	42.86	8,376	4,898	31
Guangzhou Hongfan Hotel Co., Ltd	Tourism and catering	11,940	6.70	12,515	11,809	118

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(6) Information of non-raised capital investment projects

Unit: RMB

Item	Project amount	Progress	Amount invested this year	Actual amount invested accumulatively	Project benefit
General Contracting for Design and Construction of Workers' Dormitory Project (Phase I) CSSC Longxue Base	627,700,000.00	Under construction	288,381,985.29	292,062,565.29	No revenue generated
Development the construction of security conditions	14,020,000.00	Under construction	10,479,102.96	14,729,102.96	No revenue generated
1#3# Slipway Extension Project	4,100,000.00	Under construction	2,041,714.01	2,041,714.01	No revenue generated
1 set of 500HP tugboat for the shipbuilding division	4,800,000.00	Under construction	3,385,711.39	3,385,711.39	No revenue generated
Assembly shipbuilding platform (Heavy Block Stock Yard and platform project)	253,830,000.00	Under construction	19,233,590.41	19,233,590.41	No revenue generated
Stage 1 of Zhongshan Base Project (Phase I)	793,140,000.00	Under construction	5,419,561.24	5,611,749.65	No revenue generated
Residential Project for Workers	277,450,000.00	Under construction	1,814,349.74	35,687,284.96	No revenue generated
Relocation of asset from Sanjiao Town, Zhongshan	8,874,020.10	Under construction	1,317,303.73	9,535,161.33	No revenue generated
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting	4,310,000.00	Under construction	2,646,306.46	2,646,306.46	No revenue generated
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	4,410,000.00	Under construction	2,638,814.04	2,638,814.04	No revenue generated
Engineering and Design Fees for Base Civil Ship Phase I	3,800,000.00	Under construction	2,585,500.00	2,585,500.00	No revenue generated
Steel structure construction for work team in dock	11,286,564.62	Completed	1,660,332.82	10,339,650.43	Revenue generated
Others			102,258,459.32	102,258,459.32	
Total		/	443,862,731.41	502,755,610.25	/

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

1. Competition landscape and development trend in the industry

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

REPORT OF THE BOARD

2. The Company's development strategy

Although the accumulated turnover of new ships in the international ship market in 2014 remained in a high position, the general downward trend in the future is obvious. The downward pressure of the ship market still exists and the shipping market fluctuates in a low position, and the ship market recovers slowly.

The Company brings in a new look. The Company is new in four aspects which are "new start, new trend, new requirements and new leap". The Company must insist on reform and innovation; make its best efforts to promote the centralized production of high technology ships and special ships; centralized improvement of facilities in Nansha Factory; start the product transfer of Liwan Factory, and relocation, construction and transfer of non-ship products; realize a distinct growth in production volume and shorter shipbuilding cycle; smooth the production process and deepen the management and reform; complete the annual tasks and complete the goals for the "Twelfth Five-Year" Plan; complete formulating development goals for the "Thirteenth Five-year" Plan; enhance the construction of a harmonious enterprise and promote the sustainable and healthy development of the Company.

3. Business Plan for the next year

The Company plans to undertake contracts with amount of RMB10,000 million; to complete the construction of ships (including offshore engineering ships) with 2,170,800 DWT, 6 sets of complete equipment, 45,000 tonnes of steel structure, 600 sets of shearing press and 800 elevators; further smooth the fundamental management, enhance innovation in production management and intensify the arrangement of production tasks; improve the production planning system for shipbuilding in two factories; enhance planning management by departments and layers; make strict assessment to ensure completion of plans on schedules; promptly carry out the subsequent work for the substantial restructuring project, further optimize the industrial structure and form a full coverage of the four equipment system products covering maritime defense, maritime transport, marine development and marine research as soon as possible.

For future development, the Company will continue to follow the operating strategies of "transferring model and adjusting structure" to increasingly rationalize the structure of shipbuilding products; fully utilize the brands and technical advantages of the Company; make full use of the production capacity of Nansha Factory and the hardware advantages to stabilize existing orders, enhance sales, focus on core clients and regions, make breakthroughs in size and selection of ship models and realize the strategic transformation of shipbuilding business of the Company..

4. Capital requirement to maintain current business and to complete investment project company in construction

In 2015, the capital required to complete the projects under construction amounts to RMB1,058,930,000; among others, the continued projects are the workers' dormitory project and the project of shipbuilding platform in Nansha Factory with a planned investment of RMB370 million; the projects that have been approved and are to be carried out are the elevator shearing press project and the acquisition of new land for Zhognshan Factory, with a planned investment of RMB166.15 million; the projects that have been set up include the construction of new warehousing and distribution warehousing and fields, expansion of component fabrication assembly and welding workshops, electricity capacity expansion for external field public kinetic energy, renovation of administrative office building, construction of new dolphin piers for parking in the interior base and improvement of auxiliary facilities of shipbuilding platform, block production line, auxiliary facilities for the shipbuilding platform in Nansha Factory and the pre-outfitting and assembly site (expansion), with a total investment of about RMB403.93 million; and investment in other projects amounts to RMB118.85 million.

5. Risks may be faced by the Group

(1) *Financial risk*

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

Exchange rate risk. The Company's ship export orders are denominated in US dollars and some domestic ship orders are also denominated in US dollars and settled in Renminbi. In 2014, the change of the exchange rate of Renminbi is a two-way fluctuation and the magnitude of fluctuation is getting higher. The trend of the exchange rate of Renminbi will become increasingly difficult to predict. The Company's derivative financial instruments, accounts receivable, monetary funds, accounts payable, short-term borrowings, long-term borrowings, and other payables, etc., which are settled with USD and are subject to exchange rate risk, have been disclosed in the notes to financial statements respectively.

The Company's interest rate risk is derived from non-current borrowings. The loans granted at floating interest rate expose the Company to interest rate risk of cash flow, while the loans granted at fixed interest rate expose the Company to interest rate risk of fair value. The maturity of such loans has been disclosed in note VI/20, 30, 32 of financial statements.

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

(2) *Cost risk*

The operating condition of the ship market varies which directly affects the arrangement of orders in hand and production tasks thereby affecting the units of constructing product of the Company. Since the fixed cost continues to be recognized according to the production schedule of ships under construction, the fewer number of ships under construction, the higher cost per unit will be recognized and vice versa. The process of producing a ship is complicated. There are many uncertainties, for example, late arrival of production materials, substandard of goods, quality problems during the production process, allocation problems of material and improper manpower planning problems, affecting the entire production cycle of the shipbuilding. The extension of critical period will inevitably lead to an increase of the corresponding cost. The level of willingness of the ship owner to take the ship also has certain impact on the cost. During the design and production process, if the owners have high requirements, do not have strong willingness to deliver ships or decide to postpone the delivery of ships, they will probably put forward many requirements in the design and acceptance process leading to an increased amount of rework and the effect of shipping schedules, resulting a rise of cost expense. The production tasks cannot be done by the factory are finished through outsourcing. If the production tasks of the outsourcing market is saturated which leads to labour shortage, it is possible to raise the outsourcing unit price, causing cost for outsourcing increases.

(3) *Shipbuilding risk*

There are many types of high value-added product involved including polar deck ships, semi-submersible heavy lift vessels, Ro/Ro passenger vessels, etc. Since the technology requirement is high and they are first built ships, the design will probably need to be modified and the amount of rework may be large, which leads to risk of node delay of delivery. The existing labour force, especially the skill level of welders, is difficult to guarantee the building requirement of polar deck ships which leads to the risk of delay of rework. The new high value-added ship products accepted currently is difficult to satisfy the production needs. The arrival of goods is lagged and affects the production risk.

REPORT OF THE BOARD

(III) PREPLAN FOR PROFIT ALLOCATION OR CAPITAL INCREASE OF CAPITAL RESERVE

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

The Company revised the Articles of Association in 2014, perfected the policy for cash dividend, and regulated the procedures of profit distribution policy, etc. The Company will fulfill the policy for cash dividend actively, and return investors reasonably. For the Company's detailed policy for profit distribution, please refer to the Circular to Shareholders for the Fourth Extraordinary Meeting of Shareholders 2014 dated at 5 December 2014, and the Company's Articles of Association at the website of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company.

According to article 215(3)(4) of the Articles of Association of the Company, the Company may distribute cash dividends if that the debt to asset ratio does not exceed 70%. Given that the debt to asset ratio as of 31 December 2014 is 76.04% and the Company is still subject to downward pressure of the ship market and the shipping market fluctuate in a low position, together with other circumstances of the Company e.g. the needs for manufacturing and operating fund. As such, the Company does not intend to declare any dividends and would not implement any capitalization of common reserve in 2014.

2. Plan or proposal of profit distribution or transfer of capital reserve fund to share capital of the Company for the past three years (including the reporting period):

Unit: RMB

Year	Number of bonus shares per 10 shares (shares)	Amount of dividends distributed per 10 shares (inclusive of tax)	Number of shares transferred per 10 shares (shares)	Amount of cash dividends (inclusive of tax)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the bonus distribution year	Percentage to the net profit attributable to the shareholders of the listed company in the consolidated financial statements (%)
2014	-	-	-	-	151,496,768.77	-
2013	-	0.10	-	10,305,346.51	-218,566,980.38	75.78
2012	-	1.20	-	77,169,702.48	-1,013,747,873.13	747.22

(IV) ACTIVELY PERFORMING SOCIAL RESPONSIBILITIES

The Company does not belong to the listed company of heavy pollution industries as required by the state environmental protection department. For details in respect of the performance of the social responsibilities of the Company, please refer to the "Corporate Governance Report for the year 2014", which was published on websites of the Hong Kong Stock Exchange (www.hkexnews.hk), Shanghai Stock Exchange (www.sse.com.cn) and the Company (www.chinagsi.com) on 16 February 2015.

(V) OTHER INFORMATION

Financial summary

The Group's results, assets and liabilities in the past few years are set out in this annual report.

Business and distribution

The Group's results and profit distribution proposal for the year ended December 31, 2014 are set out in this annual report.

Reserve

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

As at December 31, 2014, the reserve distributable to the shareholders of the Company was RMB2,450,706,411.59.

Fixed assets

As at December 31, 2014, the Company had no fixed assets pledged to secure bank financing. The information about the Group's fixed assets (including property assets or other tangible assets) during this year is set out in this annual report.

Bank loans, overdraft and other borrowings

The information of the Group's bank loans, overdraft and other borrowings as at December 31, 2014 is set out in this annual report.

Contingent liabilities

As at December 31, 2014, the Group had no significant contingent liabilities.

Gearing ratio

As at December 31, 2014, the Company's gearing ratio was 76.04%.

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

Significant litigation

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

(VI) ACKNOWLEDGEMENT

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

On behalf of the Board
Han Guangde
Chairman

Guangzhou, February 16, 2015

SIGNIFICANT EVENTS

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

Summary and type of event

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.

Index for details

For details, please refer to the “Significant Events (I) Significant Litigation and Arbitration” in the Annual Report 2011 of the Company

(II) CAPITAL OCCUPIED DURING THE REPORTING PERIOD AND THE CLEARING PROGRESS

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

In accordance with the requirement of relevant notice issued by the China Securities Regulatory Commission, Shinewing Certified Public Accountants (special general partnership), has audited the cash flows of the Company and its controlling shareholder, CSSC and other related parties, and certified that as at December 31, 2014, the cash flows between the Company and CSSC and other related parties arose from connected transactions in the ordinary and usual course of business of the Company. Apart from these, they have not identified any breach by the Company of the requirements stated in the “Notice of Regulating Cash Flows between Listed Companies and Related Parties and External Guarantees of Listed Companies”.

SIGNIFICANT EVENTS

(III) ASSETS TRANSFER AND BUSINESS COMBINATION

Summary and type of event

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 in 2013, relevant issue of H shares was completed on 11 February in 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 14 March, 2014

Transfer of 100% equity interest in Guangzhou Jinzhou by way of agreement-based transfer for a consideration of RMB33.80 million.

Transfer of 100% equity interest in Guangzhou Shipyard Industrial by way tendering for a minimum consideration of RMB413.7913 million plus the compensation of RMB560 million for production losses.

Index for details

For details, please refer to the announcements dated 11 February, 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 (www.sse.com.cn), Stock Exchange (www.hkexnews.hk) and the Company (www.chinagsi.com).

For details, please refer to the related announcement dated 29 December 2014 disclosed on the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

For details, please refer to the related announcement dated 30 December 2014 disclosed on the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

(IV) THE COMPANY DOES NOT HAVE SHARE INCENTIVE SCHEME

(V) SIGNIFICANT CONNECTED TRANSACTIONS

1. Connected Transactions Related to Daily Operation

The Company's continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") consisted of routine connected transactions, particulars of these transactions have been disclosed in the notes to the financial statements in accordance with Rule 14 A.71.

The Company's financial report auditor and directors (including the four independent non-executive directors) have reviewed the routine connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' overall benefits; and the transactions did not exceed the cap amount for year 2014, as approved in the shareholders' meeting.

The Company's auditor has issued a letter with unqualified opinions on the findings and conclusion of the Group's above mentioned continuing connected transactions under Rule 14A.56 of the Listing Rules.

SIGNIFICANT EVENTS

2. Connected transactions related to assets acquisition and disposal

Summary and type of event

Index for details

- (1) The Company and the seller entered into equity transfer agreement on 30 September 2013 in respect of the acquisition of Longxue Shipbuilding, pursuant to which, the Company agreed to acquire equity interest in Longxue Shipbuilding for a consideration of RMB955,964,900, of which, RMB573,578,940, RMB286,789,470 and RMB95,596,490 were paid to CSSC, Baosteel Group Corporation and China Shipping Group Company, respectively. Before acquisition by the Company, Longxue Shipbuilding was held by CSSC, the holding shareholder of the Company, holding 60% equity interest, and Baosteel Group corporation and China Shipping Group Company holding 30% and 10%, respectively. As such, CSSC is the connected person of the Company, and therefore the acquisition constituted a major connected transaction of the Company. As at 16 June 2014, the acquisition is completed.
- (2) Transfer of 100% equity in Guangzhou Shipyard Industrial. As at 10 December 2014, Shanghai Lingxiang, as the sole transferee, accepted the transfer of such equity at a price of RMB973,791,300 for production loss. 50% enquiry of Shanghai Lingxiang was indirectly held by CSSC, and thus a connected person of the Company, and the transaction constituted a connected transaction. The Company held the 3rd extraordinary general meeting for 2014 regarding the connected transaction on 11 November 2014 and got prior approval from the independent shareholders.
- (3) Transfer of 100% equity in Guangzhou Jinzhou. As at 10 December 2014, Guangzhou Marine Engineering Corporation, as the sole transferee, accepted the transfer of 100% equity in Guangzhou Jinzhou at a price of RMB33.80 million. As at 23 December 2014, the Company and Guangzhou Marine Engineering Corporation signed the property right transfer contract. At present, 100% enquiry of Guangzhou Marine Engineering Corporation is held by CSSC, thus a connected person of the Company, and the transaction constituted a connected transaction. The Company held the 3rd extraordinary general meeting for 2014 regarding the connected transaction on 11 November 2014 and got prior approval from the independent shareholders.

For details, please refer to the announcement dated 16 June 2014 disclosed on the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

For details, please refer to the announcements dated 11 November 2014 and 30 December 2014 disclosed on the the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

For details, please refer to the announcements dated 11 November 2014 and 29 December 2014 disclosed on the the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

SIGNIFICANT EVENTS

3. Creditor or debtors with connected parties

(1) Events that have not been disclosed in the extraordinary announcements

Unit: RMB

Connected parties	Connected Relationship	Capital provided to connected parties			Capital provided by connected parties to the listed company		
		Opening balance	Accrual	Closing balance	Opening balance	Accrual	Closing balance
Guangzhou Shipyard Company Limited	Affiliated company within the Group				729,460.00	11,605.33	741,065.33
Hongkong Hualian Ship Co., Ltd.	Affiliated company within the Group				469,396.39		469,396.39
China Shipbuilding Industry Complete Equipment Logistics (Guangzhou) Co., Ltd.	Affiliated company within the Group				-	324,857.36	324,857.36
Total					1,198,856.39	336,462.69	1,535,319.08
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		336,462.69					
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		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					

4. Connected party transactions

Details of the connected party transactions conducted by the Group during the year are set out in note 12 to the consolidated financial statements. The Company has complied with the applicable requirements relating to the non-exempt connected transactions/continuing connected transactions under the Listing Rules. None of the other related parties transactions constituted connected transaction/continuing connected transaction, or they constituted connected transaction/continuing connected transaction but were exempt from the requirements of announcement and approval of independent shareholders under the Listing Rules.

SIGNIFICANT EVENTS

(VI) MATERIAL CONTRACTS AND ITS PERFORMANCE

1. Entrustment, contracting and leasing matters

During the reporting period, there were no entrustment and contracting matters which bring 10% or a share of total profits to the Company.

(1) Leasing

Unit: RMB

Lessor name	Lessee name	Type of leasing assets	Amount of assets leasing	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Connected transaction or not	Connected relation
Guangzhou Shipyard Industrial	The Company	lands and properties		2014.10.01	2017.12.01	0	-	Nil	Yes	Wholly-owned subsidiary

Leasing explanation:

On 27 September 2014, the Company and Guangzhou Shipyard Industrial entered into a lease agreement pursuant to which three pieces of land plots which are Heliwai, South Fangcun Main Road Liwan District, Guangzhou, No. 29 Donglang Market Main Road, South Fangcun Main Road Liwan District, Guangzhou and on the north side of Heliwai, Donglangxiang, Liwan District, Guangzhou ("Leasing Properties"), the current usage of industrial use, and the buildings and structures on the landplots with total site area of 108,939 sq.m. were leased. Starting from 1 October 2014, Leasing Properties were leased to the Company, for a term of 39 months, and rental was RMB0. It is continued to perform according to the "Lease Agreement" agreed under "Equity Transfer Agreement in Relation to the 100% Equity Interests in Guangzhou Shipyard Industrial Co., Ltd" entered between the Company and Shanghai Lingxiang

SIGNIFICANT EVENTS

2. Guarantee

Unit: RMB

External guarantees provided by the Company (excluding those provided to its subsidiaries)													
Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Value Guaranteed	Date of			Type of Guarantee	Guarantee fully fulfilled	Guarantee over due?	Over-due amount of guarantee	Any counter guarantee?	Guarantee provided to connected?	Affiliated relations with regard to the Company
				Guarantee (date of Agreement)	Commencement date of guarantee	Expiration date of guarantee							
CSSC Guangzhou Longxue Shipbuilding Co., Limited	Wholly-owned subsidiary	Shanghai Shipyard Co., Ltd.	1,000,000,000	2012-6-20	2012-6-20	2022-9-17	Suretyship of joint and several liability	No	No	0	Yes	Yes	Affiliated company within the Group
CSSC Guangzhou Longxue Shipbuilding Co., Limited	Wholly-owned subsidiary	Shanghai Shipyard Co., Ltd.	800,000,000.00	2012-6-20	2012-9-19	2022-9-17	Suretyship of joint and several liability	No	No	0	Yes	Yes	Affiliated company within the Group
Total value guaranteed during the reporting period (excluding those provided to its subsidiaries)												1,800,000,000	
Total balance guaranteed at the end of the reporting period (A) (excluding those provided to its subsidiaries)												1,800,000,000	
Guarantees provided by the Company to its subsidiaries													
Total value guaranteed for its subsidiaries during the reporting period												0	
Total balance guaranteed for its subsidiaries at the end of the reporting period (B)												0	
Total value guaranteed by the Company (including those provided to its subsidiaries)													
Total value guaranteed (A+B)												1,800,000,000	
Percentage of total value guaranteed to the Company's net assets (%)												31.73	
Among which:													
Value guaranteed for shareholders, actual controller and related parties (C)												1,800,000,000.00	
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceed 70% (D)												0	
Amount of total value guaranteed exceeding 50% of net assets (E)												0	
Total of value guaranteed for the above three items (C+D+E)												1,800,000,000.00	
Statement on the contingent joint and several liability in connection with unexpired guarantee							Not applicable						
Statement on guarantee							The above guarantee provided by Longxue Shipbuilding to Shanghai Shipbuilding Co., Ltd. was contract which was already existed before the Company's acquisition of Longxue Shipbuilding. The issue was disclosed on the circular of the first extraordinary general meeting of the Company held on 13 February 2014.						

3. Other significant contracts

The Company did not have other significant contract during the reporting period.

SIGNIFICANT EVENTS

(VII) APPOINTMENT OR DISMISSAL OF THE AUDITOR

1. It was considered and passed at the 2013 annual general meeting that, Shinewing Certified Public Accountants (special general partnership) (“Shinewing”) was appointed as the Company’s domestic and international financial report auditor. As at December 31, 2014, Shinewing had provided audit service for the Company for 4 years successively. The financial statements in the Company’s annual report 2014 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by Shinewing; and for this, the Company paid RMB1.53 million to the auditor as remuneration for its annual audit work. The audit report in the Company’s annual report 2014 was signed by CPAs Ms. Liang Xiaoyan and Mr. Zhao Xueping. Shinewing will retire upon expiry of term and offer themselves for re-appointment.
2. It was considered and passed at the 26th meeting of the 7th session of the Board of Directors that, the Company appointed Shinewing as the Company’s internal control auditor in 2014. The Company’s annual internal control self-evaluation report 2014 has been audited by Shinewing, and for this, the Company has paid RMB320,000 to it as remuneration for its annual audit work.

In addition to the above mentioned audit matters, Shinewing (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) also provided the Company with special audit services on connected transactions, connected external guarantee and appropriation of fund, etc., without providing non-auditing work, during the reporting period.

(VIII) EFFECTS ON ADOPTION OF NEW ACCOUNTING STANDARDS ON CONSOLIDATED FINANCIAL STATEMENTS

Since 26 January 2014, the Ministry of Finance successively released and revised seven new accounting standards: 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, No. 40 of Accounting Standards for Business Enterprises – Arrangement for Joint Venture, No.2 of Accounting Standards for Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments. The Company, since 1 January 2013, started to adopt the first five new standards; since 1 January 2014, started to adopt No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments; and started to adopt No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments since the annual reporting period of 2014. In terms of the annual financial reports in 2014, adoption of No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments was a change in the accounting policies and the retrospective adjustment method was adopted.

The effect in respect of the adoption of No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments on the Group’s consolidated financial statements are as follows:

Unit: RMB

Items affected	31 December 2013 (January to December 2013)			1 January 2013		
	Before adjustment	Amount	After adjustment	Before adjustment	Amount	After adjustment
Total assets	21,558,861,223.94	0.00	21,558,861,223.94	22,016,883,858.85	0.00	22,016,883,858.85
Among which: Available-for-sale financial assets	29,070,000.00	6,900,000.00	35,970,000.00	269,965,187.50	6,900,000.00	276,865,187.50
Long-term equity investment	49,856,414.09	-6,900,000.00	42,956,414.09	49,196,955.08	-6,900,000.00	42,296,955.08

(IX) EXPLANATION ON OTHER SIGNIFICANT EVENTS

Change in Significant Accounting Estimates

The Company reviewed shipbuilding products according to the Accounting Standards of construction contract. Subject to the Accounting Standards of construction contract. Three methods may be used to calculate the percentage of completion: (1) calculate it as the proportion of the accrued contract costs actually incurred to the estimated total contract costs; (2) determine according to the proportion of completed contract workload to the estimated total contract workload; and (3) determine according to the percentage of completion as actually surveyed. The Company original used method (2), i.e. determine according to the proportion of completed contract workload to the estimated total contract workload. Using this method to measure the percentage of completion requires the estimation of total workload. However, shipbuilding involves a number of engineering works and they are complicated and take long periods to complete. This results in difficulties and uncertainties in the estimation of total workload and is therefore difficult to operate. Currently, the shipbuilding industry is commonly using method (1) to determine the percentage of completion. Using this method to recognize contract revenue and expenses can more accurately reflect the operation condition of shipbuilding and enables users of such information to have a clearer understanding of the method for the estimation and recognition of revenue and costs of a company. Upon approval is obtained from the 10th meeting of the eighth session of the Board of the Company held on 28 October 2014. The method to calculate the percentage of completion of shipbuilding of the Company changed to method (1) starting from 1 October 2014, that is, to calculate it as the proportion of the accrued contract costs actually incurred to the estimated total contract costs. The change in accounting estimate is adopted with prospective approach, and the total profit affected is RMB-27,010,814.64 for October to December 2014. For details, please refer to the announcements of the Company dated 28 October 2014 disclosed on the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk)

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

(I) CHANGE IN SHARES

1. Statement of changes in shares

As at December 31, 2014, changes in the shares of the Company were as follows:

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	Subtotal Number	Proportion (%)
(I) Shares subject to selling restriction			345,940,890				345,940,890	345,940,890	33.57
1. State-owned shares									
2. State-owned legal person shares			345,940,890				345,940,890	345,940,890.00	33.57
(II) Shares not subject to selling restriction	643,080,854	100.00	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	204,617,400	31.82	41,512,907				41,512,907	246,130,307	23.88
3. Foreign shares listed overseas									
4. Others									
(III) Total shares	643,080,854	100.00	387,453,797				387,453,797	1,030,534,651.00	100.00

2. Changes in shares

During the reporting period, the Company had not arranged further issue of any new shares, derivatives, bonus shares, rights issue or transfer of shares from reserves, etc. As at the end of the reporting period, the Company had no employee shares or shares subject to any sale restrictions or any legal person shareholders holding 10% or more shares of the Company; the number of state-owned shares held by CSSC remained unchanged. The Company implemented capital increase with capital reserve in 2011. Except that, in the last three years before the end of the reporting period, the Company had not issued any other securities.

The Company completed the non-public issue of H shares on February 11, 2014 by issuing a total of 387,453,797 H shares to CSSC HK, Baosteel International and China Shipping HK, which led to changes in the Company's capital structure

(II) CHANGE OF SHAREHOLDER AND ACTUAL CONTROLLER

1. Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period (shareholder)	41,647
Total number of shareholders as at the end of the fifth trading day before the disclosure date of the annual report (shareholder)	37,939

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

2. Number of shareholders as at the end of the Reporting Period, the shareholding of the top ten shareholders and the top ten shareholders in circulation (or shareholders whose shares are not subject to selling restrictions)

Unit: Share

Name of shareholder	Changes during the Reporting Period	Shareholding of top ten shareholders		Number of shares held subject to selling restrictions	Pledged or locked up Status	Nature of shareholder	Number of shares
		Number of shares as at the end of Reporting Period	Proportion (%)				
HKSCC NOMINEES IMITED	388,511,697	588,211,680	57.08	345,940,890	Nil	Overseas legal person	
China State Shipbuilding Corporation	0	229,645,800	22.28	0	Nil	State-owned legal person	
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	6,496,456	6,496,456	0.63	0	Nil	Domestic natural person	
Agricultural Bank of China-China Post Core Growth Stock Fund	-3,471,748	4,500,000	0.44	0	Nil	Domestic natural person	
Everbright Securities Company Limited – Customer Credit Trading Guarantee Securities Account	3,314,036	3,670,576	0.36	0	Nil	Domestic natural person	
Founder Securities Company Limited – Customer Credit Trading Guarantee Securities Account	3,160,517	3,442,027	0.33	0	Nil	Domestic natural person	
National Social Security Fund Portfolio 108	2,599,929	2,599,929	0.25	0	Nil	Domestic natural person	
Haitong Securities Co., Ltd.	2,506,706	2,506,706	0.24	0	Nil	Domestic natural person	
China Merchants Securities Co. Limited – Customer Credit Trading Guarantee Securities Account	2,489,116	2,489,116	0.24	0	Nil	Domestic natural person	
Guotai Junan Securities Co., Ltd – Customer Credit Trading Guarantee Securities Account	2,051,279	2,384,948	0.23	0	Nil	Domestic natural person	

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 CSSC HK shall authorize CSSC to exercise all the rights enjoyed by CSSC HK in the shares of the Company 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).

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

(III) INFORMATION OF THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

1. Information on the controlling shareholder

(1) Legal person

Unit: RMB 0'000

Name	CSSC
Responsible Person or Legal representative	Hu Wenmin
Date of establishment	June 29, 1999
Organization code	710924478
Registered capital	2,200,000
Main business	Sate-owned assets investment, operation and management; investment of shipbuilding and marine projects; research, design, development, manufacturing, repair, lease, and sale of over-water and under-water weapons and equipment on ships and warships, ships for civil use, marine equipment, equipment for marine projects, and mechanical and electrical equipment; technical development for converting the techniques and equipment for marine use into those for land use; repair of foreign ships; property management; self-operation and commission-based operation of the import and export of various commodities and techniques (excluding the commodities and techniques operated with international restrictions or forbidden to import and export); processing with imported materials, and "Three-plus-one" trading-mix (custom manufacturing with materials, designs or samples supplied and compensation trade); foreign trade and re-export trade; contracting of overseas marine projects and domestic international bidding projects; dispatching laborers for implementing the above mentioned overseas projects; technical development, technical transfer, technical service, and technical consulting.
Future development strategy	CSSC will proceed to comprehensive adjustment and transformation by expanding its core operation military production, optimizing shipbuilding, vigorously developing high-end manufacturing and accelerating its development of production-related modern services. By striving to develop six major business segments, it aims to develop into a production-finance integrated innovative group featured by high civil-military production integration, strongest shipbuilding capability, proper diversification and strong international competitiveness.
Information on equity held in other domestic and overseas listed companies controlled and invested during the Reporting Period	As at 31 December 2014, holding 56.06% shares of China CSSC Holdings Limited, and directly and indirectly holding 55.85% shares of Guangzhou Shipyard International Company Limited in total, and directly and indirectly holding 35.21% of CSSC Steel Structure Engineering Co., Ltd. in total.

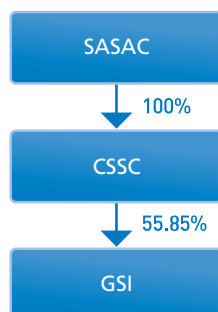
INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

2 Index and date in respect of the change in controlling shareholders during the Reporting Period

Please refer to the announcement dated 12 February 2014 published on the website of Shanghai Stock Exchange (www.sse.com.cn).

2. Actual Controller

(1) Structure chart on ownership and controlling relationship between the Company and the actual controller



(IV) OTHER LEGAL PERSONS HOLDING SHARES OF 10% OR ABOVE

Unit: HKD

Name of legal person	Responsible Person or Legal representative	Date of establishment	Organization code	Registered capital	Information on main business or managed business etc
CSSC HK, (H Shares)	Yang Li	2012.6.25	710924478	2,730,211,550.00	includes ship-building, ship-repairing, processing, export/import of marine equipment, diversified business such as other steel structure manufacturing and international cooperation, joint venture, financing, technology trading and exchange workforce exportation

Explanation

CSSC HK is a company established in Hong Kong with limited liability, and is wholly-owned by CSSC, and is a connected person of the Company. The Company entered into equity subscription agreement with CSSC HK on 30 September 2013, pursuant to which, to subscribe 345,940,890 H Shares of the Company, representing 33.57% of total shares of the Company. It undertook not to transfer the shares within 36 months. For details, please refer to the announcement of the Company dated 12 February 2014 in relation to Completion of Non-public issue of Overseas Listed Foreign Shares published on the website of Shanghai Stock Exchange.

INFORMATION ON CHANGES OF SHAREHOLDINGS AND SHAREHOLDERS

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

As at December 31, 2014, the following persons (other than directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at December 31, 2014.

Name of shareholder	Class of shares	No. of shares held (Long position)	Capacity	Approximately percentage of issued H shares (%)	Approximately percentage of issued A shares (%)
China State Shipbuilding Corporation	A Shares	229,645,800	Beneficial owner	–	52.38
CSSC (Hong Kong) Shipping Company Limited	H Shares	345,940,890	Beneficial owner	58.43	–

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at December 31, 2014.

(VI) OTHER INFORMATION

1. Pre-emptive rights

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

2. Warrants and others

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

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

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

4. Public float of H shares

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

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(I) CHANGES IN SHAREHOLDING AND REMUNERATION

1. Changes in shareholding of current and resigned Directors, Supervisors and Senior Management during the Reporting Period and remuneration

Unit: Share

Name	Position (Note)	Gender	Age	Starting date	Ending date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in share holding during the year	Reason for the change in share holding	Total remuneration payable by the Company during the Reporting Period (RMB0'000) (before tax, inclusive of social insurances and housing contributions payable by the entity)	Total remuneration payable by the companies holding shares in the Company during the Reporting Period (RMB 0'000)
Han Guangde	Chairman	Male	53	2014-5-8	2017-5-8					82.96	
	Executive director			2014-5-8	2017-5-8						
Zhou Dusheng	General manager	Male	59	2014-5-8	2017-5-8					70.19	
	Executive director			2014-5-8	2017-5-8						
Chen Ji	Executive director	Male	48	2014-5-8	2017-5-8					74.61	
Chen Liping	Executive director	Male	48	2014-5-8	2017-5-8					71.19	
	Chief accountant			2014-5-8	2017-5-8						
Yang Li	Non-executive director	Male	47	2014-5-8	2017-5-8					12.00	
Wang Jun	Non-executive director	Male	43	2014-5-8	2017-5-8					12.00	
Chen Zhongqian	Non-executive director	Male	51	2014-5-8	2017-5-8					12.00	
Fu Zhengping	Independent non-executive director	Male	50	2011-5-31	2014-5-8					4.00	
Qiu Jiachen	Independent non-executive director	Male	44	2014-5-8	2014-12-22					8.00	
De Lihua	Independent non-executive director	Female	53	2011-5-31	2014-5-8					4.00	
Poon Chiu Kwok	Independent non-executive director	Male	53	2011-5-31	2014-5-8					4.00	
Li Junping	Independent non-executive director	Female	53	2014-5-8	2017-5-8					8.00	
Wang Hong	Independent non-executive director	Male	53	2014-6-30	2014-12-22					-	
Zhu Zhenyu	Independent non-executive director	Male	54	2014-6-30	2017-5-8					6.00	
Zhu Mingyou	Independent non-executive director	Male	61	2014-12-22	2017-5-8					-	
Song Dejin	Independent non-executive director	Male	58	2014-12-22	2017-5-8					-	
Chen Jingqi	Chairman of the Supervisory Committee	Male	62	2014-5-8	2017-5-8	3,302	3,302			73.30	
Fuxiaosi	External supervisor	Male	56	2014-5-8	2017-5-8					9.00	
Zhu Zhengfu	External supervisor	Male	51	2014-5-8	2017-5-8					9.00	
Chen Shaolong	Internal supervisor	Male	41	2014-5-8	2017-5-8					46.27	
Qin Tinggui	Internal supervisor	Male	49	2014-5-8	2017-5-8					51.07	
Jin Lichao	Deputy general manager	Male	48	2014-5-8	2017-5-8					66.63	
Shi Weidong	Deputy general manager	Male	48	2014-4-25	2017-5-8					27.15	
	Secretary to the Board										
Mai Rongzhi	Chief engineer	Male	51	2014-5-8	2017-5-8					65.36	
Chen Weiping	Deputy general manager	Male	41	2014-6-26	2017-5-8					20.42	
Total	/	/	/	/	/				/	737.15	

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- (1) As at December 31, 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.
- (2) Mr. Wang Hong raised that he will not receive the remuneration during the period which he perform his directorship
- (3) Main working experiences of current directors, supervisors and senior management.

Directors

Han Guangde, male, aged 53, senior engineer (Professional Level), is presently chairman of the Board and secretary general of the Party Committee. He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master degree of industrial engineering administration in 2002. Mr. Han served as section chief and deputy manager of the Second Design Office, deputy section chief, deputy manager, manager of the Shipbuilding Division, and vice general manager and general manager of the Company. He is also the Chairman of both CSSC Longxue Shipbuilding and Guangzhou Shipbuilding Factory Company Limited (廣州造船廠有限公司).

Zhou Dusheng, male, aged 59, a senior engineer. Mr. Zhou is currently a director and general manager of the Company. Mr. Zhou graduated from Zhenjiang Shipbuilding College (鎮江船舶學院) in 1980, and joined Guangzhou Shipyard (廣州造船廠) in the same year. Later in 2003, he obtained the MBA degree. He has served as technician and deputy section chief of Design Office of Guangzhou Shipyard; deputy head of Quality Department of Shipbuilding Business Department, deputy head of Engineering Department of the Company; vice manager, managing director, assistant to manager, vice manager, and manager of Shipbuilding Business Department of the Company's subsidiary Guangzhou Xingshun Shipping Service Co., Ltd. (廣州興順船舶服務有限公司); the head of the Shipbuilding Management Department, assistant to general manager, and vice general manager of the Company.

Chen Ji, male, aged 48, senior engineer, currently a director, the vice secretary of Party Committee, secretary of the Disciplinary Inspection Committee, and chairman of the Labour Union of the Company, graduated from Shanghai Jiaotong University (上海交通大學) in 1989 and joined Guangzhou Shipyard (廣州造船廠) in the same year, and obtained a degree of MBA in 2001. Mr. Chen served as ship repairing supervisor, assistant to production section chief of Ship Repairing factory of Guangzhou Shipyard (廣州造船廠修船分廠), and assistant to production section chief, assistant to manager and deputy manager of Ship Repairing Division, and assistant to general manager and vice general manager of the Company.

Chen Liping, male, aged 48, is a senior accountant and currently a director, the chief accountant. Mr. Chen graduated from Harbin Institute of Technology in 1989, joined Guangzhou Wenchong Shipbuilding Factory in the same year, and obtained a master's degree in business administration in 2002. He has served as deputy director of Administrative Office, deputy director of coating workshop of ship-repairing branch, deputy director, director and manager of human resource management department of Guangzhou Wenchong Shipbuilding Factory, deputy manager, manager of financial department, vice chief accountant, chief accountant of Guangzhou Wenchong Shipbuilding Factory Limited (廣州文沖廠有限責任公司) and Secretary to the Board of Director of Guangzhou Shipyard International.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Yang Li, male, aged 47, engineer. He is currently the general manager of CSSC Shipping Leasing Company (中船航運租賃公司) and a non-executive director of the Company. He is graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1991 and joined Guangzhou Shipyard (廣州造船廠) in the same year. He obtained a degree of MBA in 2006. He had been the technician of Technical Office of Guangzhou Shipyard (廣州造船廠), section chief, deputy manager and manager of Purchase Department in Shipbuilding Division of the Company, manager of Marketing Department and assistant to general manager and deputy general manager of the Company. Mr. Yang had been a deputy officer of the finance section of CSSC.

Wang Jun, male, aged 43, economist. He is currently a vice director of the Operation Management Department of CSSC. Mr. Wang is a non-executive Director of the Company. He is graduated from Wuhan University (武漢大學) in July 1993, and joined the Company in the same year. He has served as the vice director and director of Legal Affairs Office, vice head and head of Risk Management Department, and chief counselor of the Company. In March 2008, he worked at CSSC through exchange.

Chen Zhongqian, male, aged 51, is a senior engineer of professional level. Currently, Mr. Chen is the chairman and secretary of the Chinese Communist Party of CSSC Guangzhou Huangpu Shipbuilding Company Limited (廣州中船黃埔造船有限公司) and the chairman of Guangzhou Wenchong Shipbuilding Factory Company Limited (廣州文沖船廠有限責任公司). Mr. Chen graduated from the Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and he joined Guangzhou Wenchong Shipbuilding Factory Company Limited (廣州文沖船廠有限責任公司) in the same year. In 2002, Mr. Chen was awarded a master degree in business administration. Mr. Chen has been the section head, deputy department head and department head of the outfitting department, and deputy head of Guangzhou Wenchong Shipbuilding Factory (廣州文沖船廠); an assistant to the manager, manager of the shipbuilding division, director and deputy general manager of Guangzhou Wenchong Shipbuilding Factory Company Limited (廣州文沖船廠有限責任公司). He had also been a director, vice chairman and general manager of CSSC Huangpu Wenchong Shipbuilding Ship Company Limited (中船黃埔文沖船舶有限公司). Mr. Chen joined the Company as a non-executive Director in 2013.

Li Junping, female, aged 53, Ms. Li obtained a degree of bachelor of laws from the Peking University (北京大學) in 1984. In 1987, Ms. Li obtained a degree of master of laws from the China University of Political Science and Law (中國政法大學). Ms. Li was a lecturer at the Political Science and Law Department of the Capital Normal University (首都師範大學), and a partner of Huazheng Law Offices (華正律師事務所), the Beijing Office of the Grandall Legal Group (國浩律師集團) and Tongzheng Law Offices (通正律師事務所), a member of the Law on Guarantee Committee of the Association of Lawyers of Beijing (北京市律師協會). She is currently a senior partner of Dacheng Law Offices of Beijing (北京市大成律師事務所), the Chief Secretary to the Commercial Banks Committee of the Association of Lawyers of Beijing and an independent director of China State Shipbuilding Steel Structure Engineering Company Limited (中船鋼構工程股份有限公司). Ms. Li joined the Company as an independent non-executive Director in May 2014.

Zhu Zhenyu, male, aged 54, Senior accountant, PHD degree, possesses Certified public accountants, asset appraiser, real estate appraiser qualifications. He has been the managing accountant of Shanghai Yongda Certified Public Accountants (上海永大會計師事務所), the managing accountant of Shanghai Xin Yu Certified Public Accountants (上海信宇會計師事務所), Shanghai Guangdian Electric (Group) Co., Limited, an independent director of W Food & Beverage Co., Ltd. (維維食品飲料股份有限公司), Shanghai Guangdian Electric (Group) Co., Limited (上海廣電電氣(集團)股份有限公司). He is currently the managing accountant and legal representative of Shanghai Hongda Dongya CPA Firm (上海宏大東亞會計師事務所), a permanent councillor of The Shanghai Institute of Certified Public Accountants (上海註冊會計師協會), a tutor of the postgraduate of master degree at the Shanghai University (上海大學), a member of the Experts' Committee of Shanghai Finance University (上海金融學院), an independent director of Shanghai ANOKY Textile Chem Co., Ltd. (上海安諾其紡織化工股份有限公司). Mr. Zhu joined the Company as an independent non-executive Director in June 2014.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Zhu Mingyou, male, aged 61, graduated with a major in Secretary from Beijing Zhongnanhai Amateur University, and with a major in Economic Management from the Open College of the Central Communist Party School. Mr. Zhu worked as the committee member of the Secretary Bureau of the General Office of the CPC Central Committee (GOCPCCC) (中共中央辦公廳秘書局幹部), Vice Director of the Secretary Bureau of GOCPCCC (中共中央辦公廳秘書局副科長), Director of the Secretary Bureau of GOCPCCC (中共中央辦公廳秘書局科長), Deputy team leader of Mediator Committee Secretariat Division, (deputy-division-head-level) GOCPCCC (中共中央辦公廳秘書局中保委秘書組副組長(副處級)), the Vice Director of the Division of Comprehensive Social Investigation of the National Administration for the Protection of State Secrets (國家保密局綜合調研副處處長), Director of the Division of Comprehensive Social Investigation of the National Administration for the Protection of State Secrets (國家保密局綜合調研處處長), Director of the Division of Comprehensive Social Investigation of the National Administration for the Protection of State Secrets (deputy inspector) (國家保密局綜合調研處處長)(副巡視員), Vice Director-General of the Security Department of the State Commission of Science, Technology and Industry for National Defence (國防科工委安全保密局副局長), Director and authorised representative of the Military Confidential Qualification Certification Centre (Bureau-Level) (軍工保密資格審查認證中心主任)(正局長級), Director-General of the Security Department of the State Commission of Science, Technology and Industry for National Defence (國防科工委安全保密局). Mr. Zhu joined the Company as an independent non-executive director in December 2014.

Zhu Dejin, male, aged 58. He graduated from the People's Liberation Army Foreign Language School, with a major in English. After that, he obtained a doctoral degree in Management Science and Engineering from the Nanjing University of Aeronautics and Astronautics. He also studied International Economic Law in Fudan University. He worked as a translator in Changzhou Semiconductor Plant, the manager of Changzhou Foreign Economic Technical and Trading (Group) Corporation, and general manager of Changzhou Industry and Trading Co., Ltd. (常州市工貿公司), the general manager of the Shanghai Beiguo International Trade Co., Ltd. (上海北國國際貿易公司) of the Department of Domestic Trade. He is currently the senior advisor and researcher of the International Management Development Centre of the Hong Kong government, a researcher of the Real Estate Research Centre of the Fudan University, the chief advisor of BCD Company of the Chinese Academy of Sciences, the part-time professor of Nanjing University of Aeronautics and Astronautics, the chairman of Jiangsu Foreign Economic Cooperation Co., Ltd. (江蘇外經合作公司). Mr. Song joined the Company as an independent non-executive director.

Supervisors

Chen Jingqi, male, aged 62, senior political officer, presently chairman of the Supervisory Committee of the Company. Mr. Chen joined Guangzhou Shipyard in 1969 and graduated from Guangzhou Television University (廣州電視大學) in 1987. Mr. Chen served as secretary of branch party committee of Coating Workshop, secretary of party committee of Container Division of Guangzhou Shipyard (廣州造船廠), deputy chairman and chairman of Labor Union, vice secretary of Party Committee and secretary of the Disciplinary Inspection Committee of the Company, and supervisor, secretary of Party Committee, and chairman of the Company.

Mr. Fu Xiaosi, male, aged 56, holds a bachelor's degree in machinery manufacturing and bachelor's degree in accounting. He is a senior accountant, registered accountant, excellent CFO of Hubei Province and is presently the chief accountant of Hubei Triring Group Company (三環集團公司), an independent non-executive director of Chigo Holding Limited (志高控股有限公司), and vice president of General Accountants Association of Hubei Province (湖北省總會計師協會). Mr. Fu graduated from Huazhong University of Science and Technology (華中工學院) in 1986 and had served as deputy managing accountant (senior partner) of Zhongqin Wanxin Public Accountants Limited (中勤萬信會計師事務所), chief accountant (executive director) of Hubei Tri-ring Company Limited (湖北三環股份有限公司) (listed on Shenzhen Stock Exchange). Mr. Fu is currently the chief financial controller and deputy general manager of Qiu Zhi Yang Infrared System Company Limited (湖北久之洋紅外系統股份有限公司) and independent director of Hubei Xingfa Chemical Group Co., Ltd. (湖北興發化工集團有限公司). He joined the Company as supervisor in 2008.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhu Zhengfu, male, aged 51, doctoral postgraduate and senior attorney, is presently the managing and executive partner of Guangdong Kunlun Law Firm (廣東東方昆侖律師事務所), an independent director of Guangdong Advertisement Company Limited (廣東省廣告股份有限公司) and Foshan Huaxin Packaging Company Limited (佛山華新包裝股份有限公司) (both listed on the Shenzhen Stock Exchange). He graduated from the Law School of Wuhan University (武漢大學) in 1987, and obtained a doctor's degree in Laws in the Law School of Wuhan University in 1999. He joined Guangzhou Wanbao Group Import & Export Company (廣州萬寶電器集團進出口公司) in 1987. Since 1994, he had served as the officer of the Finance & Property Department in Guangdong Economic and Trade Law Firm (廣東經濟貿易律師事務所), partner of Guangdong Dalu Law Firm (廣東大陸律師事務所); deputy officer of Land Law Advisory Services Center of the Department of Land and Resources of Guangdong Province. He was one of the founders of Guangdong Kunlun Law Firm in 1998. Mr. Zhu joined the Company as a supervisor in 2011.

Qin Tinggui, male, aged 49, senior economist, is presently the chief human resources officer and head of human resource department of the Company. He graduated from Zhenjiang Shipbuilding College in 1988, obtained postgraduate education in economics from C.P.C. Guangdong Provincial Party School in 1997, and obtained a master's degree in law from South China University of Technology in 2013 with postgraduate education. Mr. Qin joined Guangzhou Shipyard in 1988, and served as welding technician in assembly department of Guangzhou Shipyard, deputy section chief and section chief of inspection section in quality department and deputy manager and manager of safety & security department, deputy manager of purchase department in the shipbuilding division of the Company and deputy manager of human resources department of the Company.

Chen Shaolong, male, aged 41, political officer, is presently director of party committee and affair department of the Company. Mr. Chen graduated from Bohai Shipbuilding Vocational College in 1995 and Correspondence Course Institute of the Party School of the Central Committee of CPC in 2008. Mr. Chen joined the Company in 1995, and served as member, chief, deputy secretary and secretary of the Youth League, assistant to chairman and vice chairman of the labor union, deputy manager of the party committee and affair department, and party secretary and deputy manager of the shipbuilding division of the Company.

Senior Management

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

Shi Weidong, male, aged 48. He is currently the vice general manager and Sectary to the Board of the Company. He graduated from Fudan University, Shanghai in 1989, majoring in Global Economics and later obtained a master's degree in business administration from China Europe International Business School. Mr. Shi started his career in August 1989, he worked as the secretary to the board of directors of China State Shipbuilding Steel Structure Engineering Company Limited (中船鋼結構工程股份有限公司), he was the deputy general manager and secretary to the board of directors of China State Shipbuilding Steel Structure Engineering Company Limited (中船鋼結構工程股份有限公司), the secretary to the board of directors of China CSSC Holdings Limited (中國船舶工業股份有限公司).

Mai Rongzhi, male, aged 51, senior engineer at of professional level. He is currently the chief engineer of the Company. He graduated from South China Institute of Technology in 1983 and joined Guangzhou Shipyard in the same year. He had served as craftsman of ship design studio, acting section chief of exterior decoration section of the second design studio of the general assembly plant, assistant to director, studio director, head of ship research institute of technology center, assistant to manager and deputy manager of shipbuilding division, deputy chief engineer, deputy director and standing deputy director of the technology center, director of the general office, and assistant to general manager of the Company.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Chen Weiping, male, aged 41. He is currently the vice general manager of the Company. He graduated from Tianjin University majoring in Engineering, with a Master in Engineering in 1997. He obtained a master degree from Harbin Engineering University, majoring in Shipbuilding in 2005. He started his career in June 1997. He worked as constructor in Eastern Shanghai Shipbuilding Factory (歷任滬東造船廠) second production management division, deputy director and director of Eastern Shanghai Shipbuilding Factory (歷任滬東造船廠) second building berth workshop, Assistant to director and vice-director of Eastern Shanghai Shipbuilding Factory (歷任滬東造船廠) second manufacturing division, director of Shanghai Jiangnan Changxing Heavy Industry Co., Ltd. (上海江南長興重工有限責任公司) production division, and assistant to general manager and director of production management division.

(II) INFORMATION ON OTHER POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Positions in companies holding shares in the Company

Name	Name of companies holding shares in the Company	Position in companies holding shares in the Company	Starting date	Ending date
Han Guangde	Longxue Shipbuilding	Chairman	2012.09	Not applicable
	Guangzhou Shipyard Company Limited		2013	Not applicable
Chen Ji	Guangzhou Shipyard Company Limited	Director	2013	Not applicable
Chen Liping	CSSC Finance Company Limited	Director	2013	Not applicable
	CSSC Investment and Development Company Limited	Director	2013	Not applicable
	CSSC Yuanzhou (Beijing) Technology Company Limited	Director	2013	Not applicable
	Zhenjiang CSIC Modern Power Generation Equipment Company Limited	Vice chairman	2013	Not applicable
Wang Jun	Deputy director of operation planning and shareholder matters management department of CSSC	Deputy director	2012.03	Not applicable
Yang Li	CSSC (HK)	General manager	2013	Not applicable
	Hong Kong Hualian Ship Co., Ltd.	General manager	2013	Not applicable
Chen Zhongqian	CSSC Huangpu Wenchong Shipbuilding Company Limited	Chairman	2013.01	Not applicable

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

2. Positions in other companies

Name	Other company name	Position held in other companies	Starting date	Ending date
Li Junping	Dacheng Law Offices of Beijing Commercial Banks Committee of the Association of Lawyers of Beijing	Senior partner Secretary to Legal Affairs Committee	2008 2009	Not applicable Not applicable
	China State Shipbuilding Steel Structure Engineering Company Limited	independent director	2012.05	Not applicable
	Shanghai Hongda Dongya CPA Firm	Managing accountant and legal representative	2007.09	Not applicable
Zhu Zhenyu	Shanghai ANOKY Textile Chem Co., Ltd.	Independent director	2007.09	Not applicable
	The Shanghai Institute of Certified Public Accountants	Permanent councillor	2007.09	Not applicable
	Shanghai University	Tutor of the postgraduate	2007.09	Not applicable
	Shanghai Finance University	Member of the Experts' Committee	2007.09	Not applicable
Song Dejin	International Management Development Centre of the Hong Kong government	Senior advisor and researcher	1997.12	Not applicable
	Shanghai Fudan University Property Research Centre	Researcher	1999.09	Not applicable
	BCD Company of the Chinese Academy of Sciences	Chief advisor	2006.02	Not applicable
	Nanjing University of Aeronautics and Astronautics	Part-time professor	2009.01	Not applicable
	Jiangsu Foreign Economic Cooperation Co., Ltd.	Director	2009.04	Not applicable
Fu Xiaosi	Tri-Ring Group Corporation	Chief accountant	2007.09	Not applicable
	Chigo Holding Limited	Non-executive director	2008.08	Not applicable
	HubeiQiu Zhi Yang Infrared System Co., Ltd.	vice general manager, chief financial officer	2012.12	Not applicable
	Hubei Xingfa Chemical Group Co., Ltd.	independent director	2014.05	2012.12
Zhu Zhengfu	Guangdong Kunlun Law Firm	Managing and executive partner	1998.01	Not applicable
	Guangdong Guangzhou Daily Media Co., Ltd.	Independent non-executive director	2013.06	Not applicable

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(III) INFORMATION ON REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedure for determination of remuneration of directors, supervisors and senior management	<ol style="list-style-type: none">(1) The Emolument and Examination Committee prepares the Basic Remuneration Scheme for Senior Management of the 8th session of the Board according to the Remuneration Scheme for Senior Management of the 8th Session of the Board, taking experiences of each director, supervisor and member of senior management.(2) The Emolument and Examination Committee examines the performance of executive directors, internal supervisors and senior management in the previous year in accordance with the Performance Examination Rules of Senior Management and Remuneration senior management Scheme for Senior Management of the 8th Session of the Board, determines their performance coefficients and performance remunerations, and reports to the Board for consideration and approval.(3) The Emolument and Examination Committee is responsible to issue special annual awards to the executive directors, internal supervisors and senior management in accordance with the market situation, performance result of the Company as well as the total remunerations.
Basis of determination of remuneration for directors, supervisors and senior management	The remuneration of the Company's existing directors, supervisors and senior management is determined according to the Remuneration Scheme for Senior Management of the 8th Session of the Board, the Basic Remuneration Scheme for Senior Management of the 8th Session of the Board, and the Performance Examination Rules of Senior Management of the Board.
Information on remuneration payable to directors, supervisors and senior Management	For details, please refer to the section headed "Information of the change in shares held by and the remuneration of directors, supervisors and senior management" in this chapter.
Total remuneration actually received by directors, supervisors and senior management at the end of the Reporting Period	RMB7,371,500

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(IV) CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Former position	Change	Reason
Chen Liping	Secretary to the Board	Resignation	Job relocation
Fu Zhenping	Independent director	Resignation	Expired
Qiu Jiachen	Independent director	Resignation	Work
De Lihua	Independent director	Resignation	Work
Poon Chiu Kwok	Independent director	Resignation	Work
Li Junping	Independent director	Appointment	Replacement
Wang Hong	Independent director	Appointment	Replacement
Wang Hong	Independent director	Resignation	Work
Zhu Zhenyu	Independent director	Appointment	Replacement
Zhu Mingyou	Independent director	Appointment	Replacement
Song Dejin	Independent director	Appointment	Replacement
Si Weidong	Vice general manager, secretary to the Board	Appointment	Job relocation
Chen Weiping	vice general manager	Appointment	Job relocation

Other information of directors, supervisors and senior management

1. *Service contracts of directors and supervisors*

None of the service contracts which had been entered into between the Company and any existing director or supervisor of the 8th Session of the Board and the Supervisory Committee was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

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

(V) INFORMATION ON THE COMPANY'S CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL

The Company's core technical team composed of 2,518 staff in total, representing 20.85% over the total number staff of the Company, which composed of 12,076 staff in total. Among which, there are 1,558 staff with Bachelor education or above, representing 61.87%; there are 594 staff with College education, representing 23.6%; there are 37 senior engineer at a researcher level education, representing 1.47%; there are 186 sub-title professional staff, representing 7.39%; there are 542 middle-title professional staff, representing 21.53%.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(VI) INFORMATION ON THE EMPLOYEES OF THE COMPANY AND MAIN SUBSIDIARIES

1. Information of employees

Number of employees in Company	4,362
Number of employees in main subsidiaries	7,857
Total number of employees	12,219
Number of retired employees whose expenses are borne by the company and main subsidiaries	3,567

Staff of the Company/Staff (By function)

Type of function	Number (person)
Manufacturing staff	1,686
Marketing staff	41
Technical staff	1,258
Financial staff	67
Administrative staff	1,052
Other staff	258
Total	4,362

Staff of the Company/Staff (By education)

Type of educational level	Number (person)
Vocational Education or below	1,840
College Education	727
Bachelor Education	1,683
Graduate Education or above	112
Total	4,362

2. Remuneration policy

The remuneration of the Company's employees includes salary, bonus, and other welfare programs required by the government. Subject to applicable PRC laws and regulations, the Group has implemented a performance-based salary system taking into account the position and performance of each employee.

3. Training plan

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

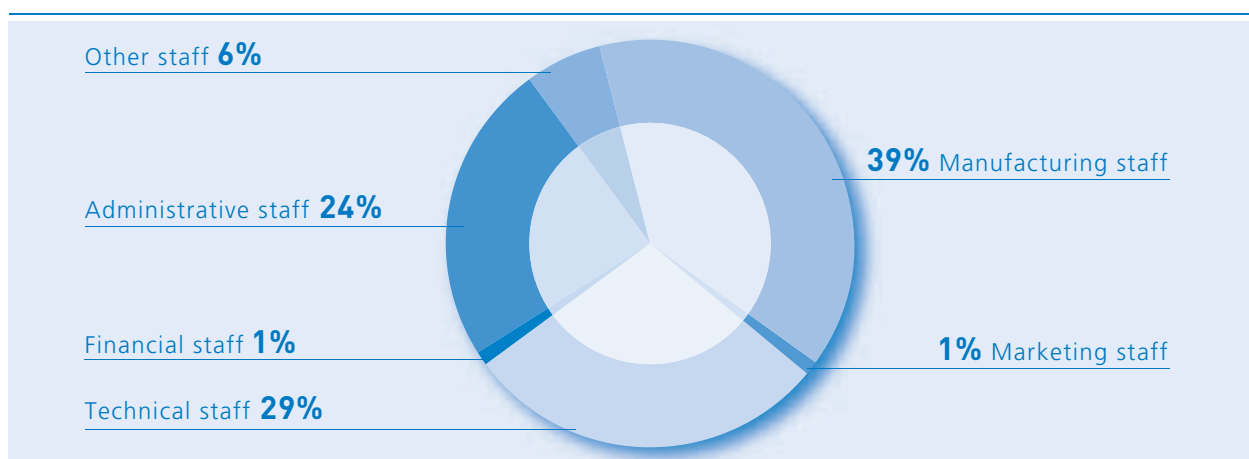
4. Employees' pension scheme

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

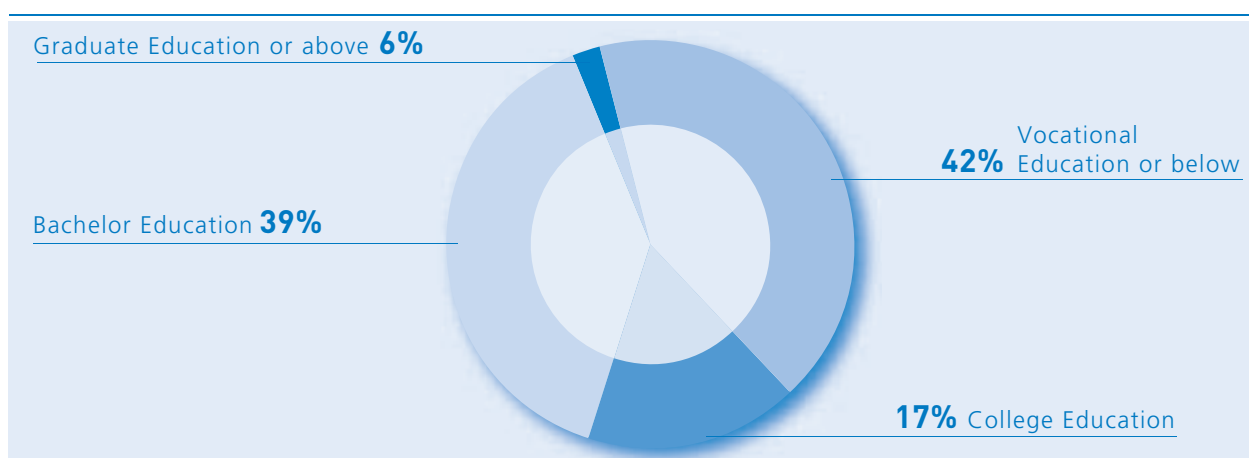
The contribution made by the Group in 2014 was RMB121,050,000 (2013: RMB90,180,000). In addition, during the year the Company had made payments of RMB3,919,200 (2013: RMB3,510,000) as living subsidies to retirees.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

5. Statistical chart of staff of the Company/staff based on functions



6. Statistical chart of staff of the Company/staff based on education level



7. Information of labor service outsourcing

Total working hours of labor service outsourcing	1,541,256.4 (actual working hours)
Total remuneration paid for labor service outsourcing (RMB)	652.74 million (salary), 948.4942 million (total expenses)

CORPORATE GOVERNANCE

(I) CORPORATE GOVERNANCE

The Company always strictly conforms to the Company Law of the PRC and the Securities Law of the PRC, relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by continuously improving its corporate governance structure and standardizing its operations. The Company has adopted the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange (the “CG Code”) as the corporate governance code of the Company. In 2014, other than Provision A.6.7 of the CG Code, the Company has strictly observed the provisions of the CG Code.

According to Provision A.6.7 of the CG Code, the independent non-executive directors and other nonexecutive directors shall attend the shareholders’ meetings. During the Reporting Period, the Company held totally one general and four extraordinary shareholders’ meeting. Due to work, Ms. Li Junping was absent from one shareholders’ meeting; Mr. Poon Chiu Kwok and Ms. De Lihua, former independent non-executive directors of the Company, were absent from two shareholders’ meeting due to resignation; Mr. Zhou Dusheng and Mr. Zhu Zhenyu were absent from two shareholders’ meetings due to work; Mr. Chen Ji, Mr. Chen Liping, Mr. Qiu Jiachen and Mr. Wang Hong were absent from three shareholders’ meetings due to work; and Mr. Wang Jun and Mr. Chen Zhongqian were absent from four shareholders’ meeting due to work; and Mr. Yang Li was absent from five shareholders’ meeting due to work. The Board discusses the corporate governance practices of the Company at least once annually in order to ensure that the Company always complies with the CG Code, and will make proper amendments if necessary.

As at 11 November 2014, it was proposed at the third extraordinary shareholders’ meeting to revise the articles of association of the Company. According to the Circular on Adjustment to the Rules on Division of Enterprise Registration Categories (State (2011) Document No. 86) and the Provisions on the Administration of Port Operations (Order of the Port Authority in 2009), the Company shall revise Article 2 and Article 11 of the articles of association. Meanwhile, on the fourth extraordinary shareholder’s meeting held on 22 December 2014, the Company, according to relevant provisions, added special provision of Article 255 under Chapter 26 for the purpose of revising the articles of association. According to relevant provisions of the document of China Securities Regulatory Commission such as the Guidance on Listed Company Articles of Association (Revised in 2014) and the Circular on Further Settling the Issues Concerning the Payment of Cash Dividends by Listed Companies, in combination with the practical situation of the Company, Article 36, Article 94, Article 210 and Article 215 were revised. For details of revising the articles of association of the Company, please refer to circulars dated 26 October 2014 and 6 November 2014.

Board of Directors

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

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

CORPORATE GOVERNANCE

In 2014, the Company held a total of 16 Board meetings, including 7 on-site meetings and 9 written meetings, released 4 regular reports and 98 temporary announcements, transfer related information to the market as operation conditions, market conditions and important meeting decision, assets acquisition, investment and disposal and connected transaction in a timely manner. The new session of the Board took office in 2014, work relating to the replacement and addition of independent directors was started. All resolutions considered and approved on the Board meetings during the year 2014 were decided by the general manager of the Company before submitted to the Board of directors for discussion, and opinions from leadership were also listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

The dates of periodic Board meetings each year are determined in advance, and the notice of periodic meetings is given 10 days prior to the meeting, while the notice of extraordinary meetings is given in reasonable time, so that more directors can attend the meeting. The secretary to the Board assists the chairman in preparing agenda of meetings and ensuring the observance of all applicable rules and regulations. The agenda, and attached documents of the Board are generally sent to all directors at least 7 days before the periodic Board meetings (if feasible, it is applicable to other Board meetings). The secretary to the Board is responsible for recording and maintaining the minutes and related meeting documents of the Board and committees thereunder, which are available for the directors' inspection at any time. Minutes reflects the information of review and voting, and directors' opinions at the meeting objectively and in detail, and is confirmed by each attending director by signing. When considering connected transactions, the connected directors abstained from voting.

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

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

Directors

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

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

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and they have confirmed that they have fully complied with the code for directors' securities trading, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2014.

The Company has received the annual confirmations of Ms. Li Junping, Mr. Zhu Zhenyu, Mr. Zhu Mingyou and Mr. Song Dejin on independence, who considered that they remained independent of the Company as at the date of this report.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended December 31, 2014 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

CORPORATE GOVERNANCE

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

According to the Company’s records, the trainings participated by the directors and the company secretary in 2014 focused on directors’ roles, functions and responsibilities, and the training records are as shown below:

Name of director/ company secretary director/company	Training time (hour)	Remark
Han Guangde	10	
Zhou Dusheng	9	
Chen Ji	9	
Chen Liping	22.5	
Yang Li	9	
Wang Jun	9	
Chen Zhongqian	9	
Li Junping	9	Appointed as independent non-executive director on 8 May 2014
Zhu Zhenyu	9	Appointed as independent non-executive director on 30 June 2014
Zhu Mingyou	11.5	Appointed as independent non-executive director on 22 December 2014
Song Dejin	12	Appointed as independent non-executive director on 22 December 2014
Wang Hong	12	Appointed as independent non-executive director on 30 June 2014, resigned on 22 December 2014
Qia Jiachen	12	Resigned on 22 December 2014
Si Weidong	22.5	Appointed as secretary to the Board on 25 April 2014

Besides, during the reporting period, Ms. De Lihua (“**Ms. De**”) and Mr. Poon Chiu Kwok (“**Mr. Poon**”), independent non-executive directors of the 8th Session of the Board, abandon their qualifications as the independent non-executive directors of the 8th Session of the Board of the Company. Their term of office will be until the date on which the 2013 annual general meeting (“2013 AGM”) will hold, which is held on 8 May 2014, and retired on the same day. Since the Company received written notices from Ms. De and Mr. Poon only few days before the convene of 2013 AGM, as such, the Company cannot find suitable candidates for the independent non-executive directors before the convene of 2013 AGM. Therefore, since the date from 2013 AGM, the Board of directors is composed of 9 members, among them, two of which (Mr. Jiachen and Ms. Li Junping) are independent non-executive directors. This composition of the Board cannot fulfil the requirement of Rule 3.10(1) of the Listing Rules, which requires that the Board must have at least three independent non-executive directors and Rule 3.10A, which requires that the independent non-executive directors must be at least one-third of the Board.

On the second EGM of the Company held on 30 June 2014, shareholders of the Company have approved the appointment of Mr. Wang Hong and Mr. Zhu Zhenyu as independent non-executive directors of the Company. The Board has been composed of 11 members since 30 June 2014, among them, 4 of which are independent non-executive directors. Since then, the Company has fulfilled the requirement of Rule 3.10(1) and 3.10A of the Listing Rules again.

CORPORATE GOVERNANCE

1. Information on directors' attendance at Board meetings and general meetings

Name of director	Independent director or not	Information of attendance at Board meetings						Failure to attend two meetings consecutively in person	Numbers of general meetings that should be attended during the year
		Numbers of Board meetings that should be attended this year	Numbers of attendance in person	Numbers of attendance through communication	Numbers of attendance by proxy	Numbers of absence			
Han Guangde	No	16	7	9	0	0	No	5	
Zhou Dusheng	No	16	6	9	1	0	No	3	
Chen Ji	No	16	5	9	2	0	No	2	
Chen Liping	No	16	6	9	1	0	No	2	
Yang Li	No	16	3	9	4	0	No	0	
Wang Jun	No	16	6	9	1	0	No	1	
Chen Zhongqian	No	16	2	9	5	0	Yes	1	
Li Junping	Yes	14	5	9	0	0	No	3	
Zhu Zhenyu	Yes	10	4	6	0	0	No	1	
Zhu Mingyou	Yes	1	0	1	0	0	No	1	
Song Dejin	Yes	1	0	1	0	0	No	1	

Explanation for directors not attending the Board meetings in person for two consecutive times.

Mr. Chen Zhongqian was unable to attend the Board meetings in person for two consecutive times due to his personal work.

CORPORATE GOVERNANCE

2. SPECIALIZED COMMITTEES UNDER THE BOARD

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

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

CORPORATE GOVERNANCE

(1) Audit Committee

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

In 2014, the Audit Committee held four meetings to hear the financial reports, financial positions and internal control self-review reports for 2013, the first quarter of 2014, the first half of 2014 and the third quarter of 2014 presented by the management, the work team and the auditors. After thorough discussion, it made resolutions on these matters and reported the matters to the Board of Directors on a timely basis.

In addition, in accordance with the Annual Report Work Procedures for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2014 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion. When submitting the financial reports to the Board of Directors, the Audit Committee will also submit a report on the audit work done by the auditors for the year and submit a resolution in relation to re-appointment or change of auditors for the next year.

(2) Nomination Committee

The Nomination Committee of the 8th Session of the Board held four meetings, it is principally responsible for selecting the candidates for the directors and managers, determining selection criterion and procedures and making recommendations to the Board on the selection standard and process of the directors and managers.

In 2014, the Nomination Committee passed the proposals regarding (1) the candidates for the 8th session of the Board of Directors; and (2) the nomination of the vice general manager. Each nomination is subject to the consideration and approval of the Board of Directors and the shareholders at a general meeting (if required).

(3) Emolument and Examination Committee

The Emolument and Examination Committee is responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management.

On February 19, 2014, the Emolument and Examination Committee held a meeting, at which it reviewed the performance assessment results for executive directors, internal supervisors and senior management of the Company for 2013 and the year-end reward proposal, and submitted them to the Board of Directors for consideration and approval.

(4) Strategy Committee

The Strategy Committee is responsible for the review of the strategic development of the Company, and implements the strategic planning of the Company and monitors the execution of the strategic planning, and timely adjusts the strategic and governance structure of the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FUNCTION

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

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

(II) SHAREHOLDERS AND GENERAL MEETINGS

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

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

1. Policy on Communication with Shareholders

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

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

CORPORATE GOVERNANCE

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

2. Shareholders' Rights

Ways for shareholders to convene extraordinary general meeting

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

Procedures for putting forward proposals at general meeting

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

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

3. The Company's Independence from the Controlling Shareholder

During the year 2014, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and the controlling shareholder are independent of each other in terms of personnel, assets, finance, organization and business.

All business dealings with Longxue Shipbuilding have been conducted pursuant to the requirements in respect of connected transactions. The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of connected transactions and report to the Board of Directors on a monthly basis. The total value of continuing connected transactions in 2014 did not exceed the cap approved at general meetings.

CORPORATE GOVERNANCE

4. Information on holding of Shareholders' meetings

No. of session	Convening date	Name of resolution	Resolution information	Index of designated website for publication of resolutions	Date of announcement of disclosure of resolution
Annual general meeting for the year 2013	2014.05.08	[Note 1]	The resolution was considered and approved by open ballot in the meeting	Announcement published on Shanghai Stock Exchange website and Hong Kong Stock Exchange website	2014.05.08
First extraordinary meeting for the year 2014	2014.2.13	[Note 2]	After consideration and approved by shareholders and proxies of shareholders who attended the meeting, resolution of the first EGM for the year 2014 was considered and approved by open ballot	Announcement published on Shanghai Stock Exchange website and Hong Kong Stock Exchange website	2014.2.13
Second extraordinary meeting for the year 2014	2014.06.30	[Note 3]	The resolution was considered and approved by open ballot in the meeting	Announcement published on Shanghai Stock Exchange website and Hong Kong Stock Exchange website	2014.06.30
Third extraordinary meeting for the year 2014	2014.11.11	[Note 4]	Resolution was considered and approved by on-site open ballot and online voting.	Announcement published on Shanghai Stock Exchange website and Hong Kong Stock Exchange website	2014.11.11
Fourth Extraordinary general meeting for the year 2014, First domestic share class meeting for the year 2014, First foreign share class meeting for the year 2014	2014.12.22	[Note 5]	All resolutions were considered and approved by on-site open ballot and online voting.	Announcement published on Shanghai Stock Exchange website and Hong Kong Stock Exchange website	2014.12.22

CORPORATE GOVERNANCE

Explanation on general meeting

- Note 1: Considered and approved the Director's Report for the year 2013; considered and approved the Supervisory report for the year 2013; considered and approved the audited auditor report for the year 2013; considered and approved the full text of 2013 Annual Report; considered and approved the profit distribution plan for the year 2013; considered and approved the renewal of Shinewing Certified Public Accountants (special general partnership) to be the auditor of financial statements of A Shares and H Shares of the Company for the year 2014, and authorized the Board to fix the remuneration; considered and approved the remuneration plan of the 8th Session of senior management of the Board; considered and approved the election of Mr. Han Guangde as a director (executive director) of the 8th Session of the Board; considered and approved the election of Mr. Zhou Dusheng as a director (executive director) of the 8th Session of the Board; considered and approved the election of Mr. Chen Ji as a director (executive director) of the 8th Session of the Board; considered and approved the election of Mr. Chen Liping as a director (executive director) of the 8th Session of the Board; considered and approved the election of Mr. Yang Li as a director (non-executive director) of the 8th Session of the Board; considered and approved the election of Mr. Wang Jun as a director (non-executive director) of the 8th Session of the Board; considered and approved the election of Mr. Chen Zhongqian as a director (non-executive director) of the 8th Session of the Board; considered and approved the election of Mr. Qiu Jiachen as a director (independent non-executive director) of the 8th Session of the Board; considered and approved the election of Ms. Li Junping as a director (independent non-executive director) of the 8th Session of the Board; considered and approved the election of Mr. Chen Jingqi as the Supervisor of the 8th Session of the Supervisory Committee; considered and approved the election of Mr. Fu Xiaosi as the Supervisor of the 8th Session of the Supervisory Committee; considered and approved the election of Mr. Zhu Zhengfu as the Supervisor of the 8th Session of the Supervisory Committee.
- Note 2: 2014-2016 Framework Agreement in relation to the continue connected transaction and its related proposed annual cap during the period from 1 January 2014 or the date on which the acquisition is implemented (whichever is later) to 31 December 2016.
- Note 3: Considered and approved the election of Mr. Wang Hong as the independent director (independent non-executive director) of the 8th Session of the Board of the Company; considered and approved the election of Mr. Zhu Zhenyu as the independent director (independent non-executive director) of the 8th Session of the Board of the Company.
- Note 4: Considered and approved the resolution in relation to the transfer of shareholding in Guangzhou Hongfan Hotel Co., Ltd.; considered and approved the resolution in relation to the transfer of shareholding in Guangzhou Jinzhou Ship Technology Co., Ltd.; considered and approved the resolution in relation to the transfer of shareholding in Guangzhou Shipyard Industrial Co., Ltd.; considered and approved the establishment of Guangzhou Shipyard Shipping Co., Ltd. by investment; considered and approved the resolution in relation to the amendment to certain articles of the Articles of Associate of the Company.

CORPORATE GOVERNANCE

Note 5: resolution in relation to the non-public shares issue and payment in cash to purchase assets and raising supporting fund and connected transaction: (the specific information of this resolution have to vote one by one); approved the resolution in relation to the shares issue to CSSC Group from Guangzhou Shipyard International and payment in cash to purchase assets and its supplementary agreement; approved the resolution in relation to shares issue to Yangzhou Kejin from Guangzhou Shipyard International for the purchase of assets from Yangzhou Kejin and its supplementary agreement; approved the resolution in relation to the draft final report on the A share issue and payment in cash to purchase assets and raising supporting fund and connected transaction and its Summary; resolution in relation to the authorization to the Board and its authorized person with full power to deal with the share issue and payment in cash to purchase assets and raising supporting fund and related matters; the resolution in relation to the Company satisfying the conditions for the Share issue and the payment in cash to purchase assets and raising supporting fund; resolution in relation to the shares issue by the Company and payment in cash to purchase assets and raising supporting funds which constitute connected transactions; the resolution in respect of the shares issue of the Company and payment in cash to purchase assets and raising supporting funds which is in compliance with the regulations in relation to regulation No. 4 certain issues of the standardization of the significant assets restructuring of the listed company; the resolution in respect of related audit report, assets valuation report of the significant asset restructuring and the Profit Forecast report; the resolution in relation to the exemption of CSSC Group's obligation to acquire further shares of the Company by way of an offer; the resolution in relation to the revision of certain articles of the Articles of Association of the Company; the resolution in relation to the election of Mr. Zhu Mingyou as an independent non-executive director; the resolution in relation to the election of Mr. Zhu Dejin as an independent non-executive director.

(III) INFORMATION ON REGISTRATION AND MANAGEMENT OF INSIDERS

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

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

(IV) RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

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

(V) ASSESSMENT AND INCENTIVE SCHEME FOR SENIOR MANAGEMENT

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

(VI) CONCLUSION

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

INTERNAL CONTROL

1. STATEMENT OF RESPONSIBILITY FOR INTERNAL CONTROL AND CONSTRUCTION OF INTERNAL CONTROL SYSTEM

The Board is responsible for the establishment, improvement, and effective implementation of internal control. The Audit Committee under the Board takes charge of examining the Company's internal control, supervising the effective implementation and self-evaluation of internal control, and coordinating the audit of internal control; the Supervisory Committee supervises the Company' establishment and implementation of internal control; the Company's management is responsible for the daily implementation of internal control, carries out specific elevation and annual evaluation according to the Internal Control Handbook and Internal Control Evaluation Handbook issued and implemented by the Company. Special evaluation is the evaluation carries out in respect of the effectiveness of the internal control within the specific scope at a specific time, annual evaluation is a full self-evaluation in respect of the internal control which regularly carries once every year, and issues self-evaluation report, and appoints internal control auditors to review internal control, in order to analyze the control procedures for finance, operation and supervision, to ensure the legality and compliance of the Company's operation and management, the safety of assets, the truthfulness and completeness of financial reports and related information, to raise the operating efficiency and effectiveness, and to promote the realization of the Company's development strategy. Internal Control System Construction Departments: Risk Management Department — organizing the implementation and maintenance of internal control; Audit Department — organizing the evaluation of internal control; Financial Center — establishment, implementation and improvement of financial internal control system; each department — taking charge of internal control development and implementation within their own business scope. The Company pays attention to the continued improvement of internal control, in 2014, based on the organization change and business requirement, the Company made second revision to the Internal Control Handbook and Internal Control Evaluation Handbook of the Company, and keeping the timeliness of Internal Control Handbook and Internal Control Evaluation Handbook and the timeliness for implementation. Internal control evaluation work carried out during 2014 was based on the newly revised Internal Control Handbook and Internal Control Evaluation Handbook. The establishment of internal control for 9 controlling companies of the Company was completed during the year 2014, the editing of Internal Control Handbook and Internal Control Evaluation Handbook were completed and implemented.

Whether self-evaluation report is disclosed or not: Yes

2. INFORMATION ON INTERNAL CONTROL AUDIT REPORT

The Company's internal control auditor Shinewing Certified Public Accountants (special general partnership) has conducted conducted an audit on the effectiveness of the Company's internal control, and considered that, in the year ended December 31, 2014, the Company had maintained effective internal control on financial statements in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and other relevant rules.

Whether internal control audit report is disclosed or not: Yes

3. SYSTEM OF ACCOUNTABILITY FOR SIGNIFICANT ERRORS IN ANNUAL REPORTS AND ITS IMPLEMENTATION

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

AUDITOR'S REPORT



信永中和會計師事務所

ShineWing
certified public accountants

北京市東城區朝陽門北大街
8號富華大廈A座9層

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

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

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

XYZH/2015BJA100001

TO THE MEMBERS OF GUANGZHOU SHIPYARD INTERNATIONAL COMPANY LIMITED

We have audited the accompanying financial statements of Guangzhou Shipyard International Company Limited (the "Company"), which comprise the consolidated and the Company's balance sheets as at December 31, 2014; and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in equity for the year then ended, and the notes thereto.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

2. AUDITORS' RESPONSIBILITY

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

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

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

3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at December 31, 2014, and the consolidated and the Company's results of operation; and the consolidated and the Company's cash flows for the year then ended, in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Chinese Certified Public Accountants: Liang Xiaoyan

Chinese Certified Public Accountants: Zhao Xueping
16 February 2015

ShineWing Certified Public Accountants
Beijing, PRC

CONSOLIDATED BALANCE SHEET

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	1	8,168,932,666.56	7,772,989,828.07
Transaction settlement funds		—	—
Loans to other banks		—	—
Financial assets at fair value through profit and loss	2	13,007,994.71	69,210,083.75
Derivative financial assets		—	—
Notes receivable	3	10,678,923.83	21,607,944.72
Accounts receivable	4	501,638,302.39	657,499,439.90
Prepayments	5	1,476,460,562.44	1,070,938,867.43
Insurance premium receivable		—	—
Reinsurance premium receivable		—	—
Reserves for reinsurance contract receivable		—	—
Interests receivable	6	142,335,847.07	125,169,671.54
Dividends receivable	7	721,976.56	—
Other receivables	8	297,586,125.55	75,790,266.06
Financial assets purchased with agreement to re-sale		—	—
Inventories	9	4,243,869,651.14	2,988,934,033.42
Assets classified as held for sale		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
		14,855,232,050.25	12,782,140,134.89
Total current assets			
Non-current assets:			
Loans and advances to customers		—	—
Available-for-sale financial assets	10	6,900,000.00	35,970,000.00
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	11	47,869,587.37	42,956,414.09
Investment properties	12	24,137,500.16	29,567,897.29
Fixed assets	13	6,472,492,114.67	6,858,741,724.45
Construction in progress	14	424,477,179.97	91,957,146.55
Construction materials		—	—
Disposal of fixed assets	15	—	29,376.32
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets	16	1,247,572,298.74	1,302,974,158.88
Research and development expenses	17	—	—
Goodwill		—	—
Long-term deferred expenses	18	14,019,405.47	11,924,491.37
Deferred tax assets	19	577,393,228.99	402,599,880.10
Other non-current assets		—	—
		8,814,861,315.37	8,776,721,089.05
Total non-current assets			
		23,670,093,365.62	21,558,861,223.94
Total assets			

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED BALANCE SHEET

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	20	4,042,518,219.57	2,740,220,723.02
Borrowings from central bank		—	—
Receipt of deposits and deposits from other banks		—	—
Loans from other banks		—	—
Financial liabilities at fair value through profit and loss	21	56,475,710.29	—
Derivative financial liabilities		—	—
Notes payable	22	1,316,585,489.50	889,353,412.06
Accounts payable	23	2,404,465,685.59	1,754,934,382.86
Advance from customers	24	682,877,577.43	535,392,138.97
Funds from selling out and repurchasing financial assets		—	—
Fee and commission payable		—	—
Employee benefits	25	35,262,506.61	33,779,208.99
Taxes payable	26	-292,285,242.99	-139,946,711.34
Interests payable	27	20,919,000.53	68,778,979.01
Dividends payable	28	177,721.77	437,160.43
Other payables	29	47,010,552.66	30,953,655.67
Reinsurance accounts payable		—	—
Reserves for insurance contracts		—	—
Brokerage for trading securities		—	—
Brokerage for consigning securities		—	—
Liabilities classified as held for sale		—	—
Non-current liabilities due within one year	30	1,276,705,757.83	1,769,219,805.15
Other current liabilities	31	4,681,683,042.76	3,153,645,678.93
Total current liabilities		14,272,396,021.55	10,836,768,433.75
Non-current liabilities:			
Long-term loans	32	3,256,071,388.68	5,943,404,473.16
Bonds payable		—	—
Among which: Preferred shares			
Perpetual bond			
Long-term payables		—	—
Long-term employee salary payable	33	57,581,358.19	60,735,157.49
Special payables	34	24,570,000.00	24,570,000.00
Estimated Liabilities	35	269,050,764.55	657,847,075.11
Deferred income	36	116,340,125.92	95,980,132.15
Deferred tax liabilities	19	1,951,199.21	11,330,087.60
Other non-current liabilities		—	—
Total non-current liabilities		3,725,564,836.55	6,793,866,925.51
Total liabilities		17,997,960,858.10	17,630,635,359.26

CONSOLIDATED BALANCE SHEET

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
The owner's equity			
Share capital	37	1,030,534,651.00	643,080,854.00
Other equity instruments		—	—
Among which: Preferred shares		—	—
Perpetual bond		—	—
Capital reserves	38	3,319,815,828.93	2,138,063,611.56
Less: Treasury shares		—	—
Other comprehensive income	39	—	-8,830,870.15
Specific reserves	40	1,439,966.32	956,026.41
Surplus reserves	41	455,070,078.47	444,648,093.25
Reserve for ordinary risk		—	—
Retained earnings	42	822,415,499.44	691,646,062.40
		<hr/>	<hr/>
Total equity attributable to shareholders		5,629,276,024.16	3,909,563,777.47
Non-controlling interest	43	42,856,483.36	18,662,087.21
		<hr/>	<hr/>
Total shareholder's equity		5,672,132,507.52	3,928,225,864.68
		<hr/>	<hr/>
Total liabilities and shareholder's equity		23,670,093,365.62	21,558,861,223.94

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

BALANCE SHEET OF PARENT

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	1	6,703,553,411.25	5,957,846,121.43
Financial assets at fair value through profit and loss	2	13,007,994.71	69,210,083.75
Derivative financial assets		—	—
Notes receivable	3	2,700,000.00	—
Accounts receivable	4	414,520,890.74	596,326,002.81
Prepayments	5	2,627,312,549.15	1,715,229,398.49
Interest receivables	6	123,613,565.69	108,337,980.19
Dividend receivables	7	48,321,976.56	67,594,936.63
Other receivables	8	4,209,059,240.56	796,040,374.31
Inventories	9	2,617,308,654.45	1,364,603,227.69
Assets classified as held for sale		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		16,759,398,283.11	10,675,188,125.30
Non-current assets:			
Available-for-sale financial assets	10	1,000,000.00	30,070,000.00
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	11	1,128,688,760.61	482,913,980.35
Investment properties	12	24,137,500.16	29,567,897.29
Fixed assets	13	428,676,105.26	979,384,072.24
Construction in progress	14	45,899,768.25	20,209,436.77
Construction materials		—	—
Disposal of fixed assets	15	—	29,376.32
Productive biological assets		—	—
Oil and gas assets		—	—
Intangible assets	16	23,620,918.69	63,384,775.32
Research and development expenses	17	—	—
Goodwill		—	—
Long-term deferred expenses	18	6,772,678.20	3,476,413.96
Deferred tax assets	19	163,953,069.82	104,333,935.14
Other non-current assets		—	—
Total non-current assets		1,822,748,800.99	1,713,369,887.39
Total assets		18,582,147,084.10	12,388,558,012.69

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

BALANCE SHEET OF PARENT

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
Current liabilities:			
Short-term loans	20	1,133,653,446.88	30,484,500.00
Financial liabilities at fair value through profit and loss	21	55,734,758.74	—
Derivative financial liabilities		—	—
Notes payable	22	795,965,835.62	616,401,532.69
Accounts payable	23	1,669,628,703.59	1,332,871,693.45
Advance from customers	24	447,659,099.74	407,461,536.38
Employee salary payable	25	19,605,868.71	18,920,841.86
Taxes payable	26	-127,782,393.39	-65,037,991.47
Interests payable	27	15,106,945.53	10,762,776.07
Dividends payables	28	177,721.77	177,160.43
Other payables	29	95,778,432.58	17,069,938.74
Liabilities classified as held for sale		—	—
Non-current liabilities repayable within one year	30	1,276,705,757.83	789,219,805.15
Other current liabilities	31	4,859,792,979.07	2,770,524,429.55
Total current liabilities		10,242,027,156.67	5,928,856,222.85
Non-current liabilities:			
Long-term loans	32	1,868,071,388.68	1,888,404,473.16
Bonds payable		—	—
Among which: Preferred shares			
Perpetual bond			
Long-term payables		—	—
Long-term employee salary payable	33	57,581,358.19	60,735,157.49
Special payables	34	24,570,000.00	24,570,000.00
Estimated liabilities	35	389,086,110.62	436,954,202.59
Deferred income	36	111,087,296.17	90,141,707.60
Deferred tax liabilities	19	1,951,199.21	10,395,123.72
Other non-current liabilities		—	—
Total non-current liabilities		2,452,347,352.87	2,511,200,664.56
Total liabilities		12,694,374,509.54	8,440,056,887.41
The owner's equity:			
Share capital	37	1,030,534,651.00	643,080,854.00
Other equity instruments		—	—
Among which: Preferred shares			
Among which: Preferred shares			
Capital reserves	38	1,952,637,215.67	503,564,939.20
Less: Treasury shares		—	—
Other comprehensive income	39	—	-8,830,870.15
Specific reserves	40	—	—
Surplus reserves	41	453,894,266.30	443,472,281.08
Retained earnings	42	2,450,706,441.59	2,367,213,921.15
Total shareholder's equity		5,887,772,574.56	3,948,501,125.28
Total liabilities and shareholder's equity		18,582,147,084.10	12,388,558,012.69

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED INCOME STATEMENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
1. Total operating revenue		9,530,740,881.74	5,838,268,514.19
Including: Operating revenue	47	9,530,740,881.74	5,838,268,514.19
Interest income		-	-
Earned insurance premiums		-	-
Fees and commission income		-	-
2. Total cost of operation		10,566,038,394.41	6,718,484,153.30
Including: Cost of operation	47	9,630,980,417.48	5,584,894,832.93
Interest expenses		-	-
Fees and commission expense		-	-
Refunded premiums		-	-
Net amount of compensation payout		-	-
Net amount of reserves for reinsurance contract		-	-
Policy dividend payment		-	-
Reinsured expenses		-	-
Business taxes and surcharges	48	21,945,028.77	21,584,334.65
Selling and distribution expenses	49	33,547,079.26	5,684,005.42
Administrative expenses	50	739,731,840.56	701,902,453.20
Financial expenses	51	127,889,582.84	136,684,050.21
Loss on impairment of assets	52	11,944,445.50	267,734,476.89
Add: Gain arising from the changes in fair value (loss listed with "-")	53	-112,677,799.33	46,571,580.25
Investment income (Loss listed with "-") Including: income from investments in associates and joint ventures (Loss listed with "-")	54	395,363,838.64	202,672,876.30
Exchange gain (Loss listed with "-")		-	-
3. Operating profit (Loss listed with "-")		-752,611,473.36	-630,971,182.56
Add: Non-operating income	55	813,325,483.25	180,557,982.31
Including: Gain from disposal of non-current assets		2,014.97	42,357.34
Less: Non-operating expenses	56	1,383,817.02	1,708,102.15
Including: Loss on disposal of non-current assets		218,858.94	413,459.28
4. Total profit (Loss listed with "-")		59,330,192.87	-452,121,302.40
Less: Income tax expenses	57	-91,096,293.74	-73,425,320.19
5. Net profit (Net loss listed with "-")		150,426,486.61	-378,695,982.21
Net profit attributable to shareholders of the parent Company		151,496,768.77	-218,566,980.38
Non-controlling interest		-1,070,282.16	-160,129,001.83

CONSOLIDATED INCOME STATEMENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
6. Net other comprehensive income after tax	65	8,830,870.15	-181,399,847.22
Net other comprehensive income after tax attributable to owners of the parent company		8,830,870.15	-181,399,847.22
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		-	-
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		-	-
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		8,830,870.15	-181,399,847.22
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		-	-
2. Gains and losses from changes in fair value of available-for-sale financial assets		8,830,870.15	-181,399,847.22
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		-	-
4. Effective part of hedging gains and losses from cash flows		-	-
5. Exchange differences from retranslation of financial statements		-	-
6. Others		-	-
Net other comprehensive income after tax attributable to minority interests			
7. Total comprehensive income		159,257,356.76	-560,095,829.43
Total comprehensive income attributable to shareholders of the parent company		160,327,638.92	-399,966,827.60
Total comprehensive income attributable to minority interests		-1,070,282.16	-160,129,001.83
8. Earnings per share:	63		
(I) Basic earnings per share (RMB/share)		0.1470	-0.2121
(II) Diluted earnings per share (RMB/share)		0.1470	-0.2121

Business combination under common control for the current Period, net profit realized by the acquirer before the combination was RMB-9,097,996.40, net profit realized by the acquirer was RMB-405,499,764.37 for the last period.

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

INCOME STATEMENT OF PARENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XVI	Current Year	Last Year
1. Revenue from operations	46	6,882,684,077.92	3,311,023,987.86
Less: Cost of operations	46	7,117,611,604.67	3,140,431,028.04
Business tax and surcharges	47	4,150,595.36	6,635,725.26
Selling expenses	48	36,009,954.24	-746,219.68
Administrative expenses	49	400,031,391.87	357,190,782.05
Financial expenses	50	-78,390,808.01	-133,414,789.99
Loss on impairment of assets	51	333,910,861.74	215,392,429.31
Add: Gain arising from the changes in fair value (Loss listed with "-")	52	-111,936,847.78	46,709,107.24
Investment gain (Loss listed with "-") Including: income from investments in associates and joint ventures (Loss listed with "-")	53	387,732,474.15	268,622,136.37
		896,322.83	946,282.45
2. Operating profit (Loss listed with "-")		-654,843,895.58	40,866,276.48
Add: Non-operating income Including: Gain from disposal of non-current assets	54	774,029,072.43	90,867,559.35
		594.97	1,740.65
Less: Non-operating expenses Including: Loss from disposal of non-current assets	55	130,498.07	1,032,308.20
		120,498.07	155,395.90
3. Total profit (Total loss listed with "-")		119,054,678.78	130,701,527.63
Less: Income tax expenses	56	14,834,826.61	4,692,532.83
4. Net profit (Net loss listed with "-")		104,219,852.17	126,008,994.80
5. Net other comprehensive income after tax	61	8,830,870.15	-181,399,847.22
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		-	-
2. Share of other comprehensive income of investee that can not be subsequently reclassified to profit and loss under equity method		-	-
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		8,830,870.15	-181,399,847.22
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		-	-
2. Gains and losses from changes in fair value of available-for-sale financial assets		8,830,870.15	-181,399,847.22

INCOME STATEMENT OF PARENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XVI	Current Year	Last Year
3.	Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets	—	—
4.	Effective part of hedging gains and losses from cash flows	—	—
5.	Exchange differences from retranslation of financial statements	—	—
6.	Others	—	—
6.	Total comprehensive income	113,050,722.32	-55,390,852.42
7.	Earnings per share:	—	—
(I)	Basic earnings per share (RMB/share)	—	—
(II)	Diluted earnings per share (RMB/share)	—	—

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED CASH FLOW STATEMENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		10,303,489,937.45	7,215,884,739.99
Net increase in deposits from customers and deposits from other banks		-	-
Net increase in loans from central bank		-	-
Net increase in loans from other financial institutions		-	-
Cash receipts of premium of direct insurance contracts		-	-
Net cash received from reinsurance contracts		-	-
Net increase in deposits from insurance policy holders and investment		-	-
Net increase in disposal of financial assets at fair value through profit and loss		-	-
Cash receipts of interest, fees and commission		-	-
Net increase in placement from banks and other financial institution		-	-
Net increase in sales and repurchase operations		-	-
Cash received from taxes refund		433,704,043.16	245,139,945.79
Cash received relating to other operating activities	67	786,977,810.68	472,287,787.41
Sub-total of cash inflows from operating activities		11,524,171,791.29	7,933,312,473.19
Cash paid for goods and services		9,103,661,887.58	5,956,814,623.93
Net increase in loans and disbursement to customers		-	-
Net increase in deposit with central bank and inter-banks		-	-
Cash paid for claims of direct insurance contracts		-	-
Cash paid for interest, fee and commission		-	-
Cash paid for dividends of insurance policies		-	-
Cash paid to and on behalf of employees		1,201,051,493.93	1,215,818,133.15
Payments of taxes and surcharges		211,564,525.39	228,559,711.38
Cash paid relating to other operating activities	67	152,669,532.66	554,094,605.16
Sub-total of cash outflows from operating activities		10,668,947,439.56	7,955,287,073.62
Net cash flows from operating activities		855,224,351.73	-21,974,600.43
2. Cash flows from investment activities:			
Cash received from disposal of investment		37,100,000.00	55,622,371.53
Cash received from investments income		62,369,410.36	210,133,823.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,108,696.42	224,466.34
Net cash received from disposal of subsidiaries and other business units		447,591,300.00	-
Cash received relating to other investing activities	67	3,450,342,490.02	4,004,883,514.00
Sub-total of cash inflows from investing activities		4,007,511,896.80	4,270,864,174.89
Cash paid to acquire fixed assets, intangible assets and other long-term assets		443,218,970.45	285,783,522.45
Cash paid for investments		599,843,453.82	71,340,955.70
Net increase in pledged deposits		-	-
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid relating to other investing activities	67	3,126,875,378.88	3,558,813,970.82
Sub-total of cash outflow from investing activities		4,169,937,803.15	3,915,938,448.97
Net cash flows from investing activities		-162,425,906.35	354,925,725.92

CONSOLIDATED CASH FLOW STATEMENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
3. Cash flows from financing activities:			
Cash received from investment absorption		2,201,959,673.24	–
Including: Cash received by subsidiaries from investment absorption of non-controlling interest		–	–
Cash received from loans granted		7,715,755,186.31	12,712,985,999.84
Cash received from issue of bonds		–	–
Cash received relating to other financing activities		–	–
Sub-total of cash inflows from financing activities		9,917,714,859.55	12,712,985,999.84
Cash paid for settlement of borrowings		9,611,613,904.13	13,239,540,876.89
Cash paid for dividends, profits appropriation or payments of interest		509,984,543.13	465,181,634.45
Including: Dividends and profits paid to non-controlling interest		–	–
Cash paid relating to other financing activities	67	–	–
Sub-total of cash outflows from financing activities		10,121,598,447.26	13,704,722,511.34
Sub-total of cash outflows from financing activities		-203,883,587.71	-991,736,511.50
4. Effect of changes in foreign exchange rate on cash and cash equivalents		27,957,283.90	-62,700,032.30
5. Net increase in cash and cash equivalents		516,872,141.57	-721,485,418.31
Add: Cash and cash equivalents at the beginning of the year		4,221,502,128.98	4,942,987,547.29
6. Cash and cash equivalents at the end of the year		4,738,374,270.55	4,221,502,128.98

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CASH FLOW STATEMENT OF PARENT

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Note XVI	Current Year	Last Year
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		7,823,353,729.93	4,939,135,021.64
Cash received from taxes refund		274,516,384.77	112,574,797.12
Cash received relating to other operating activities	63	717,967,815.55	242,160,529.58
Sub-total of cash inflows from operating activities		8,815,837,930.25	5,293,870,348.34
Cash paid for goods and services		8,100,809,981.01	4,994,525,436.35
Cash paid to and on behalf of employee		355,780,595.85	309,416,750.85
Payments of taxes and surcharges		78,409,116.68	124,006,943.01
Cash paid relating to other operating activities	63	3,230,031,877.26	157,809,305.84
Sub-total of cash outflows from operating activities		11,765,031,570.80	5,585,758,436.05
Net cash flows from operating activities		-2,949,193,640.55	-291,888,087.71
2. Cash flows from investing activities:			
Cash received from with drawing investment capital		37,100,000.00	55,622,371.53
Cash received from investments income		82,477,236.44	209,893,461.15
Cash received from disposal of fixed assets, intangible assets and other long-terms assets		10,101,992.66	183,228.60
Net cash received from disposal of subsidiaries and other business units		447,591,300.00	–
Cash received relating to other investing activities	63	1,621,315,496.92	1,908,271,674.81
Sub-total of cash inflows from investing activities		2,198,586,026.02	2,173,970,736.09
Cash paid to acquire fixed assets, intangible assets and other long-term assets		56,824,544.56	45,694,439.82
Cash paid for investments		600,912,916.82	31,738,768.99
Net cash paid to acquire subsidiaries or other business units		–	–
Cash paid relating to other investing activities	63	2,125,318,328.75	1,637,253,070.82
Sub-total of cash outflows from investing activities		2,783,055,790.13	1,714,686,279.63
Net cash flows from investing activities		-584,469,764.11	459,284,456.46
3. Cash flows from financing activities			
Cash received from investment absorption		2,201,832,410.24	–
Cash received from loans granted		4,102,149,040.51	1,920,114,546.40
Cash received from bonds issued		–	–
Cash received relating to other financing activities		–	–
Sub-total of cash inflows from financing activities		6,303,981,450.75	1,920,114,546.40
Cash paid for settlement of borrowings		2,531,630,400.74	1,706,530,063.75
Cash paid for dividends, profits appropriation or payments of interests		199,511,177.37	167,195,185.40
Cash paid relating to other financing activities	63	–	–
Sub-total of cash outflows from financing activities		2,731,141,578.11	1,873,725,249.15
Net cash flows from financing activities		3,572,839,872.64	46,389,297.25
4. Effect of changes in foreign exchange rate on cash and cash equivalents		20,995,630.66	-32,899,348.23
5. Net increase in cash and cash equivalents		60,172,098.64	180,886,317.77
Add: Cash and cash equivalents at the beginning of the year		3,642,373,050.61	3,461,486,732.84
6. Cash and cash equivalents at the end of the year		3,702,545,149.25	3,642,373,050.61

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Current Period												Total shareholder's equity	
	Shareholder's equity attributable to the parent company											Non-controlling Shareholder's equity		
	Other equity vehicles				Capital Reserves	Less: Treasury stock	Other comprehensive income	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits			
Share Capital	Preference Shares	Perpetual bond	Others											
I	Ending Balance of Last Year	643,080,854.00	-	-	-	2,138,063,611.56	-	-8,830,870.15	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													
	Business combination under common control													
	Others													
II	Beginning balance of Current Year	643,080,854.00	-	-	-	2,138,063,611.56	-	-8,830,870.15	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	-	-	-	1,181,752,217.37	-	8,830,870.15	483,939.91	10,421,985.22	-	130,769,437.04	24,194,396.15	1,743,906,642.84
	(1) Total comprehensive income							8,830,870.15				151,496,768.77	-1,070,282.16	159,257,356.76
	(2) Contribution and Withdrawal of Capital by													
	Shareholders	387,453,797.00	-	-	-	1,181,752,217.37	-	-	-	-	-	-	-	1,569,206,014.37
	1. Ordinary shares contributed by shareholders	387,453,797.00				1,181,752,217.37								1,569,206,014.37
	2. Capital contributed by other equity vehicle holders	-												
	3. Amounts of share-based payments recognized in shareholder's equity	-												
	4. Others	-												
	(3) Profit distribution	-	-	-	-	-	-	-	-	10,421,985.22	-	-20,727,331.73	25,264,678.31	14,959,331.80
	1. Appropriation of surplus Reserves									10,421,985.22		-10,421,985.22		-0.00
	2. Appropriation of general risk reserves													
	3. Dividends to owners (or shareholders)											-10,305,346.51		-10,305,346.51
	4. Others												25,264,678.31	25,264,678.31
	(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
	1. Capitalized capital reserves													
	2. Capitalized surplus reserves													
	3. Surplus reserves for covering up losses													
	4. Others													
	(5) Special reserves	-	-	-	-	-	-	-	483,939.91	-	-	-	-	483,939.91
	1. Current Period appropriation								12,893,800.70					12,893,800.70
	2. Current Period write-off								-12,409,860.79					-12,409,860.79
	(6) Others													
IV	Ending balance of Current Period	1,030,534,651.00	-	-	-	3,319,815,828.93	-	-	1,439,966.32	455,070,078.47	-	822,415,499.44	42,856,483.36	5,672,132,507.52

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Last Period												
	Shareholder's equity attributable to the parent company											Non-controlling Shareholder's equity	Total shareholder's equity
	Other equity vehicles				Capital Reserves	Less: Treasury stock	Other comprehensive income	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits		
Share Capital	Preference Shars	Perpetual bond	Others										
I. Ending balance of Last Year	643,080,854.00				2,135,564,939.20		172,568,977.07		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													-
Business combination under common control											-1,393,868,864.52		-1,393,868,864.52
Others													-
II. Beginning balance of Current Year	643,080,854.00				2,135,564,939.20		172,568,977.07		432,047,193.77		999,983,644.74	269,672,832.40	4,652,918,441.18
III. Change Through Current Period ("+" for losses)					2,498,672.36		-181,399,847.22		956,026.41		12,600,899.48	-308,337,582.34	-724,692,576.50
(1) Total comprehensive income							-181,399,847.22						-560,095,829.43
(2) Contribution and Withdrawal of Capital by Shareholders					2,498,672.36								-84,893,071.00
1. Ordinary shares contributed by shareholders													-87,391,743.36
2. Capital contributed by other equity vehicle-holders													-
3. Amounts of share-based payments recognized in shareholder's equity													-
4. Others					2,498,672.36								2,498,672.36
(3) Profit distribution													-80,659,702.48
1. Appropriation of surplus Reserves													0.00
2. Appropriation of general risk reserves													-
3. Dividends to owners (or shareholders)													-80,659,702.48
4. Others													-
(4) Internal carry-over of shareholders' equity													-
1. Capitalized capital reserves													-
2. Capitalized surplus reserves													-
3. Surplus reserves for covering up losses													-
4. Others													-
(5) Special reserves									956,026.41				956,026.41
1. Current Period appropriation									53,704,333.91				53,704,333.91
2. Current Period write-off									-52,748,307.50				-52,748,307.50
(6) Others													-
IV. Ending balance of Current Period	643,080,854.00				2,138,063,611.56		-83,830,870.15		956,026.41		444,648,093.25	691,646,062.40	3,928,225,864.68

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Current Period										
	Other Equity Vehicle				Capital Reserves	Less: Treasury stock	Other comprehensive income	Special Reserves	Surplus Reserves	Undistributed Profits	Total shareholder's equity
Share Capital	Preference Shares	Perpetual bond	Others								
I. Ending Balance of Last Year	643,080,854.00	-	-	-	503,564,939.20	-	-8,830,870.15	-	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	-	-	-	503,564,939.20	-	-8,830,870.15	-	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	-	-	-	1,449,072,276.47	-	8,830,870.15	-	10,421,985.22	83,492,520.44	1,939,271,449.28
(1) Total comprehensive income							8,830,870.15			104,219,852.17	113,050,722.32
(2) Contribution and Withdrawal of Capital by Shareholders	387,453,797.00	-	-	-	1,449,072,276.47	-	-	-	-	-	1,836,526,073.47
1. Ordinary shares contributed by shareholders	387,453,797.00				1,449,072,276.47						1,836,526,073.47
2. Capital contributed by other equity vehicle holders	-										
3. Amounts of share-based payments recognized in shareholder's equity	-										
4. Others	-										
(3) Profit distribution	-	-	-	-	-	-	-	-	10,421,985.22	-20,727,331.73	-10,305,346.51
1. Appropriation of surplus Reserves									10,421,985.22	-10,421,985.22	-0.00
2. Dividends to owners (or shareholders)										-10,305,346.51	-10,305,346.51
3. Others											-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserves											-
2. Capitalized surplus reserves											-
3. Surplus reserves for covering up losses											-
4. Others											-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-
1. Current Period appropriation								11,299,462.64			11,299,462.64
2. Current Period write-off								-11,299,462.64			-11,299,462.64
(6) Others											-
IV. Ending balance of Current Period	1,030,534,651.00	-	-	-	1,952,637,215.67	-	-	-	453,894,266.30	2,450,706,441.59	5,887,772,574.56

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

January to December 2014

Prepared by: Guangzhou Shipyard International Company Limited

Unit: RMB

Item	Last Period										
	Other Equity Vehicle				Capital Reserves	Less: Treasury stock	Other comprehensive income	Special Reserves	Surplus Reserves	Undistributed Profits	Total shareholder's equity
Share Capital	Preference Shares	Perpetual bond	Others								
I. Ending Balance of Last Year	643,080,854.00				503,564,939.20		172,568,977.07		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				503,564,939.20		172,568,977.07		430,871,381.60	2,330,975,528.31	4,081,061,680.18
III. Change Through Current Period ("-" for losses)							-181,399,847.22		12,600,899.48	36,238,392.84	-132,560,554.90
(1) Total comprehensive income							-181,399,847.22			126,008,994.80	-55,390,852.42
(2) Contribution and Withdrawal of Capital by Shareholders											
1. Ordinary shares contributed by shareholders											
2. Capital contributed by other equity vehicle holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(3) Profit distribution									12,600,899.48	-89,770,601.96	-77,169,702.48
1. Appropriation of surplus Reserves									12,600,899.48	-12,600,899.48	0.00
2. Dividends to owners (or shareholders)										-77,169,702.48	-77,169,702.48
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Capitalized capital reserves											
2. Capitalized surplus reserves											
3. Surplus reserves for covering up losses											
4. Others											
(5) Special reserves											
1. Current Period appropriation									43,363,109.26		43,363,109.26
2. Current Period write-off									-43,363,109.26		-43,363,109.26
(6) Others											
IV. Ending balance of Current Period	643,080,854.00				503,564,939.20		-8,830,870.15		443,472,281.08	2,367,213,921.15	3,948,501,125.28

Legal Representative: Han Guangde

Accounting Director: Chen Liping

Accounting Manager: Hou Zengquan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

1. BACKGROUND INFORMATION

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

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

Pursuant to the Company’s 2010 shareholders’ meeting and revised Articles of Association, the Company’s paid-up capital (share capital) transferred from capital reserves increased by RMB148,403,274, and relevant procedures of H shares and A shares were completed on 15 July 2011 and 19 July 2011, respectively. The registered capital was therefore increased to RMB643,080,854.

Based on 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 H Shares with face value of RMB1 per share to CSSC (HongKong) 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 RMB1,030,534,651.00.

On 14 March 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 31 December 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 11 February 2014.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group includes 18 companies, including: CSSC Guangzhou Longxue Shipbuilding Co.,Ltd., Guangzhou Longxue Pipe Co., Ltd., Guangzhou Wanda Marine Engineering Co., Ltd., Guangzhou Xingshun Marine Services Co., Ltd., United Structures Ltd., Guangdong GSI elevator Co., Ltd., Guangzhou Hongfan Technology Co., Ltd., Guangzhou Guangli ShipShipbuilding Human Resources Service Company, Limited, Guangzhou Hongfan hotel Limited, Glory Group Development Co., Ltd., Fanguang Development Co., Ltd., Fanguang (Macau) Development Co., Ltd., Guangchuan large-scale machinery and equipment company Co., Ltd., Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., Guangzhou Shipyard International Marine Engineering Co., Ltd., Guangzhou Shipyard Industrial Co., Ltd., Guangzhou Jinzhou hip Technology Co., Ltd., Guangzhou Shipyard Shipping Co., Ltd. etc. Compared with last year, the Company added Guangzhou Longxue Shipbuilding Co., Ltd. and Guangzhou Longxue Pipe Co., Ltd. by business combination under common control and incorporated 6 companies such as Guangzhou Shipyard Industrial Co., Ltd., Guangzhou Jinzhou Ship Technology Co., Ltd., Guangzhou Shipyard Shipping Co., Ltd and Fanguang (Macau) Development Co., Ltd. by investment; and reduced Guangzhou Shipyard Industrial Co., Ltd. abd Guangzhou Jinzhou Ship Technology Co., Ltd. by disposal. Please refer to “VII. Change in the Scope of Consolidation” and “VIII. Interest in Other Entities”.

3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

Based on going-concern assumption and transactions and events actually occurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, (hereinafter referred to as “Accounting Standards for Business Enterprises”), and No.15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and regulations of Hong Kong Companies Ordinance as well as the accounting policies and estimation as described in IV Significant Accounting Policies and Estimation to this note.

2. On a on going concern basis

The Group’s ship construction contracts in hand are sufficient. As at 31 December 2014, ship construction contracts in hand were 9.6913 million DWT, orders for shipbuilding plan has been arranged until 2017. Current capital condition can satisfy with the Group’s production and operation, it is reasonable for the Group to prepeare the financial statements on a on going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements for the year 2014 have been prepared in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of information such as financial position, the results of operation and the cash flows of the Company and the Group as at 31 December 2014.

2. Accounting year

The accounting year is from January 1 to December 31.

3. Reporting currency

The reporting currency of the Company and the subsidiaries is Renminbi (“RMB”).

These financial statements are expressed in RMB

4. Accounting treatments for a business combination involving enterprises under and not under common control

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

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to reviewed. The excess of the fair value of net identifiable assets of the acquiree acquired over the cost of business combination will be recognized in the consolidated non-operating for the current period after review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

5. 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.

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, balances and un-realized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the parent company, and proportion of profit or loss for the current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under " equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders".

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the beginning of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existing since the final controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the acquiree under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the the final controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time not earlier than the Group and the acquiree are both under the control of final controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets added due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is earlier, to the date of combination, the related profit or loss recognized, other comprehensive income and other change in assets, shall be written off retained income at the beginning of the comparative period and profit or loss for the current period.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the acquiree under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be remeasured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for the current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, and change to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for the current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for the current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loses control through disposal of shareholding in subsidiaries belongs to package deal, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary, shall be recognized as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for the current period upon loss of control.

6. Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognizes assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assumes in proportion, and related income and fees will be recognized according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

7. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

8. Foreign currency transaction

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

9. Financial assets and financial liabilities

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognized.

(1) Financial assets

1) Classification of financial assets, basis of recognition and method of measurement

The Group classified financial assets into financial assets at fair market value through profit or loss, held-to-maturity investments, receivables and financial assets available for sale according to the investment purpose and the economic stance.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated into financial assets at profit or loss at initial recognition. Financial asset is classified as held for trading if one of the following conditions is satisfied: It has been acquired principally for the purpose of selling in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; hybrid instruments which contain one or more embedded derivatives, unless the embedded derivatives does not have a substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from the relevant hybrid instruments; hybrid instruments that have to be separated but cannot be individually measured after it has been obtained or the balance sheet date afterwards. Such kind of financial assets designated by the Group mainly includes forward exchange settlement business. The Group applies subsequent measurement based on fair value in respect of such kind of financial assets. Changes in fair values include in the fair value profit or loss; interests or cash dividends obtained during the period of holding assets, shall be recognized as investment income; difference between the fair value and the amount initial record, recognized as investment income on disposal, and the fair value change profit or loss will be adjusted at the same time

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognized in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories. For equity instruments which do not have quotations in active market and the fair values of which cannot be reliably measured and linked to that equity instrument, and derivatives linked to such equity instrument and settled through delivery of such equity instrument, will be measured at cost. Except for exchange of impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previous recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

2) *Recognition basis of transfer of financial assets and measure method*

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

Where an enterprise 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

3) *Testing of impairment of financial assets and accounting method*

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.

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

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.

(2) **Financial Liabilities**

1) *Classification of financial liabilities, recognition basis and measure method*

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 trading financial liabilities and 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.

2) *Conditions of derecognition of financial liabilities*

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and an lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

3) Method for determination of fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities of the Group are measured by fair values of principal market to calculate fair values of financial assets and financial liabilities of the Group. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information.

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.

10. Bad debts provision for 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.

Criteria for provision for bad debts: Provision for bad debts on receivable is made when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or the receivable are defaulted; or when there are objective evidences indicating the debts are not recovered or not likely to be recoverable

Provision for bad debts is made using allowance account method. At the end of the period, receivables are assessed for impairment on individual or group basis and the provision for bad debts is recognised in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the provision for bad debts as a loss of bad debts according to the required procedures of approval of the Group.

When the receivables are collected by the Group, difference between price of acquisition and the carrying value of the receivables is included into the profit or loss for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

11. Inventories

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

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. Low value consumables are amortised in full when received for use.

The net realizable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realizable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

12. Long-term equity investment

Long-term investment of the Group is the investment in subsidiaries and investment in associates and investment in joint ventures.

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.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

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The Group directly or indirectly owns 20% (inclusive) or more but less than 50% shares with voting rights in the invested company, usually have significant influence to the invested company. For voting rights less than 20% in the invested company, the Board or representative in similar authority in the invested company or the implementation processes of financial or operation policies of invested company have also been taken into account, or significant transaction with the invested company, or management personnel send to the invested company, or significant technology information provided to the invested company which have significant influence to the invested company.

The Group's subsidiaries are invested companies which form control. For long-term investment obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of acquisition in the consolidated financial statements of the final controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree is negative, investment cost of long-term equity investment is calculated as zero.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement

Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognized as investment income for the current period using the amount which it entitles.

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For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognized after adjustment is made to the net profit of the invested company.

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.

When the Group loss control in the invested company due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for under available-for-sale financial assets, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period.

Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for-sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting method for each transaction will be treated as disposing subsidiary and loss of control. However, difference between each disposal price before loss of control and the carrying value of the long-term investment of the equity disposed, shall be recognized as comprehensive income, and shall be transfer to profit or loss for the current period upon loss of control.

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13. Investment property

The investment properties of the Group include leased buildings, which is measured through the cost pattern.

The investment property of the Group is depreciated or amortized 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 (%)
Buildings	45-70	3	1.39-2.16

14. 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.

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 consist of buildings, machinery, transportation facilities and others.

Apart from fixed assets which are provided in full and continue to use and land which is accounted for separately, the Group made provision for all the fixed assets. The Group made provision for depreciation using straight-line method. The useful life, estimated rate of salvage value and depreciation of fixed assets of the Group are classified as below:

Classification	Useful life (year)	Estimated rate of salvage value (%)	Depreciation rate (%)
Building	8-50	3-10	1.8-12.13
Machinery	6-20	3-10	4.5-16.17
Transportation Equipment	10-15	3-10	6.47-9.7
Others	5-50	3-10	2.57-12.13

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

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

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

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15. Construction in progress

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

16. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can be reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected usable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for the current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

17. Intangible assets

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

The Group amortizes land use right on the basis of its useful life by straight-line method since it is acquired. The nonpatent technology are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

The Group would assess the estimated useful life of intangible assets with uncertain useful life during each accounting period.

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

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

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Expenditure on the development phase will be recognized as intangible assets while satisfying the following conditions:

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

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

18. Long-term assets impairment

The Group would assess intangible assets such as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress and intangible assets with limited useful lives at each of the assets balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the year end regardless of whether there is indication of impairment loss.

The difference should be accrued as impairment and accounted for impairment losses if the result of impairment test indicates that the book value of assets over recoverable amount. Recoverable amount should be measured at the higher of the fair value after subtracting the costs of disposal of the net and the present value of estimated future cash flows. Assets' provision for impairment is calculated based on the single asset; if the recoverable amount of single asset is difficult to estimate then the portfolio of which the single asset belonged to should be used as calculation unit. The portfolio is the minimal combination of assets that can generate cash inflow independently.

After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss. The above assets impairment loss once recognized, cannot be transferred in the subsequent accounting period.

19. Long-term unamortized assets

Long-term unamortized assets of the Group include Long Island Ferry additional Dolphins Engineering, pipe industry transformation expenses. The expenses are amortized evenly over the estimated benefit period. If the Long-term unamortized expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

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20. Employee benefits

Employee benefits of the Group include short-term compensation, post employment benefits, termination benefits and other benefits.

Short-term compensation including: wages, bonuses, medical insurance, injury insurance, maternity insurance, supplemental medical insurance, housing fund, union funds and workers education, outsourcing Labor compensation and others. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

Post employment benefits including the endowment insurance, pension, unemployment insurance, retirement benefits and other post employment benefits, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

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

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

21. 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.

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22. Work safety fees

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

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

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

23. Recognition and measurement of revenue

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

(1) Sales of goods

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

(2) Provision of services

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

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

(3) Transference of right to use assets

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

(4) Dividend income

Dividend income will be recognized when the shareholders' rights to receive dividend is determined, when the economic benefits may flow into the Group, and the amount of this relevant revenue can be measured reliably.

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(5) Interest income

Interest income of financial assets will be recognized when the economic benefits may flow into the Group and the amount of sale income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

24. Construction contracts

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

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

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

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

The Group would usually conduct checking for the progress of ship construction contract at the end of each period. If the estimated cost of the construction contract in total is larger than the estimated income in total, provision shall be made to the estimated loss on contracts, and at the same time increase the assets impairment loss and provision for price decrease in inventory – estimated contract loss. Gross profit not recognized before the construction progress reaching 30% (non first-made shipbuilding contract) or 50% (first-made shipbuilding contract), price decrease in inventory will not be written back. Gross profit are recognized when the construction progress reached 30% (non first-made shipbuilding contract) or 50% (first-made shipbuilding contract), provision for price decrease of inventory are written back according to progress, offsetting main business cost. At the end of each period, in respect of uncompleted ships with provision made for price decrease provision in the last period, if the provision made in the previous period was not enough, it is necessary to make supplementary provision, at the same time increase the assets impairment loss and provision for price decrease of inventory-estimated contract loss. If provision made in the last period was excess, it is necessary to reversed, at the same time decrease the assets impairment loss and provision for price decrease of inventory – estimated contract loss. Upon ship delivery, balance of provision for price decrease of inventory shall be written back main business cost. On the assets balance sheet date, carrying value of inventory which formed from the inventory in construction contracts will be analyzed, which is the balance of carry value less provision for price decrease of inventory. If the carry value is negative, it will be re-classified and list under expected liabilities. If the carrying value is positive, it will be compared with the settlement amount of the project, using the lower amount to offset, the balance after offset will be listed under inventory or other current liabilities.

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25. 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 be recognized as capital reserves according to related Federal documents, should also be capitalized in nature, and therefore shouldn't be recognized as government grants.

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

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

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

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

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

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

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

26. 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 nonconsolidation transactions, which do not give any influence on the temporary difference, arise from neither accounting profits nor taxable profits, is not recognized as deferred tax assets or deferred tax liability. On the balance sheet date, deferred tax assets and deferred tax liability are measured at applicable tax rate which is relevant to the period of expected assets return or pay liability.

The Group recognizes deferred tax assets as a result of deductible temporary difference, limited to the most probable deductible temporary difference.

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27. Buy back shares of the Company

In accordance with legal process and is approved to reduction in assets by repurchase of the Company's shares, according to the share capital reduced by cancellation of face value of shares in total, the adjusting shareholders' equity by difference between the consideration paid by repurchase of shares (including transaction fees) and the face value of shares. For proportion which exceeding face value in total, shall be written-off in the order of capital premium, reserve, and undistributed profit. For proportion which is lower than face value in total, shall be added to capital reserves.

Shares repurchased by the Company shall be managed as treasury stock before cancel or transfer. All expenses related to repurchase of shares shall be transferred as cost of treasury stock.

Upon transfer of treasury stock, transfer income which is higher than the cost of treasury stock, shall to be added to capital premium; transfer income which is lower than the treasury stock, shall be written-off in the order of capital premium, Surplus reserve, and undistributed profit. For repurchase of shares of the Company due to the implementation of equity incentive, upon repurchase, all expenses of repurchase shares shall be treated as treasury stock, and at the same time carry out registration for future reference.

28. Leasing

Leasing of the Group includes financial lease and operational lease.

The Group, as the lessee under the financial lease, on the start date of financial lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two recorded as unrecognized financial expense.

The Group, as the lessee under operational lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method directly.

29. Segment report

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

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

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30. Changes in accounting policies and accounting estimates

(1) Change in Significant Accounting Policies

Since 26 January 2014, the Ministry of Finance successively released and revised seven new accounting standards: 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, No. 40 of Accounting Standards for Business Enterprises – Arrangement for Joint Venture, No.2 of Accounting Standards for Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments. The Company, since 1 January 2013, started to adopt the first five new standards; since 1 January 2014, started to adopt No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments; and started to adopt No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments since the annual reporting period of 2014. Adoption of No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments was a change in the accounting policies and the retrospective adjustment method was adopted.

The effect in respect of the adoption of No.2 of Accounting Standards for Business Enterprises– Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments on the Group's consolidated financial statements are as follows:

Items affected	31 December 2013 (January to December 2013)			1 January 2013		
	Before adjustment	Amount	After adjustment	Before adjustment	Amount	After adjustment
	Total assets	21,558,861,223.94	0.00	21,558,861,223.94	22,016,883,858.85	0.00
Among which:						
Available-for-sale						
financial assets	29,070,000.00	6,900,000.00	35,970,000.00	269,965,187.50	6,900,000.00	276,865,187.50
Long-term equity investment	49,856,414.09	-6,900,000.00	42,956,414.09	49,196,955.08	-6,900,000.00	42,296,955.08

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Change in Significant Accounting Estimates

The Company reviewed shipbuilding products according to the Accounting Standards of construction contract. Subject to the Accounting Standards of construction contract, three methods may be used to calculate the percentage of completion: (1) calculate it as the proportion of the accrued contract costs actually incurred to the estimated total contract costs; (2) determine according to the proportion of completed contract workload to the estimated total contract workload; and (3) determine according to the percentage of completion as actually surveyed. The Company original used method (2), i.e. determine according to the proportion of completed contract workload to the estimated total contract workload. Using this method to measure the percentage of completion requires the estimation of total workload. However, shipbuilding involves a number of engineering works and they are complicated and take long periods to complete. This results in difficulties and uncertainties in the estimation of total workload and is therefore difficult to operate. Currently, the shipbuilding industry is commonly using method (1) to determine the percentage of completion. Using this method to recognize contract revenue and expenses can more accurately reflect the operation condition of shipbuilding and enables users of such information to have a clearer understanding of the method for the estimation and recognition of revenue and costs of a company. Upon approval is obtained from the 10th meeting of the eighth session of the Board of the Company held on 28 October 2014. The method to calculate the percentage of completion of shipbuilding of the Company changed to method (1) starting from 10 October 2014, that is, to calculate it as the proportion of the accrued contract costs actually incurred to the estimated total contract costs. The change in accounting estimate is adopted with prospective approach, and the total profit affected is RMB-27,010,814.64 for October to December 2014.

Items of financial statements	Amount
Operating revenue	-106,246,896.00
Operating cost	-79,236,081.36
Total profit	-27,010,814.64

(3) Judgment on significant estimates

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

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

a. Provision for receivables

As disclosed in Note IV.10, the Group would review the Accounts receivables measured with amortized costs on the balance sheet date to evaluate the existence of impairment, and determine the estimated amount of impairment. The proof for impairment includes data indicated that the future cash flow for individual or combined accounts receivable's significant decrease; data indicated that the debtors for individual or combined accounts receivable negative financial issues. If it's proved that the value of accounts receivable has recovered, and objectively related to the post damage, then the impairment is reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

b. *Impairment for inventories*

As stated in Note VI.11, the Group would estimate net realizable value of Inventories on a regular basis, and the difference of inventory cost higher than net realizable value would be recognized as loss from inventory devaluation. The estimating net realizable value is based on estimated price of similar goods, net of costs, selling expense and related taxes. If the effective price is different from estimated price, the management would adjust the net realizable value. Therefore the estimation according to current experience would be different from the actual value, resulting in adjustment of book value of Inventories in the Balance sheet. Provision for Inventory impairment could be revised because of the above issues. The adjustment for Provision for Inventory impairment could impact the current profit or loss.

c. *Accounting estimates for fixed assets impairment*

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

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

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

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

d. *Accounting estimates for deferred income tax assets recognized*

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

e. *The useful life for fixed assets and intangible assets*

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

f. *The estimated total cost of construction contract*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

5. TAXATION

1. Turnover tax and surcharge

Turnover tax and surcharges	Tax base	Tax rate
Value-Added Tax	The sale of goods and provision of processing, repairing, repair services	17%
	Modern service ^{Note}	6%
Business Tax	Transportation and construction installation	3%
	Other services	5%
City Maintenance and Construction Tax	Turnover tax payable	7%
Education Surcharge	Turnover tax payable	3%
Local education Surcharge	Turnover tax payable ^{Note}	2%
Flood control and maintain expenses	Main business income and other incomes	0.045%

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

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

2. Corporate income tax

Company name	Tax rate	Note
The Company	15%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
Guangzhou Yonglian Steel Structure Co., Ltd.	15%	
Rong Guang Development Co., Ltd.	16.5%	Registered in HK
Fanguang Development Co., Ltd.	16.5%	Registered in HK
Fanguang (Macau) Development Single Person Co., Ltd.	12%	Registered in Macau
Other subsidiaries	25%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

3. Tax incentives and approvals

(1) Value-added tax

Export revenues: The Company is an enterprise concerned with production and operation, and for its self-operated export and self-produced goods, all policies of tax exemption, deduction and refund are applicable with a tax refund rate of 17%, tax refund rate of 9% for steel structure products and tax refund rate of 15% for large-scale facilities.

Revenues from military products: according to the Notice of the State Administration of Taxation on Certificate [1994] 11 of Tax Exemption for Scientific Research and Production of Military Products (Guo Shui Han [1999] No. 633), the contracts for production (ordering) military products are not subject to any value-added tax after completion of relevant tax exemption formalities.

(2) Tax incentives

The Company and its subsidiaries 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. The listing of provincial Department of Science and Technology has been passed and is subject to the approval of the Department of Science and Technology. Thus, the corporate income tax for current Period is provisionally calculated at 15%.

6. 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 December 31, 2014. "Current Year" refers to the period from January 1, 2014 to December 31, 2014; and "Last Year" refers to the period from January 1, 2013 to December 31, 2013. The currency is in RMB.

1. Cash and cash equivalents

Items	Ending Balance	Beginning Balance
Cash	191,253.16	265,078.31
Bank deposits	4,738,052,817.05	4,221,095,882.94
Others	3,430,688,596.35	3,551,628,866.82
Total	8,168,932,666.56	7,772,989,828.07
Including: total amount deposited overseas	13,702,979.66	25,198,278.08

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

Note 1: The ending balances of other monetary fund include credit card deposit of RMB130,200.34 (Beginning Balance: RMB141,167.73); guarantee deposit of RMB4,107,213.47 (Beginning Balance: 6,926,228.27); deposit for construction-in-progress RMB 5,092,920.54 (Beginning Balance: 5,092,920.54); and fixed deposit for long-term and short-term mortgage loans amounted RMB3,421,358,262.00 (Beginning Balance: 3,539,458,550.28), this guaranteed fixed deposit would be terminated after the debt redemption.

Note 2: The amount deposited overseas of the Group at the end of the year is the deposit for establishment of Rong Guang Development Co., Ltd. (in Hong Kong), Fanguang Development Co., Ltd. (Hong Kong) and Fanguang (Macau) Development Single Person Co., Ltd. (Macau).

2. Financial assets at fair value through profit and loss

(1) Classification of financial assets at fair value through profit and loss

Item	Ending Balance	Beginning Balance
Financial assets at fair value through profit and loss	13,007,994.71	69,210,083.75
Including: forward foreign exchange con	13,007,994.71	69,210,083.75
Total	13,007,994.71	69,210,083.75

(2) Analysis of trading financial assets:

Item	Ending fair value	Beginning fair value
Listed		
Un-listed	13,007,994.71	69,210,083.75
Total	13,007,994.71	69,210,083.75

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

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 of Notes receivable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	10,678,923.83	21,607,944.72
Total	10,678,923.83	21,607,944.72

(2) Notes receivable endorsed at the end of the year but not yet due at the end of balance sheet date

Items	Derecognition amount at the end of the year	Amount not derecognized at the end of the year
Bank acceptance bill	4,757,896.00	
Total	4,757,896.00	

4. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	514,548,354.53	670,199,441.60
Less: provision for bad debts	12,910,052.14	12,700,001.70
Net amount	501,638,302.39	657,499,439.90

(1) Terms of sales on credit

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Aging analysis

Items	Ending Balance				Net value	Beginning Balance				Net value
	Book value		Bad debt			Book value		Bad debt		
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year	454,254,389.98	88.28	2,291,275.13	0.50	451,963,114.85	605,013,195.30	90.27	2,989,758.92	0.49	602,023,436.38
1-2 years	23,930,458.07	4.65	119,652.30	0.50	23,810,805.77	26,482,813.79	3.95	4,151,728.18	15.68	22,331,085.61
2-3 years	10,108,978.18	1.96	275,243.96	2.72	9,833,734.22	11,312,230.43	1.69	422,223.65	3.73	10,890,006.78
3-4 years	6,302,398.79	1.23	4,520,846.01	71.73	1,781,552.78	16,544,445.35	2.47	862,325.54	5.21	15,682,119.81
4-5 years	15,036,943.37	2.92	1,435,882.34	9.55	13,601,061.03	7,645,223.15	1.14	1,072,431.83	14.03	6,572,791.32
5 years or above	4,915,186.14	0.96	4,267,152.40	86.82	648,033.74	3,201,533.58	0.48	3,201,533.58	100.00	
Total	514,548,354.53	—	12,910,052.14	—	501,638,302.39	670,199,441.60	—	12,700,001.70	—	657,499,439.90

(3) Classification by risks

Items	Ending Balance				Net value	Beginning Balance				Net value
	Book value		Bad debt provision			Book value		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
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	10,389,253.44	2.02	10,389,253.44	100.00	0.00	9,395,984.41	1.40	9,395,984.41	100.00	0.00
Accounts receivable accrued bad debt provision by a certain percentage of the balance	504,159,101.09	97.98	2,520,798.70	0.50	501,638,302.39	660,803,457.19	98.60	3,304,017.29	0.50	657,499,439.90
Total	514,548,354.53	—	12,910,052.14	—	501,638,302.39	670,199,441.60	—	12,700,001.70	—	657,499,439.90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

- 1) *Accounts receivable that are individually significant, or insignificant but are provided for bad debts on individual basis as at the end of the year*

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	Unable to repay due to its financial difficulty
WHL-FONKWANG	2,547,011.44	2,547,011.44	100.00	Unable to repay due to its financial difficulty
Chongqing Far East Fuji Electrical Company	894,670.00	894,670.00	100.00	Unable to repay due to its financial difficulty
Zhanjiang Ankang Real Estate Company	604,790.38	604,790.38	100.00	Long outstanding period, with operational going concern
Fuzhou Jujijia Electronics Technology Co., Ltd.	370,000.00	370,000.00	100.00	Long outstanding period, with operational going concern
Guilin Fortune Elevator Company	398,250.00	398,250.00	100.00	Long outstanding period, with operational going concern
Chongqing South Group Company	263,698.87	263,698.87	100.00	Long outstanding period, with operational going concern
Other 23 customers	1,310,421.08	1,310,421.08	100.00	Long outstanding period, with operational going concern
Total	10,389,253.44	10,389,253.44	-	-

- 2) *Accounts receivable accrued bad debt provision by a certain percentage of the balance as at the end of the year*

Items	Book value	%	Bad debts
Within 1 year	454,254,389.98	0.50	2,271,275.15
1-2 years	23,930,458.07	0.50	119,652.29
2-3 years	10,108,978.18	0.50	50,544.89
3-4 years	1,786,866.35	0.50	8,934.33
4-5 years	13,667,596.27	0.50	68,337.98
Over 5 years	410,812.24	0.50	2,054.06
Total	504,159,101.09	-	2,520,798.70

(4) Bad debts reversed or recovered as at the end of the year

Provision for bad debts reversed or recovered on individual basis for the year was RMB349,110.49.

(5) As at end of the year, there were no account receivables that have been actually written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(6) Top 5 Clients as at the end of the year

Company Name	Relationship	Amount	Aging	Proportion in accounts receivable (%)	Ending balances of bad-debt provision
Client 1	Under the same control of CSSC	145,297,180.27	Within 1 year	28.24	726,485.90
Client 2	External Client	48,401,290.00	Within 1 year	9.41	242,006.45
Client 3	External Client	27,462,000.00	Within 1 year	5.34	137,310.00
Client 4	External Client	25,242,607.29	Within 2 years	4.91	126,213.04
Client 5	External Client	19,568,562.00	Within 1 year	3.80	97,842.81
Total		265,971,639.56		51.70	1,329,858.20

5. Prepayments

(1) Aging analysis

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	1,418,024,673.80	96.04	998,472,878.02	93.23
1-2 years	49,385,182.46	3.35	62,386,862.27	5.83
2-3 years	6,375,305.08	0.43	8,663,583.88	0.81
3 years or above	2,675,401.10	0.18	1,415,543.26	0.13
Total	1,476,460,562.44	-	1,070,938,867.43	-

Prepayments with aging over one year and are of significant amount, and the reasons for not settling on time.

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Company Name	Relationship	Amount	Proportion in prepayments%	Aging	Reasons
Research Institute A of China Shipbuilding Industry Corp	External Client	18,985,000.00	1.29	1-2 years	Facilities not arrived
Shanxi Diesel Engine Co., Ltd.	External Client	10,080,000.00	0.68	1-2 years	Facilities not arrived
WARTSILA China Co., Ltd.	External Client	9,732,054.90	0.66	1-2 years	Facilities not arrived
China Marine Power Co., Ltd.	Under the same control of CSSC	3,482,000.00	0.24	1-2 years	Facilities not arrived
Henan Diesel Engine Heavy Industry Co., Ltd.	External Client	2,262,880.00	0.15	1-2 years	Facilities not arrived
Australia Alpha Hovercraft Sales Co.Ltd.	External Client	2,204,571.69	0.15	1-3 years	Facilities not arrived
Yede Technology Co., Ltd.	External Client	2,046,466.85	0.14	1-3 years	Facilities not arrived
Total		48,792,973.44	3.30		

(2) Top 5 companies at the end of the year

Company Name	Ending balance	Aging	Proportion of total accounting of ending balance of prepayment
CSSC Industry Complete Logistics Co., Ltd. (Guangzhou)	943,689,774.00	Within 1 year	63.92
Poly Technologies	66,611,024.00	Within 1 year	4.51
Research Institute B of China Shipbuilding Industry Corp	56,932,500.00	0-2 years	3.86
Siemens Limited., China Shanghai Branch	31,136,167.38	0-2years	2.11
WARTSILA Company (Finland)	27,208,754.39	Within 1 year	1.84
Total	1,125,578,219.77		76.23

6. Interest receivable

Items	Ending Balance	Beginning Balance
Fixed deposit	142,335,847.07	125,169,671.54
Total	142,335,847.07	125,169,671.54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

7. Dividends receivable

Items (or invested company)	Ending Balance	Beginning Balance
South China Special Coating Industrial Co., Ltd. In Guangzhou Economic and Technological Development Zone	721,976.56	
Total	721,976.56	

8. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	309,479,365.36	86,568,953.79
Less: provision for bad debts	11,893,239.81	10,778,687.73
Net amount	297,586,125.55	75,790,266.06

(1) Aging analysis

Items	Ending Balance				Beginning Balance					
	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value
Within 1 year	281,478,809.08	90.95	1,407,394.04	0.50	280,071,415.04	62,649,897.94	74.67	313,249.45	0.50	62,336,648.49
1-2 years	6,878,868.34	2.22	34,394.33	0.50	6,844,474.01	2,318,490.29	2.68	11,592.45	0.50	2,306,897.84
2-3 years	1,416,041.59	0.46	7,080.20	0.50	1,408,961.39	4,846,581.90	5.60	24,232.91	0.50	4,822,348.99
3-4 years	3,872,786.31	1.25	19,363.93	0.50	3,853,422.38	4,300,851.95	2.66	21,504.26	0.50	4,279,347.69
4-5 years	3,555,090.35	1.15	17,775.46	0.50	3,537,314.89	406,055.35	0.47	2,030.28	0.50	404,025.07
5 years or above	12,277,769.69	3.97	10,407,231.84	84.76	1,870,537.85	12,047,076.36	13.92	10,406,078.38	86.38	1,640,997.98
Total	309,479,365.36	-	11,893,239.81	-	297,586,125.55	86,568,953.79	-	10,778,687.73	-	75,790,266.06

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From January 1, 2014 to December 31, 2014

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

(2) Classification

Items	Ending Balance				Beginning Balance					
	Book value		Bad debt provision		Book value		Bad debt provision		Net value	
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount	Proportion (%)	Amount	Provision proportion (%)		
Other receivables that are individually significant and provided for bad debts on individual basis	10,340,232.15	3.34	10,340,232.15	100.00	10,340,232.15	11.94	10,340,232.15	100.00		
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	57,600.00	0.02	57,600.00	100.00	57,600.00	0.07	57,600.00	100.00		
Accounts receivable accrued bad debt provision by a certain percentage of the balance	299,081,533.21	96.64	1,495,407.66	0.50	297,586,125.55	76,171,121.64	87.99	380,855.58	0.50	75,790,266.06
Total	309,479,365.36	-	11,893,239.81	-	297,586,125.55	86,568,953.79	-	10,778,687.73	-	75,790,266.06

1) *Other receivables that are individually significant and provided for bad debts on individual basis as at the end of the year*

Company Name	Ending Balance			Reasons
	Book value	Bad debts	Provision proportion (%)	
Mitsuhiro International Co., Ltd., Hong Kong	10,340,232.15	10,340,232.15	100.00	note
Total	10,340,232.15	10,340,232.15	-	-

Note: Trusted deposits have been exchanged for some assets with Guangzhou National Investment Corp. under the Company and Guangzhou National Investment Debt Restructuring Agreement. On August 17, 2005, according to "the contract of transfer rights" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB10,640,000.00 to Hong Kong Guanghong international Corp, which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Guanghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before September 2005, and pay the rest of debt with interest in Guanghong Optoelectronic Technology Corp, on which Hong Kong Guanghong international Corp has the right of disposition. On September 21, 2009, the Guangdong Province Higher People's Court of Final Appeal has made the judgment, Hong Kong Guanghong international Corp. has to settle the debt principal and interest of the Company within 10 days from the legal effective day. The company has recorded bad debt for the unreceived debt. As of December 31, 2014, the Company has not received the above mentioned debt principal and interest, and shall pay attention to further follow-up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

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

Company Name	Book value	Bad debts	Provision proportion (%)	Reasons
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Unrecoverable
Total	57,600.00	57,600.00	—	—

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

Items	Ending balance		Provision proportion (%)
	Other receivables	Bad debts	
Within 1 year	281,478,809.08	1,407,394.04	0.50
1-2 years	6,878,868.34	34,394.34	0.50
2-3 years	1,416,041.59	7,080.21	0.50
3-4 years	3,872,786.31	19,363.93	0.50
4-5 years	3,555,090.35	17,775.45	0.50
5 years or above	1,879,937.54	9,399.69	0.50
Total	299,081,533.21	1,495,407.66	—

(3) There was no provision for bad debts reversed or recovered on individual basis for the year

(4) As at end of the year, there were no account receivables that have been actually written off.

(5) Other receivables by nature

Nature	Ending book value	Beginning book value
Refundable deposits	4,595,696.90	3,895,616.20
Temporary receipts receivable	6,167,235.72	5,118,215.43
Subsidy receivables	255,129,556.97	36,334,934.26
Reserve fund	7,754,905.03	5,286,021.74
Other current account	23,938,730.93	25,155,478.43
Total	297,586,125.55	75,790,266.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(6) Top 5 other receivables according to ending balance of

Company	Nature	Ending Balance	Aging	Proportion of ending balance of other receivables in total (%)	Ending balance of bad debts provision
Export tax refund receivable	Export tax refund	150,162,800.46	Within 1 year	48.52	750,814.00
Product subsidy receivable	Subsidy	106,248,814.59	Within 1 year	34.33	531,244.07
J and D Projects Limited	Current account	4,790,524.52	3-5 years	1.55	23,952.62
Boldwin Structure Engineering Co. Ltd.	Current account	1,419,917.54	3-5 years	0.46	7,099.59
Foshan Gouxiang Board Industry Co., Ltd.	Project secured deposit	1,050,000.00	Within 2 years	0.34	5,250.00
Total		263,672,057.11		85.20	1,318,360.28

(7) Receivables involving government subsidy

Name	Projects	Ending Balance	Aging	Expected		
				Date	Amount	Basis
Tax Bureau of Liwan District	Export tax refund	150,162,800.46	Within one year	February 2015	150,162,800.46	"Provisional Regulation of The People's Republic of China Value-added tax"
Ministry of finance	Product subsidy	106,248,814.59	Within one year	December 2015	106,248,814.59	Cai ShuiNO.[2009]95
Total	-	256,411,615.05	-	-	256,411,615.05	-

9. Inventories

(1) Classification

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	854,394,529.04	22,922,371.17	831,472,157.87	1,010,045,831.62	21,914,374.86	988,131,456.76
Work in progress	420,664,938.08	24,203,582.47	396,461,355.61	770,498,989.57	140,284,038.01	630,214,951.56
Merchandise inventories	22,442,073.37	31,903.89	22,410,169.48	8,871,784.15	465,694.36	8,406,089.79
Capitalized construction contracts	3,265,837,688.80	295,799,546.53	2,970,038,142.27	2,032,197,743.52	707,333,030.21	1,324,864,713.31
Goods in transit	23,487,825.91		23,487,825.91	37,316,822.00		37,316,822.00
Total	4,586,827,055.20	342,957,404.06	4,243,869,651.14	3,858,931,170.86	869,997,137.44	2,988,934,033.42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Inventory impairment

Items	Beginning Balance	Increase		Decrease		Ending Balance
		Accrued	Others	Reversal or write-off	Transferred out	
Raw materials	21,914,374.86	6,428,729.54	-	5,420,733.23		22,922,371.17
Work in progress	140,284,038.01	19,898,461.55		135,978,917.09		24,203,582.47
Merchandise inventories	465,694.36	-		433,790.47		31,903.89
Capitalized construction contracts (relates to inventories)	707,333,030.21	75,855,428.16		857,155,934.50		295,799,546.53
Capitalized construction contracts (relates to contingent liabilities)	514,783,150.95	-	-	-	-	145,016,128.29
Subtotal	1,384,780,288.39	102,182,619.25		998,989,375.29		487,973,532.35
Less: Capitalized construction contracts (relates to contingent liabilities)	514,783,150.95	-	-	-	-	145,016,128.29
Total	869,997,137.44	-	-	-	-	342,957,404.06

(3) The methods of provision for inventory impairment

Items	Basis to recognize net realisable value	Reasons
Raw materials	Book value higher than NPV (Estimated disposal proceeds less taxes)	Receiving materials
Work in progress	Book value higher than NPV (Estimated disposal proceeds less related expenses)	Selling finished products
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)	Selling Merchandise inventories
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Write off according to construction process

(4) The ending completed non-settled capitalized construction contracts

Items	Amount
Accumulated cost incurred	9,446,216,596.29
Accumulated gross profit recognised	-792,052,142.05
Less: estimated loss	440,815,674.82
Add: estimated loss reclassified to estimated liabilities	145,016,128.29
Less: settled amount	5,388,326,765.44
The completed non-settled capitalized construction contracts	2,970,038,142.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

10. Available-for-sale financial assets

(1) Available-for-sale financial assets are as follows

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Equity instrument available-for-sale						
Measured at fair value				29,070,000.00		29,070,000.00
Measured at cost	6,900,000.00		6,900,000.00	6,900,000.00		6,900,000.00
Total	6,900,000.00		6,900,000.00	35,970,000.00		35,970,000.00

(2) The analysis is as follows

Items	Ending Balance	Beginning Balance
Listed		26,620,000.00
Including: China (except HK)		26,620,000.00
Unlisted	6,900,000.00	9,350,000.00
Total	6,900,000.00	35,970,000.00

(3) The ending balance of available-for-sale financial assets measured at cost

Investee	Book value			Provision for impairment			Share holding of investee %	Cash dividend for the year
	Beginning Balance	Increase	Decrease	Ending Balance	Beginning Balance	Increase		
Guangzhou CSSC Ship Steel Co. Ltd.	5,000,000.00			5,000,000.00				11.63
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	1,000,000.00			1,000,000.00				4.05
The CSSC Information Technology Co., Ltd.	900,000.00			900,000.00				5.63
Total	6,900,000.00			6,900,000.00				—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

11. Long-term equity investment

(1) Classifications

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year					Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment		
1. Associated companies										
Guangzhou Economic and Technological Development Zone in South China Special Coating Industrial Co., Ltd.	4,505,874.94			799,504.64			1,399,866.01			3,905,513.57
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	920,821.16			96,818.19			36,000.00			981,639.35
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	37,437,488.25			5,487,778.64						42,925,266.89
Guangzhou Longque Properties Co., Ltd.	92,229.74			-35,062.18						57,167.56
Total	42,956,414.09			6,349,039.29			1,435,866.01			47,869,587.37

(2) Analysis

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	47,869,587.37	42,956,414.09
Total	47,869,587.37	42,956,414.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

12. Investment property

(1) Cost method

Items	Buildings	Total
(I) Net book value		
1. Beginning balance	36,977,375.29	36,977,375.29
2. Increase for the year		
3. Decrease for the year	7,805,636.29	7,805,636.29
(1) Disposal	7,805,636.29	7,805,636.29
4. Ending balance	29,171,739.00	29,171,739.00
(II) Accumulated depreciation and amortization		
1. Beginning balance	5,554,466.41	5,554,466.41
2. Increase for the year	690,021.09	690,021.09
(1) Provision or amortization	690,021.09	690,021.09
3. Decrease for the year	1,210,248.66	1,210,248.66
(1) Disposal	1,210,248.66	1,210,248.66
4. Ending balance	5,034,238.84	5,034,238.84
(III) Impairment provision		
1. Beginning balance	1,855,011.59	1,855,011.59
2. Increase for the year		
3. Decrease for the year	1,855,011.59	1,855,011.59
(1) Disposal	1,855,011.59	1,855,011.59
4. Ending balance		
(IV) Carrying value		
1. Ending net book value	24,137,500.16	24,137,500.16
2. Beginning net book value	29,567,897.29	29,567,897.29

The depreciation and amortization of Investment Property through profit and loss for Current Year is RMB690,021.09 (Last Year: RMB751,330.01).

The provision for impairment of the Investment Property for the year is RMB0.00 (Last Year: RMB0.00).

(2) Investment properties analyzed by region and year

Items	Ending balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	24,137,500.16	29,567,897.29
Total	24,137,500.16	29,567,897.29

(3) The profit on sales of the Investment Property for the year is RMB4,398,956.39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

13. Fixed assets

(1) Fixed assets category

Items	Buildings	Machinery	Transportation facilities	Others	Total
(I) Net book value					
1. Beginning balance	5,727,197,903.74	3,123,513,500.38	163,529,776.22	196,399,183.33	9,210,640,363.67
2. Increase for the year	44,805,103.44	37,876,575.76	6,273,453.52	11,000,075.74	99,955,208.46
(1) capitalized construction in progress transferred-in	44,805,103.44	37,876,575.76	6,273,453.52	11,000,075.74	99,955,208.46
3. Decrease for the year	210,907,904.25	20,789,790.49	225,455.56	245,555.13	232,168,705.43
(1) Disposal or scrapped	210,907,904.25	20,789,790.49	225,455.56	245,555.13	232,168,705.43
4. Ending balance	5,561,095,102.93	3,140,600,285.65	169,577,774.18	207,153,703.94	9,078,426,866.70
(II) Accumulated depreciation					
1. Beginning balance	995,453,242.61	1,217,360,811.28	72,852,909.62	63,289,878.00	2,348,956,841.51
2. Increase for the year	183,368,000.10	170,474,604.77	14,057,234.04	14,885,680.22	382,785,519.13
(1) Provision	183,368,000.10	170,474,604.77	14,057,234.04	14,885,680.22	382,785,519.13
3. Decrease for the year	113,677,087.09	14,686,739.00	165,219.07	220,361.16	128,749,406.32
(1) Disposal or scrapped	113,677,087.09	14,686,739.00	165,219.07	220,361.16	128,749,406.32
4. Ending balance	1,065,144,155.62	1,373,148,677.05	86,744,924.59	77,955,197.06	2,602,992,954.32
(III) Impairment provision					
1. Beginning balance		2,941,797.71			2,941,797.71
2. Increase for the year					
3. Decrease for the year					
4. Ending balance		2,941,797.71			2,941,797.71
(IV) Carrying value					
1. Ending net book value	4,495,950,947.31	1,764,509,810.89	82,832,849.59	129,198,506.88	6,472,492,114.67
2. Beginning net book value	4,731,744,661.13	1,903,210,891.39	90,676,866.60	133,109,305.33	6,858,741,724.45

The amortization of fixed assets recognized through profit or loss is RMB382,785,519.13 for Current Year. (Last Year: RMB401,234,497.41).

The increased fixed assets included RMB99,955,208.46 of capitalized construction in progress transferred-in.

(2) Buildings analyzed by region and year

Items	Ending Balance	Beginning Balance
Inside China	4,480,592,440.97	4,716,276,120.77
Mid-term (10-50 years)	4,480,592,440.97	4,716,276,120.77
Outside China	15,358,506.34	15,468,540.36
Long-term (over 50 years)	15,358,506.34	15,468,540.36
Total	4,495,950,947.31	4,731,744,661.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(3) Fixed assets with no certificate of title

Items	Book value	Reasons
Ship joining workshop	131,574,061.06	In process
Company's job shop	117,681,228.42	In process
Component fabrication assembly and welding workshop	57,646,310.74	In process
B & C dormitory and dining rooms	40,472,808.05	In process
Mechanical and electrical suppliers storage	25,610,551.77	In process
Adjacent building to production and living	12,996,573.06	In process
Company 5 floors office building	6,930,780.35	In process
1# Electric Room	5,619,206.32	In process
Oil paint, oil and chemicals storage	3,085,140.07	In process
Oily waste storage room	1,067,941.38	In process
1# Natural gas pressure regulating and blending station	736,117.67	In process
Weigh house	504,384.18	In process
Public toilet	341,232.27	In process
Total	404,266,335.34	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

14. Construction in progress

(1) Category

Items	Ending Balance		Beginning Balance	
	Book value	Provision for impairment Carrying amount	Book value	Provision for impairment Carrying amount
Overall contracting (design and construction) of workers' Dormitory Project (Phase I) in CSSC Longxue Base	291,802,034.52	291,802,034.52	3,680,580.00	3,680,580.00
Residential Project for Workers	35,687,284.96	35,687,284.96	33,872,935.22	33,872,935.22
Zongshan Sanjiao town moving assets	8,492,239.46	8,492,239.46	8,217,857.60	8,217,857.60
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting	2,646,306.46	2,646,306.46		
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	2,638,814.04	2,638,814.04		
Base Civil Ship Phase I Project	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	2,046,972.01	2,046,972.01		
Plane component fabrication assembly and welding workshop (assembly-line)	2,011,495.47	2,011,495.47		
Construction of Zhongshan Base (Phase I)	3,300,201.63	3,300,201.63	721,750.72	721,750.72
Comprehensive technical advance fee	1,129,021.51	1,129,021.51		
Development the construction of security conditions	14,729,102.96	14,729,102.96	4,250,000.00	4,250,000.00
General shipbuilding platform (Heavy Block Stock Yard and Platform Project)	19,233,590.41	19,233,590.41		
1#3# Slipway Extension Project	2,041,714.01	2,041,714.01		
The shipbuilding division 500HP tugboat 1 set	3,385,711.39	3,385,711.39		
Wharf apron palisade structure shift room system engineering			1,108,874.40	1,108,874.40
Steel structure construction for work team in dock			8,679,317.61	8,679,317.61
Construction for containers and dormitory room			2,631,339.74	2,631,339.74
Terminal team room office furniture			885,076.90	885,076.90
Others	32,747,191.14	32,747,191.14	27,909,414.36	27,909,414.36
Total	424,477,179.97	424,477,179.97	91,957,146.55	91,957,146.55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) The changes in significant Construction in progress

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Decrease	
Overall contracting (design and construction) of workers' Dormitory Project (Phase I) in CSSC Longxue Base	3,680,580.00	288,381,985.29	260,530.77		291,802,034.52
Development the construction of security conditions	4,250,000.00	10,479,102.96			14,729,102.96
1#3# Slipway Extension Project		2,041,714.01			2,041,714.01
The shipbuilding division 500HP tugboat 1 set		3,385,711.39			3,385,711.39
General shipbuilding platform (Heavy Block Stock Yard and Platform Project)		19,233,590.41			19,233,590.41
Construction of Zhongshan Base (Phase I)	721,750.72	5,419,561.24	2,311,548.02	529,562.31	3,300,201.63
Residential Project for Workers	33,872,935.22	1,814,349.74			35,687,284.96
Zongshan Sanjiao town moving assets	8,217,857.60	1,317,303.73	1,042,921.87		8,492,239.46
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting		2,646,306.46			2,646,306.46
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side		2,638,814.04			2,638,814.04
Base Civil Ship Phase I Project		2,585,500.00			2,585,500.00
Steel structure construction for work team in dock	8,679,317.61	1,660,332.82	10,339,650.43		
Total	59,422,441.15	341,604,272.09	13,954,651.09	529,562.31	386,542,499.84

(continued)

Project Name	Budget	Budget use-up ratio %	Press of work	Accumulated capitalized interest	Capitalized interest for Current Year	Capitalization %	Source of capital
Overall contracting (design and construction) of workers' Dormitory Project (Phase I) in CSSC Longxue Base	627,700,000.00	46.53	In progress				Self financed
Development the construction of security conditions	14,020,000.00	105.06	In progress				Self financed
1#3# Slipway Extension Project	4,100,000.00	49.80	In progress				Self financed
The shipbuilding division 500HP tugboat 1 set	4,800,000.00	70.54	In progress				Self financed
General shipbuilding platform (Heavy Block Stock Yard and Platform Project)	253,830,000.00	7.58	In progress				Self financed
Construction of Zhongshan Base (Phase I)	793,140,000.00	0.77	In progress				Self financed
Residential Project for Workers	277,450,000.00	12.86	In progress				Self financed
Relocation of asset from Sanjiao town, Zhongshan	8,874,020.10	107.45	In progress				Self financed
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting	4,310,000.00	61.40	In progress				Self financed
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	4,410,000.00	59.84	In progress				Self financed
Base Civil Ship Phase I Project	3,800,000.00	68.04	In progress				Self financed
Steel structure construction for work team in dock	11,286,564.62	91.61	Finished				Self financed
Total	2,007,720,584.72						

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

15. Fixed assets disposal

Items	Ending Balance	Beginning Balance
Machinery		29,376.32
Total		29,376.32

16. Intangible assets

Items	Land use right	Software	Total
(I) Net book value			
1. Beginning balance	1,366,803,783.08	129,004,102.73	1,495,807,885.81
2. Increase	529,562.31	609,802.09	1,139,364.40
(1) Purchase	529,562.31	609,802.09	1,139,364.40
3. Decrease	30,021,509.69		30,021,509.69
(1) Disposal	30,021,509.69		30,021,509.69
4. Ending Balance	1,337,311,835.70	129,613,904.82	1,466,925,740.52
(II) Accumulated amortization			
1. Beginning balance	117,595,500.66	75,238,226.27	192,833,726.93
2. Increase	27,608,478.46	11,957,564.93	39,566,043.39
(1) Provision	27,608,478.46	11,957,564.93	39,566,043.39
3. Decrease	13,046,328.54		13,046,328.54
(1) Disposal	13,046,328.54		13,046,328.54
4. Ending Balance	132,157,650.58	87,195,791.20	219,353,441.78
(III) Impairment provision			
1. Beginning balance			
2. Increase			
3. Decrease			
4. Ending Balance			
(IV) Carrying value			
1. Ending carrying value	1,205,154,185.12	42,418,113.62	1,247,572,298.74
2. Beginning carrying value	1,249,208,282.42	53,765,876.46	1,302,974,158.88

There was no intangible asset formed from internal research and development of the Company during the year.

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Land use right analyzed by region and year:

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	1,205,154,185.12	1,249,208,282.42
Total	1,205,154,185.12	1,249,208,282.42

The amortization of Intangible assets recognized through profit or loss is RMB39,566,043.39 for Current Year. (Last Year: RMB38,494,839.81)

17. Research and development expenses

Items	Beginning Ending Items Balance	Increase Internal research and development expense	Decrease Transfer to profit or loss for the current year	Ending Balance
Semi submerged ship design and construction technology R&D and industrialization		77,671,446.44	77,671,446.44	
Research of Polar module carriers		18,499,165.74	18,499,165.74	
Research on typical cabin arrangement and decoration design manufacturing technology and luxury cruise		16,336,895.05	16,336,895.05	
R & D and application of Hongfan information management platform		11,455,241.02	11,455,241.02	
High performance large curvature complex curved hull plate forming intelligent robot		5,864,866.56	5,864,866.56	
Research & Development of comprehensive manufacturing technology		5,432,657.27	5,432,657.27	
Research on ship builders' energy evaluation and surveillance management system		4,111,428.25	4,111,428.25	
Research and development on catamaran sea houseboat		3,826,195.82	3,826,195.82	
System integration research and equipment development of electric propulsion ship		3,820,915.79	3,820,915.79	
Research on optimized green coating process		3,770,302.17	3,770,302.17	
Luxury passenger ship replacement exploitation		3,709,251.18	3,709,251.18	
Research on oceanographic research vessel		2,890,254.86	2,890,254.86	
Emulation of precise shipbuilding techniques		2,633,906.51	2,633,906.51	
Complex component forming key technology and equipment technology		2,031,253.98	2,031,253.98	
Shipbuilding computer integrated manufacturing system		1,690,294.37	1,690,294.37	
Research & manufacturing of testing and analysing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle ship shaft rudder system assembly key technology and equipment		1,292,624.94	1,292,624.94	
Others		35,091,359.32	35,091,359.32	
Total		201,194,307.76	201,194,307.76	

There was no intangible asset formed from internal research and development of the Company during the year.

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18. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Decrease	Ending Balance
Leasing fixed assets	3,476,413.96	1,165,628.29	1,223,475.74		3,418,566.51
Dining hall complex modification		2,958,232.19	164,346.24		2,793,885.95
Renovation of ventilation and air-conditioning system of technical center building		576,232.19	16,006.45		560,225.74
Reconstruction cost of plant	8,448,077.41	387,600.00	1,588,950.14		7,246,727.27
Total	11,924,491.37	5,087,692.67	2,992,778.57		14,019,405.47

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	634,609,944.79	95,531,767.43	611,912,899.65	91,364,977.78
Deductible loss	1,667,903,656.71	416,975,914.18	1,184,927,665.83	296,231,916.46
Prepaid housing subsidy	14,201,836.96	2,171,995.34	17,949,437.96	2,765,585.89
Monetary housing allowance for retired employees	53,318,868.40	7,997,830.26	54,273,837.64	8,141,075.65
Medical insurance for retired employees within 10 years	860,229.87	129,034.48	860,229.78	129,034.47
Payroll for retiring employees	26,015.73	3,902.36	380,144.94	57,021.74
Accrued expenses	89,623,478.00	15,150,258.54	715,013.93	107,252.09
Payroll balance owing at year end	183,006.00	27,450.90	655,107.45	117,803.41
Financial liabilities at fair value through profit and loss	56,475,710.28	8,471,356.54		
Available-for-sale financial assets			14,088,084.07	1,572,000.00
Employee education expense	15,612,686.47	2,341,902.97	10,480,000.00	2,113,212.61
Others (Note)	190,612,106.60	28,591,815.99		
Total	2,723,427,539.81	577,393,228.99	1,896,242,421.25	402,599,880.10

Note: In August 2014, the Company made capital injection to Guangzhou Hongfan Hotel Co., Ltd. ("Hongfan Hotel") by its properties, the evaluated value of such property is RMB76,251,487.47, which has been confirmed by the "Assets Valuation Report" (Zhong Lian Ping Bao [2014] No.713) issued by China United Assets Appraisal Group Co., Ltd., on 7 August 2014. In November 2014, the Company contribute to the establishment of Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") by its land and buildings and structures, the evaluated value of land and buildings and structures are RMB876,809,045.44, which have been confirmed by "Assets Valuation Report" (Zhong Lian Ping Bao [2014] No1211-03) issued by China United Assets Appraisal Group Co., Ltd., on 19 September 2014. According to Cai Shui [2014]No. 116: "Non-monetary assets transfer as confirmed by foreign investments by resident enterprise using non-monetary assets, cannot within a period not exceeding five years, include in taxable income for the corresponding years equally in stages, should pay enterprise income tax as stipulated". Since the tax basis is higher than the carrying value, and forming deductible temporary difference, and together with the above document, recognized deferred income tax assets during the current period.

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(2) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Fair value changes in financial assets available for sale			90,741.07	13,611.16
Financial value changes in available-for-sale financial assets	13,007,994.71	1,951,199.21	69,210,083.73	10,381,512.56
Realized gain on investments			9,349,638.80	934,963.88
Total	13,007,994.71	1,951,199.21	78,650,463.60	11,330,087.60

(3) Unrecognized as deferred tax assets

Items	Ending Balance	Beginning Balance
Deductible temporary difference	133,470,574.04	814,229,152.94
Deductible loss	1,019,202,690.81	1,066,288,264.07
Total	1,152,673,264.85	1,880,517,417.01

Note: The subsidiaries, Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd, Guangchuan large-scale machinery and equipment Company Co., Ltd. and Guangzhou Shipyard International Marine Engineering 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. CSSC Guangzhou Longxue Shipbuilding Co., Ltd. recognized deferred tax assets in respect of part of the uncovered losses made during the past years according to the estimated earnings in the next three year.

(4) Deductible loss that is not recognized as deferred assets will be expired as below:

Items	Ending Balance	Beginning Balance
2014		267,045,413.45
2015	16,041,202.76	561,286.27
2016		
2017	85,225,091.58	75,825,240.29
2018	228,524,992.35	722,856,324.06
2019	689,411,404.12	
Total	1,019,202,690.81	1,066,288,264.07

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20. Short-term loans

Category	Ending Balance	Beginning Balance
Mortgage loans	2,846,973,446.88	1,575,360,236.83
Secured loans	800,000,000.00	410,000,000.00
Fiduciary loans	395,544,772.69	754,860,486.19
Total	4,042,518,219.57	2,740,220,723.02

Mortgage:

As at the end of 2014, the short-term loans of RMB2,846,973,446.88 are granted with other cash fund of RMB2,093,496,935.13 of the Group as the pledge.

Guarantee:

As at the end of 2014, short-term loans of RMB800,000,000.00 are guaranteed by China Shipbuilding Trading Company.

Interest rate:

As at 31 December 2014, the weighted average annual interest rate of short-term loans is 3.4309%.

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

Items	Ending Balance	Beginning Balance
Designated as financial liabilities at fair value through profit or loss Including: forward exchange contract	56,475,710.29 56,475,710.29	
Total	56,475,710.29	

22. Notes payable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	1,316,585,489.50	889,353,412.06
Total	1,316,585,489.50	889,353,412.06

There were no notes payable which were passed due but not yet settled at the end of the year.

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23. Accounts payable

(1) Accounts payable

Items	Ending Balance	Beginning Balance
Materials purchased	1,675,077,995.81	1,072,748,768.37
Settlements for projects	31,020,583.93	42,153,031.54
Product settlement	86,895,465.12	81,552,364.48
Warranty	117,933,133.35	80,982,340.21
Other projects and labour service	493,538,507.38	477,497,878.26
Total	2,404,465,685.59	1,754,934,382.86

(2) Aging analysis of accounts payable

As at 31 December 2014, the aging analysis of accounts payable based on its invoice date are as follows:

Items	Ending Balance	Beginning Balance
Within 1 year	2,328,575,973.79	1,597,722,846.21
1-2 years	39,810,765.08	114,528,141.54
2-3 years	27,941,413.77	34,909,536.34
3 years or above	8,137,532.95	7,773,858.77
Total	2,404,465,685.59	1,754,934,382.86

(3) Significant accounts payable aged more than 1 year

Company name	Ending Balance	Reasons
Research Institute A of China Shipbuilding Industry Corp	7,870,992.00	Quality guarantee deposit
Research Institute B of China Shipbuilding Industry Corp	7,848,500.00	Quality guarantee deposit
Guangzhou Construction Group Co. Ltd.	5,854,242.99	Quality guarantee deposit
Kalzip (Guangzhou) Limited Company	5,650,559.31	Quality guarantee deposit
Nanjing Panda Handa Technology Co., Ltd.	4,450,000.00	Quality guarantee deposit
Total	31,674,294.30	—

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24. Advances from customers

(1) Advances from customers

Company name	Ending Balance	Beginning Balance
shipbuilding and off-shore engineering products	364,377,858.51	161,813,285.03
Other products	318,499,718.92	373,578,853.94
Total	682,877,577.43	535,392,138.97

(2) Significant advances from customers aged more than 1 year

Company name	Ending Balance	Reasons
Sandvik Mining and Construction Material Handling GmbH & Co KG	5,089,677.08	Not settled
China Construction of the Eighth Industry Equipment Installment Co. Ltd.	3,642,000.00	Not settled
Qingdao Haier Special Freezer Co., Ltd.	3,119,247.86	Not settled
Jiantao (Lianzhou) Copper Toil Co., Ltd.	2,176,200.00	Not settled by Fogang precision filter production engineering due to reasons such as quality
Stokes Industries Inc	1,088,388.54	Not settled
Total	15,115,513.48	-

25. Employee benefits

(1) Classification of employee benefits

Items	Beginning Balance	Increase	Decrease	Ending Balance
Short-term payroll	30,407,822.10	2,122,506,130.54	2,121,733,980.60	31,179,972.04
Post-employment benefits – Defined contribution plan	239,013.47	129,606,345.99	128,584,420.61	1,260,938.85
Severance benefits	336,793.42	612,042.27	922,819.97	26,015.72
Other long-term staff welfare due within one year	2,795,580.00	2,795,580.00	2,795,580.00	2,795,580.00
Total	33,779,208.99	2,255,520,098.80	2,254,036,801.18	35,262,506.61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(2) Short-term payroll

Items	Beginning Balance	Increase	Decrease	Ending Balance
Wages or salaries, bonuses, allowances and subsidies	4,917,000.93	943,974,903.81	946,303,709.95	2,588,194.79
Staff welfare	5,072,421.30	49,276,965.88	49,276,125.88	5,073,261.30
Social insurance	89,886.14	77,059,664.69	76,673,079.85	476,470.98
Including: medical insurance	87,149.43	63,800,357.35	63,424,452.28	463,054.50
Work-related injury insurance		4,488,651.38	4,488,651.38	
Maternity insurance		4,658,861.24	4,658,861.24	
Supplementary medical insurance	2,736.71	4,111,794.72	4,101,114.95	13,416.48
Housing fund	4,103,896.00	89,865,078.00	88,136,514.00	5,832,460.00
Union & Education funds	16,224,617.73	13,835,307.46	12,850,340.22	17,209,584.97
Outsourcing labour costs and others		948,494,210.70	948,494,210.70	
Non-monetary benefits				
Total	30,407,822.10	2,122,506,130.54	2,121,733,980.60	31,179,972.04

(3) Defined contribution plan

Items	Beginning Balance	Increase	Decrease	Ending Balance
Basic medical insurance	227,550.72	122,017,857.97	121,048,295.21	1,197,113.48
Unemployment insurance	11,462.75	7,588,488.02	7,536,125.40	63,825.37
Enterprise annuity				
Total	239,013.47	129,606,345.99	128,584,420.61	1,260,938.85

26. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-404,577,735.84	-193,001,944.78
Business Tax	2,530,186.94	8,581,737.60
Corporate Income Tax	90,085,678.57	23,254,911.17
Individual Income Tax	9,371,185.15	9,805,338.19
City Maintenance and Construction Tax	496,269.44	1,708,040.91
Real Estate Tax	3,890,618.91	3,951,045.63
Land Appreciation Tax	1,682,911.05	1,682,911.05
Education Surcharge	349,791.52	1,220,338.33
Flood control and maintain expenses	2,480,114.97	2,850,910.56
Stamp duty	1,405,736.30	
Total	-292,285,242.99	-139,946,711.34

As at the end of the year, the Hong Kong income tax payable is RMB111,695.95.

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27. Interests 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	14,229,868.58	62,243,867.83
Interest payable of short-term borrowings	6,689,131.95	6,535,111.18
Total	20,919,000.53	68,778,979.01

28. Dividends payable

Items	Ending Balance	Beginning Balance
Dividend payable of A Share	67,010.53	66,449.19
Dividend payable of H Share	110,711.24	110,711.24
Dividend payable of the minority interests		260,000.00
Total	177,721.77	437,160.43

29. Other payables

(1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Pledged deposits	1,492,800.00	960,200.00
Payable of temporary receipts	45,517,752.66	29,993,455.67
Total	47,010,552.66	30,953,655.67

(2) Significant other payables aged more than 1 year

Company Name	Ending Balance	Reasons
Hong Kong Hualian Ship Co., Ltd.	469,396.39	Not settled
Jiangxi Zhongtuo Shipbuilding Engineering Co., Ltd.	500,000.00	Deposit
Guangzhou Hanhao Shipbuilding Repair Co., Ltd.	500,000.00	Deposit
Guangzhou Hengfeng Shipbuilding Repairing and Engineering Co., Ltd.	200,000.00	Deposit
Guangzhou Baolin Shipbuilding Repairing and Engineering Co., Ltd.	200,000.00	Tender deposit
Total	1,869,396.39	

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30. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	1,276,705,757.83	1,769,219,805.15
Total	1,276,705,757.83	1,769,219,805.15

31. Other current liabilities

(1) Classification of other current liabilities

Items	Ending Balance	Beginning Balance
Long-term project settlement	4,677,829,181.08	3,149,375,750.95
Shipbuilding products	4,677,829,181.08	3,149,375,750.95
Deferred income	3,853,861.68	4,269,927.98
Government grant	3,853,861.68	4,269,927.98
Total	4,681,683,042.76	3,153,645,678.93

(2) Projects that are completed but not yet settled under construction contract at the end of the year

Items	Amount
Billed amount	10,066,155,946.52
Less: accumulated costs	5,388,326,765.44
Projects that are completed but not yet settled under construction contract	4,677,829,181.08

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(3) Government subsidy

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
Metering scientific instruments for the Group	9,999.96	9,999.96	9,999.96		9,999.96	Related to assets
150 tons self-propelled hydraulic flatbed (Revamp Fund)	166,666.68	166,666.68	166,666.68		166,666.68	Related to assets
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	142,191.84	142,191.84	142,191.84		142,191.84	Related to assets
Dock adaptive transformation	26,666.64	26,666.64	26,666.64		26,666.64	Related to assets
Noise control engineering for painting workshop	15,789.48	15,789.48	15,789.48		15,789.48	Related to assets
Coating technology and transformation (coating workshop building)	153,698.64	153,698.64	153,698.64		153,698.64	Related to assets
Noise control engineering for new area	9,519.96	9,519.96	9,519.96		9,519.96	Related to assets
Transferring capabilities of regional value integration and upgrading technologies	50,000.04	50,000.04	50,000.04		50,000.04	Related to assets
Integrated ship building project	2,461,881.12	2,348,780.76	2,461,881.12		2,348,780.76	Related to assets
Innovative capacity-building projects of the Enterprise Technology Centre	300,000.00	300,000.00	300,000.00		300,000.00	Related to assets
Upfront fees for infrastructure development of the quality Department metering station	737,997.48	535,031.54	737,997.48		535,031.54	Related to assets
Dock adaptive transformation (1)	33,333.36	33,333.36	33,333.36		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	62,182.78	62,182.78		62,182.78	Related to assets
Total	4,269,927.98	3,853,861.68	4,269,927.98	0.00	3,853,861.68	-

32. Long-term loans

(1) Category

Classification	Ending Balance	Beginning Balance
Mortgage loans	2,357,777,146.51	2,077,624,278.31
Secured loans	1,075,000,000.00	2,070,000,000.00
Unsecured loans	1,100,000,000.00	3,565,000,000.00
Less: Due within 1 year	1,276,705,757.83	1,769,219,805.15
Total	3,256,071,388.68	5,943,404,473.16

Note: interest rate of long-term loans mainly within the range of 1.72%-5%.

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Mortgage:

As at 31 December 2014, the long-term loans of RMB2,357,777,146.51 are granted with other cash fund of RMB2,073,461,070.82 of the Group as the pledge.

Guarantee:

As at 31 December 2014, long-term loans of RMB575,000,000.00 was guaranteed by credit guarantee provided by China State Shipbuilding Corporation.

As at 31 December 2014, long-term loans of RMB500,000,000.00 was guaranteed by credit guarantee provided by Shanghai Shipyard Co., Ltd.

Interest rate: As at 31 December 2014, the weighted average annual interest rate of long-term loans is 3.9294%.

(2) Long-term loans due date analysis

Items	Ending Balance	Beginning Balance
1 – 2 years	1,261,071,388.68	1,288,404,473.16
2 – 5 years	1,495,000,000.00	977,000,000.00
5 years or above	500,000,000.00	3,678,000,000.00
Total	3,256,071,388.68	5,943,404,473.16

33. Long-term staff welfare payable

Items	Ending Balance	Beginning Balance
Monetary housing subsidies for retirees	51,616,828.42	52,571,797.64
Housing assistance for employees	5,104,299.92	7,303,130.00
Medical insurance for retirees	860,229.85	860,229.85
Total	57,581,358.19	60,735,157.49

34. Special payable

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

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

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35. Estimated liabilities

Items	Ending Balance	Beginning Balance
Product quality warranties	124,034,636.26	143,063,924.16
Onerous contract note	145,016,128.29	514,783,150.95
Total	269,050,764.55	657,847,075.11

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. Deferred income

(1) Classification of deferred income

Items	Beginning Balance	Increase	Decrease	Ending Balance
Government subsidy	95,980,132.15	73,641,765.00	53,281,771.23	116,340,125.92
Total	95,980,132.15	73,641,765.00	53,281,771.23	116,340,125.92

(2) Government subsidy items

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
Upfront fees for comprehensive technology upgrading	43,700,000.00		-	-	43,700,000.00	Related to assets
1" development the construction of security conditions		30,000,000.00			30,000,000.00	Related to assets
Shipbuilding Division stern platform	21,977,966.62	5,000,000.00	9,996,123.67		16,981,842.95	Related to assets
Integrated ship building project	14,387,126.53		2,145,815.78		12,241,310.75	Related to assets
Upfront fees for infrastructure development of the quality Department metering station	2,698,430.60		421,931.18		2,276,499.42	Related to assets
New enterprise Technology Center innovative capacity-building projects	1,500,000.00		300,000.00		1,200,000.00	Related to assets
150 tons self-propelled hydraulic flatbed	1,208,333.27		166,666.68		1,041,666.59	Related to assets

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Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
Coating technology and transformation	1,101,506.80		153,698.64		947,808.16	Related to assets
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	995,342.16		142,191.84		853,150.32	Related to assets
Dock adaptive transformation (1)	733,333.12		33,333.36		699,999.76	Related to assets
Dock adaptive transformation	586,666.88		26,666.64		560,000.24	Related to assets
Noise control engineering for new area	195,493.52		9,519.96		185,973.56	Related to assets
Noise control engineering for painting workshop	189,473.64		15,789.48		173,684.16	Related to assets
Implementation of information technology and industrialization management system standards		100,000.00			100,000.00	Related to profit
Standardized special fee		131,765.00	42,946.72		88,818.28	Related to profit
Metering scientific instruments for the Group	32,500.27		9,999.96		22,500.31	Related to assets
Transferring capabilities of regional value integration and upgrading technologies	64,041.63		49,999.96		14,041.67	Related to assets
Key technology and equipment of ship systems	260,000.00		260,000.00			Related to profit
Key equipment and technology of complex component modelling		1,600,000.00	1,600,000.00			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		17,000,000.00	17,000,000.00			Related to profit

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Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
Emulation of precise shipbuilding techniques		2,600,000.00	2,600,000.00			Related to profit
76,000 tons of semi-submersible transport ship design and construction technology development and industrialization		10,000,000.00	10,000,000.00			Related to profit
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		1,200,000.00	1,200,000.00			Related to profit
Research on the shipbuilding document of International Maritime Organization		400,000.00	400,000.00			Related to profit
Construction of single workers' dormitory project (blocks B and C) and canteen	549,848.91		17,182.78		532,666.13	Related to assets
Upfront fees for infrastructure development of the quality department metering station	933,333.34		33,333.36		899,999.98	Related to assets
Subsidy from Zhongshan city development and reform bureau "Introducing 100 projects in 2011"	326,666.66		11,666.64		315,000.02	Related to assets
Technology research and development for Lizhi area – Steel Structure Center	500,000.00				500,000.00	Related to assets
Expand production capacity and technology of civilian ships of Longxue Shipbuilding Base	1,500,000.00				1,500,000.00	
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 assets

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Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
12B04-Funding for R&D on green coating production process optimization	657,144.78	2,980,000.00	3,637,144.78			Related to assets
R&D on the upgrading of 320,000-ton VLCCs	339,820.19		339,820.19			Related to assets
Research on innovative project in Guangzhou	839,600.00	1,150,000.00	484,436.38		1,505,163.62	Related to assets
Research and development and application of energy management systems for shipbuilding industry		380,000.00	380,000.00			Related to assets
Total	95,980,132.15	73,641,765.00	53,281,771.23		116,340,125.92	

37. Share capital

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

Current Year

Name/Class	Beginning Balance		Issue of new shares	Stock dividends	Changes Shares converted from public reserve	Others	Subtotal	Ending Balance	
	Amount	%						Amount	%
Unlimited shares									
RMB Ordinary shares	438,463,454.00	68.18					438,463,454.00	42.55	
Foreign share	204,617,400.00	31.82	41,512,907.00			41,512,907.00	246,130,307.00	23.88	
Restricted shares									
Shares held by foreign investor			345,940,890.00			345,940,890.00	345,940,890.00	33.57	
Of which: Shares held by foreign legal person			345,940,890.00			345,940,890.00	345,940,890.00	33.57	
Total	643,080,854.00	100.00	387,453,797.00			387,453,797.00	1,030,534,651.00	100.00	

Note: Based on the the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, on February 11, 2014, 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.

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Last year

Name/Class	Beginning Balance		Changes				Ending Balance		
	Amount	%	Issue of new shares	Stock dividends	Shares converted from public reserve	Others	Subtotal	Amount	%
Unlimited shares									
RMB Ordinary shares	438,463,454.00	68.18						438,463,454.00	68.18
Foreign share	204,617,400.00	31.82						204,617,400.00	31.82
Total	643,080,854.00	100.00						643,080,854.00	100.00

38. Capital reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	2,137,480,680.31	1,812,155,347.66	630,403,130.29	3,319,232,897.68
Other capital reserves	582,931.25			582,931.25
Total	2,138,063,611.56	1,812,155,347.66	630,403,130.29	3,319,815,828.93

Note: During the year 2014, share capital premium increased by RMB1,812,155,347.66. 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; During the year 2014, share capital premium decreased by RMB630,403,130.29; On 28 February 2014, the Company completed the acquisition of 100% equity interest in Longxue Shipbuilding (For details of acquisition, please refer to Note VII(1)), among which, acquisition of CSSC 60% interest in Longxue Shipbuilding according to business combination under common control, difference between initial investment cost which is 60% of the net assets value recognized on the corresponding combination date (if net assets value on the date of acquisition is negative, then long-term equity investment will be decreased to zero) and the consideration, set off share capital of RMB363,083,071.19; when preparing consolidated financial statements, investment cost of acquisition of 40% minority interests and the unrecognized excess loss set off share capital reserve of RMB267,320,059.10.

Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	2,134,982,007.95	2,498,672.36		2,137,480,680.31
Other capital reserves	582,931.25			582,931.25
Total	2,135,564,939.20	2,498,672.36		2,138,063,611.56

Note: The increase in share capital in the year 2013 was the difference between the investment cost in respect of the acquisition of 49% equity interest in United Steel Structures Ltd., our subsidiary, and acquisition of 10% minority shareholders' interest in Fanguang Development Co., Ltd., and the proportion of carrying value of net assets of subsidiaries, which is calculated upon the completion of acquisition and in continue calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. Other comprehensive income

Items	Amount						
	Beginning Balance	Income tax for the year	Less: Transferred from Other Comprehensive Income in previous year to current profit and loss	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	Ending Balance
(1) Other comprehensive income to be reclassified into profit or loss in the future Including: financial assets available for sale profit or loss	-8,830,870.15	21,560,000.00	11,170,741.00	1,558,388.85	8,830,870.15	0.00	
Total	-8,830,870.15	21,560,000.00	11,170,741.00	1,558,388.85	8,830,870.15	0.00	

40. Special reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees	956,026.41	12,893,800.70	12,409,860.79	1,439,966.32
Total	956,026.41	12,893,800.70	12,409,860.79	1,439,966.32

Last year

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. Surplus reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	425,721,705.82	10,421,985.22		436,143,691.04
Discretionary surplus reserves	18,926,387.43			18,926,387.43
Total	444,648,093.25	10,421,985.22		455,070,078.47

Last year

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

Note: The Company increases its Statutory Surplus Reserves by 10% of profit during the year 2013 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

42. Undistributed profits

Current Year

Items	Amounts	Appropriation %
Ending balance of last year	691,646,062.40	
Add: Beginning retained earnings adjustment		
Including Retroactive adjustment according to new Accounting standards		
Including Changes in accounting policies		
Corrections of Prior Period Error		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	691,646,062.40	
Add: Net profit attributable to Parent Company of Current Year	151,496,768.77	
Less: Provision of statutory surplus reserve	10,421,985.22	10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	10,305,346.51	
Capitalized ordinary share dividend		
Ending Balance of Current Year	822,415,499.44	

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Last Year

Items	Amounts	Appropriation %
Ending Balance of Last Year	2,393,852,509.26	
Add: Beginning retained earnings adjustment		
Including: Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments	-1,393,868,864.52	
Beginning Balance of Current Year	999,983,644.74	
Add: Net profit attributable to Parent Company of Current Year	-218,566,980.38	
Less: Provision of statutory surplus reserve	12,600,899.48	10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	77,169,702.48	
Capitalized ordinary share dividend		
Ending Balance of Current Year	691,646,062.40	

43. Minority shareholders' interest

Name of subsidiaries	Proportion of minority shareholders' interest (%)	Ending Balance	Beginning Balance
Guangzhou Hongfan Technology Co., Ltd.	49.00	14,033,222.09	11,876,132.84
Fanguang Development Co., Ltd.	20.00	836,846.11	640,912.40
Guangzhou CSSC Longxue Shipbuilding Co., Ltd.	40.00		-21,662,302.82
Guangzhou Longxue Pipe Co., Ltd.	57.14	27,986,415.16	27,807,344.79
Total	-	42,856,483.36	18,662,087.21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	14,855,232,050.25	12,782,140,134.89
Less: current liabilities	14,272,396,021.55	10,836,768,433.75
Net current assets	582,836,028.70	1,945,371,701.14

45. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	23,670,093,365.62	21,558,861,223.94
Less: current liabilities	14,272,396,021.55	10,836,768,433.75
Total assets less current liabilities	9,397,697,344.07	10,722,092,790.19

46. Loans

Detailed information:

Items	Ending Balance	Beginning Balance
Short-term loans	4,042,518,219.57	2,740,220,723.02
Non-current assets due within 1 year	1,276,705,757.83	1,769,219,805.15
Long-term loans	3,256,071,388.68	5,943,404,473.16
Total	8,575,295,366.08	10,452,845,001.33

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(1) Analysis

Items	Ending Balance	Beginning Balance
Bank loans		
– Bank loans due within 5 years	8,075,295,366.08	6,774,845,001.33
– Bank loans due after 5 years	500,000,000.00	3,678,000,000.00
Other loans		
– Other loans due within 5 years		
– Other loans due after 5 years		
Total	8,575,295,366.08	10,452,845,001.33

(2) Due date analysis

Items	Ending Balance	Beginning Balance
Pay back as required or within 1 year	5,319,223,977.40	4,509,440,528.17
1-2 years	1,261,071,388.68	1,288,404,473.16
2-5 years	1,495,000,000.00	977,000,000.00
Over 5 years	500,000,000.00	3,678,000,000.00
Total	8,575,295,366.08	10,452,845,001.33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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47. Operating income & Operating cost

Items	Current Year	Last Year
Main operation income	9,268,390,401.34	5,564,217,123.81
Other operation income	262,350,480.40	274,051,390.38
Total	9,530,740,881.74	5,838,268,514.19
Main operation cost	9,435,231,123.36	5,406,217,304.05
Other operation cost	195,749,294.12	178,677,528.88
Total	9,630,980,417.48	5,584,894,832.93

Gross margin

Items	Current Year	Last Year
Main operation income	9,268,390,401.34	5,564,217,123.81
Main operation cost	9,435,231,123.36	5,406,217,304.05
Gross margin	-166,840,722.02	157,999,819.76

Revenue from building contracts

Items	Current Year	Last Year
Revenue from building contracts	8,267,540,654.78	4,561,977,081.40

(1) Main operation income – classified by products

Items	Current Year	Last Year
Operation income		
Shipbuilding	8,267,540,654.78	4,561,977,081.40
Steel Structure Engineering	405,617,815.60	438,553,119.66
Mechanical and electrical products and others	595,231,930.96	563,686,922.75
Total	9,268,390,401.34	5,564,217,123.81
Operation cost		
Shipbuilding	8,489,494,780.60	4,498,457,654.19
Steel Structure Engineering	369,998,188.27	393,871,128.68
Mechanical and electrical products and others	575,738,154.49	513,888,521.18
Total	9,435,231,123.36	5,406,217,304.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(2) Main operation income – classified by regions

Region	Current Year	Last Year
Operation income		
Mainland China	4,518,040,567.64	1,681,962,745.20
Hong Kong	323,684,412.87	866,837,652.91
Denmark	318,531,922.55	686,559,419.44
Holland	394,972,413.89	287,517,148.19
Sweden	629,197,395.79	231,088,475.09
Greece	382,929,649.59	591,463,044.19
Colombia		4,405,310.38
Canada	135,166,022.96	57,752,525.61
USA	92,616,253.63	27,716,764.52
British Virgin Islands	155,942,964.93	
Liberia	512,333,042.40	509,481,868.73
Singapore	418,822,058.50	149,829,849.87
Australia	80,090,503.75	88,556,282.04
Chile		84,703,664.41
Switzerland	470,109,169.16	53,527,607.52
Marshall Islands	19,820,788.75	
Mauritius	381,114,373.13	211,524,381.22
Norway	249,793,910.07	
Morocco	37,208,798.91	
Austria	68,825,826.05	
Macao	53,512,416.04	
Other countries and regions	25,677,910.73	31,290,384.49
Total	9,268,390,401.34	5,564,217,123.81

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Region	Current Year	Last Year
Operation cost		
Mainland China	4,228,040,683.78	1,560,887,294.55
Hong Kong	354,572,241.88	936,485,548.52
Denmark	354,671,766.47	690,268,366.88
Holland	362,817,514.60	180,418,826.18
Sweden	669,938,987.75	231,088,475.09
Greece	458,954,441.41	607,983,316.62
Colombia		3,484,621.61
Canada	135,793,479.58	51,046,625.61
USA	70,708,015.00	23,243,009.82
British Virgin Islands	151,034,870.17	
Liberia	659,755,817.60	522,926,324.64
Singapore	485,659,612.17	148,340,111.54
Australia	73,472,980.51	76,880,258.23
Chilie		72,580,500.57
Switzerland	491,510,482.20	52,080,941.76
Marshall Islands	19,820,788.75	
Mauritius	440,953,404.04	218,649,833.31
Norway	294,795,946.83	
Morocco	33,638,804.31	
Austria	74,204,693.49	
Macao	49,916,846.61	
Other countries and regions	24,969,746.21	29,853,249.12
Total	9,435,231,123.36	5,406,217,304.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(3) Other operation Income and Other operation Cost

Items	Current Year	Last Year
Other operation income		
Sales of materials	107,980,177.99	68,306,008.94
Sales of scrap materials	35,486,626.60	75,754,023.17
Service income	32,311,099.39	21,041,400.70
Rental income	16,853,703.18	23,719,995.30
Energy income	56,520,086.43	80,523,962.18
Disposal of investment property income	10,098,900.00	
Others	3,099,886.81	4,706,000.09
Total	262,350,480.40	274,051,390.38
Other operation cost		
Sales of materials	97,022,564.27	46,277,381.58
Sales of scrap materials	26,051,249.61	47,445,812.04
Service income	8,133,646.98	5,026,359.49
Rental income	4,097,404.11	5,067,128.02
Energy income	54,489,066.50	73,065,704.86
Disposal of investment property cost	5,699,943.61	
Others	255,419.04	1,795,142.89
Total	195,749,294.12	178,677,528.88

(4) Contract Revenue

Items	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Falling price reserves provided
Fixed Price contract	34,875,209,517.45	9,446,216,596.29	-792,052,142.05	10,066,155,946.52	440,815,674.82
Total construction in progress contracts					
In which: contract under construction which is expected to incur loss at end of year					
50000 series (tanks for product oil/chemicals)	5,555,677,504.40	1,928,284,623.54	-231,268,985.29	1,377,211,827.21	300,912,246.67
115000 ton series (tanks for product oil/chemicals)	1,657,414,542.96	1,739,418,739.65	-344,249,950.53	549,061,868.12	42,336,127.16
30.8WTVLCC	888,958,364.20	972,247,787.77	-245,142,758.37	268,714,333.33	10,977,360.67
250,000 ton series (tankers for product oil/chemicals)	2,119,836,568.45	465,889,452.15	-38,055,531.52	388,691,919.00	36,386,083.32
113,000 ton series (tankers for product oil/chemicals)	2,612,567,221.99	176,777,744.45		435,049,597.26	26,515,442.79
82000 ton series (bulk carrier)	1,251,574,094.66	1,637,229,919.80	-170,609,233.81	928,745,717.63	23,688,414.21

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Due to the shipbuilding market is still in the trough period and ship price is at the low position, as well as the estimated total cost increase because of improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, which lead to the estimated total cost exceeds the estimated total revenue for some ship contracts, resulting in an estimated loss.

(5) Operating income from top 5 clients

Client	Amount	% of the total main operating revenue
Client 1	1,870,494,886.87	20.18%
Client 2	652,200,568.63	7.04%
Client 3	629,197,395.79	6.79%
Client 4	575,507,507.00	6.21%
Client 5	553,154,588.63	5.97%
Total	4,280,554,946.92	46.19%

(6) Purchase amounts of top five suppliers

Supplier	Relationship	Amount	% of the total main operating cost
China Shipbuilding Industry Complete Equipment Logistics (Guangzhou) Company Limited	Under the same control of CSSC	1,885,057,869.18	19.98%
Guangzhou Shipyard Co., Ltd	Under the same control of CSSC	184,735,083.66	1.96%
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd	Under the same control of CSSC	151,960,427.36	1.61%
Hong Kong Hualian Ship Co., Ltd	Under the same control of CSSC	230,095,512.01	2.44%
Ningbo Houheng Machinery Co., Ltd	External Client	124,096,960.56	1.32%
Total		2,575,945,852.77	27.30%

48. Business tax and surcharges

Items	Current Year	Last Year
Business Tax	8,776,128.67	6,361,517.63
City Maintenance and Construction Tax	7,681,632.29	8,873,921.46
Education Surcharge	5,487,267.81	6,348,895.56
Total	21,945,028.77	21,584,334.65

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49. Sales Expense

Items	Current Year	Last Year
Ship maintenance fee	18,615,382.00	-10,698,012.96
Consignment fee	2,959,175.68	3,127,322.24
Salary	5,024,077.05	4,243,711.40
Business expenditure	2,321,971.68	4,666,784.75
Advertisement	1,023,600.90	889,391.15
Exhibition	1,096,114.85	529,807.73
Other selling expenses	2,506,757.10	2,925,001.11
Total	33,547,079.26	5,684,005.42

50. Administration Expense

Items	Current Year	Last Year
Salaries	156,379,937.66	180,464,860.59
Research and development fee	201,194,307.76	167,171,741.92
Repairing expenses	91,842,529.42	96,311,826.73
Taxation	56,439,775.91	45,904,349.15
Service fee	19,319,954.77	41,133,498.65
Depreciation	43,648,191.89	45,062,126.38
Amortization of intangible assets	39,188,652.29	38,552,225.51
Business entertainment expense	4,989,256.13	6,766,145.20
Travelling expense	3,798,227.14	4,362,179.26
Security expense	13,454,311.08	5,641,286.67
Agency fee	32,295,647.60	9,099,641.47
Board meeting fee	7,181,398.36	5,848,601.22
Water supply and electricity expense	7,378,401.50	8,900,461.14
Office supply	3,349,351.03	4,240,445.28
Rental expense	3,205,897.77	5,307,081.08
Insurance expense	4,472,795.06	5,233,561.31
Environmental protection fee	6,512,490.89	6,274,408.25
Labor training	2,324,916.00	2,765,999.97
Others	42,755,798.30	22,862,013.42
Total	739,731,840.56	701,902,453.20

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51. Financial Expenses

(1) Financial Expenses Category

Items	Current Year	Last Year
Interest expenditure	379,686,219.50	431,400,085.95
Less: Interest income	229,806,245.95	226,694,609.59
Add: Exchange loss	-32,809,250.41	-75,269,632.91
Add: Other expenditure	10,818,859.70	7,248,206.76
Total	127,889,582.84	136,684,050.21

(2) Interest expenditure category

Items	Current Year	Last Year
Interests from bank loans and overdraft		
Interests from bank loans due within 5 years	353,436,219.50	275,507,585.95
Interests from bank loans due after 5 years	26,250,000.00	155,892,500.00
Subtotal	379,686,219.50	431,400,085.95
Other borrowings		
Interests from other borrowings due within 5 years		
Interests from other borrowings due after 5 years		
Subtotal		
Less: Capitalized interest		
Total	379,686,219.50	431,400,085.95

(3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	229,806,245.95	226,694,609.59
Total	229,806,245.95	226,694,609.59

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52. Assets impairment losses

Items	Current Year	Last Year
Bad debts	1,324,602.52	-3,014,284.56
Loss from inventory devaluation	10,619,842.98	270,748,761.45
Total	11,944,445.50	267,734,476.89

53. Gain or loss on changes in fair value

Items	Current Year	Last Year
Financial assets by fair value and its change is included into profit and loss	-56,202,089.04	46,571,580.25
Financial liabilities by fair value and its change is included into profit and loss	-56,475,710.29	
Total	-112,677,799.33	46,571,580.25

54. Investment income

Items	Current Year	Last Year
From long-term equity investment under equity method	6,349,039.29	2,099,459.01
From disposal of financial assets at fair value through profit and loss and its changes in fair value recognized in the current profit and loss account	26,126,605.27	42,121,305.00
From holding financial assets available for sale		11,065,829.50
From disposal of available-for-sale financial assets	30,890,440.93	147,386,282.79
From disposal of long-term equity investment	331,997,753.15	
Total	395,363,838.64	202,672,876.30

The investment income from investment in listed companies and non-listed companies for the year is RMB30,890,440.93 and RMB364,473,397.71 respectively.

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55. Non-Operating Income

(1) Non-Operating Income

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the year
Gain on disposal of non-current assets	2,014.97	42,357.34	2,014.97
In which: gain on disposal of fixed assets	2,014.97	42,357.34	2,014.97
Government grants	250,915,547.38	168,284,960.13	59,236,732.79
Penalty income	141,330.00	31,000.00	141,330.00
Compensation income	673,099.08	9,786,135.21	673,099.08
Others	1,593,491.82	2,413,529.63	1,593,491.82
Compensation for loss from reduction of output	560,000,000.00		560,000,000.00
Total	813,325,483.25	180,557,982.31	621,646,668.66

Note: According to the Agreement on Compensation for Production Losses from Relocation of Guangzhou Shipyard International Company Limited entered into by the Company and Guangzhou Shipyard Industrial Co., Ltd. Company ("Guangzhou Shipyard Industrial") on 13 October 2014 (the "Compensation Agreement"), provided that the agreement on transfer 100% equity interests in Guangzhou Shipyard Industrial came into effect, then the Compensation Agreement will also come into effect. The total production losses due to relocation to assumed by Guangzhou Shipyard Industrial were RMB 560 million.

The amount included in non-recurring profit and loss for current year is RMB 621,646,668.66. (Last year: RMB 136,172,559.75).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(2) Government grants category

Items	Current Year	Last Year	Source and basis	Related with assets/ income
Product subsidy	191,678,814.59	123,965,422.56	National Funding	Related to income
Research and Development of technology of classical cabin layout aluxury cruise ship designnd decoration	17,000,000.00	12,000,000.00	National Funding	Related to income
Shipbuilding technology research	10,891,834.34	8,022,033.38	National Funding	Related to income
76000 tons of semi submerged ship design and construction technology R&D and industrialization	10,000,000.00		National Funding	Related to income
Research funding for optimized green coating process	3,637,144.78		National Funding	Related to income
Emulation of precise shipbuilding techniques	2,600,000.00		National Funding	Related to income
Tax refund of selling self-produced software	2,457,654.83	1,306,831.80	Tax refund from National Tax Bureau	Related to income
Ship construction projects	2,258,916.14	3,323,578.30	National Funding	Related to assets
Research and Development of technology of Complex component modeling	1,600,000.00	2,700,000.00	National Funding	Related to income
Research on ship builders' energy evaluation and surveillance management system	1,292,010.67		National Funding	Related to income
Research & manufacturing of testing and analysing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle	1,200,000.00		National Funding	Related to income
Subsidies for service trade in provinces, municipality and districts	1,000,000.00	2,910,000.00	National Funding	Related to income
Special fund for export credit insurance	868,800.00	148,771.19	Liwan District national treasury payment center	Related to income
Upfront fees for construction of fundamental condition of quality department measurement station project	624,897.12	1,063,571.92	National Funding	Related to assets
Support the development of foreign trade and economic cooperation	500,000.00		Liwan District national treasury payment center	Related to assets
Special funds for service trade development	500,000.00		Special funds forservice trade development of Guangzhou	Related to income
The innovative enterprise special research in Guangzhou	484,436.38	1,589,725.06	National Funding	Related to income
Research on archives of shipbuilding by International Maritime Organization	400,000.00		National Funding	Related to income
Research and development and application of energy management systems for shipbuilding industry	380,000.00		National Funding	Related to income

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Items	Current Year	Last Year	Source and basis	Related withsets/ income
Enterprise Technology Center innovative capacity-building projects	300,000.00	300,000.00	Central government subsidies	Related to assets
Economic incentive subsidies	200,000.00		Guangzhou City Bureau of Finance Treasury Branch	Related to income
High-tech personnel subsidies		1,500,000.00	High-tech personnel subsidies	Related to income
Interest Subsidy		2,286,410.00	Interest subsidy on financial exporting in Liwan District	Related to income
The employment of university graduates trainee subsidies		81,834.72	Guangzhou financial bureau	Related to income
Appropriation for scientific research projects		4,176,445.75	National Funding	Related to income
Import discount interest		257,641.50	National Funding	Related to income
Others	1,041,038.53	2,652,693.95	National Funding	Related to income
Total	250,915,547.38	168,284,960.13		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

56. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for Current Year
Loss on disposal of non-current assets	218,858.94	413,459.28	218,858.94
Including: Loss on disposal of fixed assets	218,858.94	413,459.28	218,858.94
Penalties	183,165.06	99,552.16	183,165.06
Compensation	962,282.00	955,598.82	962,282.00
Others	19,511.02	239,491.89	19,511.02
Total	1,383,817.02	1,708,102.15	1,383,817.02

The non-operating gains or losses for Current Year are RMB1,383,817.02. (Last Year: RMB1,708,102.15).

57. Income tax expenses

(1) Income tax expenses

Items	Current Year	Last Year
Current income tax: China Corporate Income Tax	94,638,940.74	26,977,356.88
China	92,166,431.62	25,207,051.90
Hong Kong	308,132.50	1,559,344.70
Accruals and/or deferrals from previous years	2,164,376.62	210,960.28
Deferred income tax	-185,735,234.48	-100,402,677.07
Total	-91,096,293.74	-73,425,320.19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) The reconciliation sheet between Current income tax and total income

Income tax expenses calculation is based on the profit (loss) in the consolidated income statement and the applicable tax rates:

Items	Current Year	Last Year
Total consolidated profit for the year	59,330,192.87	-452,121,302.40
Income tax calculated at statutory/applicable tax rate	8,899,528.94	-67,818,195.36
Impact from different tax applicable for subsidiaries	1,000,295.83	2,366,290.86
Impact from adjustment to income tax in prior periods		
Impact from non-deductible costs, fees and losses		
Impact from utilization of deductible losses of unrecognized deferred income tax assets in prior periods	315,821.33	479,166.15
Impact from deductible temporary differences or losses of unrecognized deferred income tax assets in the year	-162,806,509.33	443,457,760.28
Less than accrued income tax of Last Year	2,164,376.62	210,960.28
Less than accrued income tax of Last Year		
Income tax expenses	-91,096,293.74	-73,425,320.19

58. Audit fees and auditor

The audit fees charged in Current year is RMB1.85 million. (Last Year: RMB1.85 million). Auditor engaged by the Company is ShineWing Certified Public Accountants, there has not been any change since 2011.

59. Depreciation and amortization

Items	Current Year	Last Year
Depreciation of investment properties	690,021.09	751,330.01
Depreciation of fixed assets	382,785,519.13	401,234,497.41
Amortization of intangible assets	39,566,043.39	38,494,839.81
Total	423,041,583.61	440,480,667.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

60. Gain (or loss) from disposal of investment or property

- (1) *As approved by the Board, the Company disposed of 20,436,581 shares of China Merchants Bank in December 2013, with the net profit being RMB 147,386,282.79.*

As approved by the Board, the Company disposed of 11,000,000 shares of China Merchants Energy Shipping Co., Ltd in December 2014, with the net profit being RMB 30,890,440.93.

- (2) *Disposal of property*

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.

61. Operating rentals expenditure

Operating rentals expenditure for the Current Year is RMB12,900,076.66 (Last Year: 6,573,012.40), among which rental expenditure for machinery is RMB642,411.58 (Last Year: Nil).

62. Rental income

Rental income from land and buildings during the Current Year is RMB15,844,240.55 (Last Year: RMB14,780,372.75).

63. Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company (the numerator) divided by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company's net profit after adjustment of the following factors: (1) the recognized interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average number of issued ordinary shares of the Company in basic earnings per share; and (2) the weighted average number of shares after conversion of the dilutive potential ordinary shares into ordinary shares.

In calculating the weighted average number of shares after conversion of dilutive potential ordinary shares into ordinary shares, the dilutive potential ordinary shares which were converted in previous years are assumed to be converted at the beginning of This Period and the dilutive potential ordinary shares which were converted during This Period are assumed to be converted at the conversion date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Basic EPS and Diluted EPS are calculated as followed

Items	No.	Current Year	Last Year
Net profit attributable to shareholders of Parent Company	1	151,496,768.77	-218,566,980.38
Non-operating profit and loss attributable to shareholders of Parent Company	2	756,307,974.49	-55,175,655.84
Net profit after deducting non-operating profit and loss attributable to shareholders of Parent Company	3=1-2	-604,811,205.72	-163,391,324.54
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	10.00	
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	12	12
Weighted average number of ordinary shares issued out	12=4+5+6×7÷11-8×9÷11-10	1,030,534,651.00	1,030,534,651.00
Weighted average number of ordinary shares adjustments because of merger under common control	13	965,959,018.17	643,080,854.00
Basic EPS (I)	14=1÷12	0.1470	-0.2121
Basic EPS (II)	15=3÷13	-0.6261	-0.2541
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+(16-18)×(1-17)]÷(12+19)	0.1470	-0.2121
Diluted EPS (II)	21=[3+(16 18)×(1-17)]÷(13+19)	-0.6261	-0.2541

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

Note: According to Article No. 8 – For business combination under common control during the reporting period, the acquirer issues new shares on the date of combination and uses it as consideration under 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), when calculating basic earnings per share as at the end of the reporting period, the shares shall be treated as outstanding ordinary shares at the beginning of the combination (to calculate the weighted average using weighting as 1). When calculating basic earnings per share at the comparative period, shares shall be treated as outstanding ordinary shares at the beginning of the comparative period. When calculating earnings per share as at the end of the reporting period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall be weighted starting from the next month. When calculating earnings per share as at the end of the comparative period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall not be weighted (weighting is zero).

64. Dividends

For the 12 months ended 31 December 2014, the dividend for the year ended 31 December 2013 amounting to RMB10,305,346.51 has been declared (2013: RMB77,169,702.48).

According to the resolutions of the board of directors dated 16 February 2015, the profit distribution plan during the reporting period are as following: according to article 215(3)(4) of the Articles of Association of the Company, the Company may distribute cash dividends if that the debt to asset ratio does not exceed 70%. Given that the debt to asset ratio as of 31 December 2014 is 76.04% and the Company is still subject to downward pressure of the ship market and the shipping market fluctuate in a low position, together with other circumstances of the Company e.g. the needs for manufacturing and operating fund. As such, the Company do not intend to declare any dividends and would not implement any capitalization of common reserve in 2014.

65. Other comprehensive income

Items	Current Year	Last Year
1. Gains and losses from Available-for-sale financial assets	21,666,005.09	-1,540,000.00
Less: Tax effects of available-for-sale financial assets	3,249,900.76	-231,000.00
Transferred from Other Comprehensive Income in previous year to current profit and loss	9,585,234.18	180,090,847.22
Subtotal	8,830,870.15	-181,399,847.22
Total	8,830,870.15	-181,399,847.22

66. Supplemental information for Consolidated Profit and loss Statement

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

Items	Current Year	Last Year
Raw material consumed	6,451,709,939.12	3,226,004,102.27
Salaries expense	1,799,719,500.51	1,045,976,702.03
Depreciation expense	386,794,856.88	401,985,827.42
Amortization	34,865,913.85	38,494,839.81
Product specific fee	1,299,379,156.83	1,046,134,143.10
Power cost	260,895,790.50	143,918,515.98
Taxes and surcharges	56,439,775.91	45,904,349.15
Others	114,454,403.70	344,062,811.79
Total	10,404,259,337.30	6,292,481,291.55

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From January 1, 2014 to December 31, 2014

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67. Notes to the Consolidated Cash Flow Statement

(1) Other cash receipts or payments from operating activities, investing activities and financing activities

1) Other cash receipts from operating activities

Items	Current Year	Last Year
Received product subsidy	85,430,000.00	191,952,882.05
Received income from other current accounts	68,780,813.56	190,822,035.18
Government subsidies	71,458,894.03	88,846,412.69
Compensation for production reduction	560,000,000.00	
Other non-operating income	1,308,103.09	666,457.49
Total	786,977,810.68	472,287,787.41

2) Other cash payments from operating activities

Items	Current Year	Last Year
Administrative expenditure	53,412,656.40	53,497,226.27
Selling expense	4,540,746.06	4,296,831.08
Non-operating expense	1,133,887.13	560,810.89
Repairing expense	28,665,594.90	13,846,530.39
Paid to other accounts	59,680,150.94	477,866,919.08
Bank charges	5,236,497.23	4,026,287.45
Total	152,669,532.66	554,094,605.16

3) Other cash receipts from investing activities

Items	Current Year	Last Year
Fixed deposit pledge resolution	3,248,190,240.36	3,733,018,337.77
Interest income from deposit	202,152,249.66	271,865,176.23
Total	3,450,342,490.02	4,004,883,514.00

4) Other cash payments from investment activities

Items	Current Year	Last Year
Fixed deposit pledge	3,126,875,378.88	3,558,813,970.82
Total	3,126,875,378.88	3,558,813,970.82

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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(2) Other cash payments from investment activities

Items	Current Year	Last Year
1. Reconciliation of not profit to cash flows from operating activities:		
Net profit	150,426,486.61	-378,695,982.21
Add: Provision for impairment	11,944,445.50	267,734,476.89
Fixed assets depreciation	383,475,540.22	401,985,827.42
Intangible assets amortization	39,566,043.39	38,494,839.81
Long-term unamortized assets amortization	2,992,778.57	1,585,660.60
Loss from disposal of Fixed assets, Intangible assets and other long-term assets (gain marked "-")		
Loss from scrapped of Fixed assets (gain marked "-")	216,843.97	371,101.94
Loss on changes in fair value (gain marked "-")	112,677,799.33	-46,571,580.25
Finance costs (gain marked "-")	99,932,298.94	161,968,512.70
Investment loss (gain marked "-")	-395,363,838.64	-202,672,876.30
Decrease in Deferred tax assets (increase marked "-")	-174,793,348.89	-110,768,015.94
Increase in Deferred tax liabilities (decrease marked "-")	-9,378,888.39	-53,565,675.84
Decrease in Inventories (increase marked "-")	-1,069,227,182.13	216,396,165.12
Decrease in operating receivables (increase marked "-")	-447,451,998.62	-40,262,316.78
Increase in operating payables (decrease marked "-")	2,150,207,371.87	-277,974,737.59
Others		
Net Cash Flow From Operating Activities	855,224,351.73	-21,974,600.43
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents		
Ending balance	4,738,374,270.55	4,221,502,128.98
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	516,872,141.57	-721,485,418.31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(3) Information of acquisition of or disposal of subsidiaries or other operating units

Items	Current Year	Last Year
Information of acquisition of subsidiaries or other operating unit		
1. Consideration of acquisition of subsidiaries or other operating units	605,138,451.98	
2. Cash and cash equivalents received from acquisition of subsidiaries or other operating units	605,138,451.98	
Less: cash and cash equivalents hold by subsidiaries and other operating units	2,008,644,021.64	
3. Net cash received from acquisition of subsidiaries or other operating units	-1,403,505,569.66	
4. Net assets of the acquiring subsidiaries	-54,109,262.03	
Current asset	3,857,975,285.64	
Non-current asset	6,503,493,106.27	
Current liability	6,068,620,974.94	
Non-current liability	4,346,956,679.00	
Information on disposal of subsidiaries or other operating units		
1. Consideration of disposal of subsidiaries or other operating units	447,591,300.00	
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	447,591,300.00	
Less: cash and cash equivalents hold by subsidiaries and other operating units	992,666.12	
3. Net cash received from disposal of subsidiaries or other operating units	446,598,633.88	
4. Net assets of the disposing subsidiaries	436,321,400.13	
Current asset	992,666.12	
Non-current asset	435,328,734.01	
Current liability		
Non-current liability		

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(4) Cash and Cash Equivalents

Items	Current Year	Last Year
Cash	4,738,374,270.55	4,221,502,128.98
Including: Cash	764,222.00	265,078.31
Bank deposit available-for-use	4,737,479,848.21	4,221,095,882.94
Other cash fund available-for-use	130,200.34	141,167.73
Deposits in central bank available-for-use		
Deposits in other banks		
Replacement in other banks		
Cash Equivalents		
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	4,738,374,270.55	4,221,502,128.98
Including: Restricted Cash and Cash		
Equivalents available-for-use to Parent Company or Subsidiaries		

(5) Significant investment and fund raising activities not involving cash expenses for the Current Period

For details in relation to significant investment and fund raising activities not involving cash expenses for the Current Period, please refer to Note VII.3.

68. Assets with restricted ownerships or right to use

Items	Ending carrying value	Reason
Cash fund	3,430,558,396.01	Loans pledged, guarantee deposit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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69. Foreign currency items

Items	Ending foreign currency balance	Exchange rate	Ending RMB balance
Cash fund			1,550,445,418.54
Including USD	251,780,701.00	6.1190	1,540,646,109.43
HKD	5,470,228.35	0.7889	4,315,463.14
GBP	917.25	9.5437	8,753.96
EUR	722,758.52	7.4556	5,388,598.44
MOP	111,303.01	0.7771	86,493.57
Accounts receivable			257,212,062.28
Including USD	35,612,013.40	6.1190	217,909,910.00
HKD	46,590,367.40	0.7889	36,755,140.84
MOP	3,277,585.17	0.7771	2,547,011.44
Interests receivable			
USD	2,637,406.77	6.1190	16,138,292.03
Accounts payable			
USD	18,734,405.00	6.1190	114,635,824.16
HKD	7,065,055.30	0.7889	5,573,622.12
AUD	573,423.02	5.0174	2,877,092.64
EUR	5,044,606.25	7.4556	37,610,566.34
Interest payable			
USD	2,875,278.23	6.1190	17,593,827.51
Shot-term loans			
USD	518,910,918.83	6.1190	3,175,215,912.33
EUR	610,616.28	7.4556	4,552,510.74
HKD	55,924,099.95	0.7889	44,118,522.46
Long-term loans			
Including USD	405,320,664.57	6.1190	2,480,157,146.51

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7. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination under common control

Number	Subsidiary name	Registration place	Registered Capital ('000)	Investment amount	Shareholding (%)	Business Scope
1	Guangzhou Longxue Shipbuilding Co., Ltd.	Guangzhou	272,000.00	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 RMB2,620 million; wherein, CSSC contributed RMB1,532 million (including, RMB1,355.279 million 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.

(3) *Basis of determination of consolidation date and method of accounting*

According to the Approval on Guangzhou Guangchuan International Co., Ltd to List overseas for Issuing Foreign Shares (CSRC permitted [2014] No.117) issued by CSRC, the Company acquired 100% equity in Longxue Shipbuilding. According to the Report of Assets Appraisal (Xin Zi Pin Bao Zi(2013) No.180) issued by Shanghai Lixin Appraisal Co., Ltd. on 31 March 2013, the appraised net assets of Longxue Shipbuilding was RMB955.9649 million. The acquisition price represented the appraised net assets of Longxue Shipbuilding as at 31 March 2013, being RMB955.9649 million. 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. According to the Audited Financial Statements of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. for January to February 2014(XYZH/2013A5035) issued by ShineWing Certified Public Accountants on 18 March 2014, the net assets of (Longxue Shipbuilding) as at 28 February 2014 was RMB-54,109,262.03. According to the acquisition agreements, the operating loss of RMB350,826,448.02 during the period from the valuation date to completion of acquisition shall be resumed by former shareholders, and the acquisition price after deducting such losses the Company actually paid was RMB605,138,451.98, of which RMB363,083,071.19 was paid for acquisition of 60% equity held by CSSC and RMB242,055,380.79 was paid for acquisition of 40% equity held by minority shareholders.

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(4) Basic financial information of the merged enterprise

Items	February 28, 2014/January 1 – February 28, 2014	December 31, 2013/January 1 – December 31, 2013
Total assets	10,361,468,391.91	10,026,344,094.39
Total liabilities	10,415,577,653.94	10,071,355,360.02
Owner's equity	-54,109,262.03	-45,011,265.63
Operating income	441,002,616.38	1,896,162,790.70
Net profit	-9,097,996.40	-405,499,764.37
Net cash flows from operating activities	657,028,244.99	306,562,467.23
Net cash flows	-63,143,633.24	-914,690,113.57

2. Disposal of subsidiaries

Name of subsidiaries	Consideration of disposal of equity interests	Proportion of equity interests disposal (%)	Method of disposal of equity interests	Loss of control date	Basis for determining loss of control date	Difference between disposal consideration and the proportion of net assets of such subsidiary in the corresponding consolidated financial statements in disposal and investment	Proportion of remaining shareholding on the loss of control date	Carrying value of remaining shareholding on the loss of control date	Fair value of remaining shareholding on the loss of control date	Profit or loss from the recalculation of the remaining shareholding according to the fair value	Basis of determination and main assumption of fair value of the remaining shareholding on the loss of control date	Other comprehensive income related to equity investment of original subsidiaries which transferred to profit or loss of investment
Guangzhou Shipyard Industrial Co., Ltd.	RMB413.7913 million	100	Tender process	31 December 2014	Note 1	301,883,227.03	0	-	-	-	-	0
Guangzhou Jinchou Ship Technology Co., Ltd.	RMB33.80million	100	Tender process	31 December 2014	Note2	30,114,526.12	0	-	-	-	-	0

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Note 1: Disposal of Guangzhou Shipyard Industrial Co., Ltd.

On 26 September 2014, after resolved on the 9th Meeting of the 8th Session of the Board, management of the Company was authorized to transfer 100% equity interests in Guangzhou Shipyard Industrial Co., Ltd. Company ("Guangzhou Shipyard Industrial") in Shanghai United Assets and Equity Exchange by open tender, for a minimum consideration which shall not be less than the valuation price of RMB413.7913 million and the loss compensation for production loss of RMB560 million. Such transfer has been approved on the 3rd EGM in 2014 of the Company held on 11 November 2014. On 10 December 2014, Shanghai Lingxiang Equity Investment Co., Ltd. ("Shanghai Lingxiang"), as the sole transferee, accepted the transfer of such equity interests, at a price of RMB413.7913 million. Shanghai Lingxiang is established by Shanghai Ruibo Real Property Co., Ltd. ("Shanghai Ruibo Real Estate") on 30 October 2014, Shanghai Ruibo Real Estate is held by CSSC and CITIC Pacific China Holdings Limited, as to 50% and 50% respectively. On 11 December 2014, the Company entered into "Equity Transfer Agreement in Relation to the 100% Equity Interests in Guangzhou Shipyard Industrial Co., Ltd." with Shanghai Lingxiang. On 15 December 2014, the Company received the equity interests transfer price of RMB413.7913 million paid by Shanghai United Assets and Equity Exchange. According to the agreement, after the equity interests in Guangzhou Shipyard Industrial is transferred to Shanghai Lingxiang, the original debts of Guangzhou Shipyard Industrial shall be continued to share and assume. According to the "Guangzhou Shipyard International Relocation Production Loss Compensation Agreement" entered between Guangzhou Shipyard Industrial on 13 October 2014, in case the transfer of 100% equity interests in Guangzhou Shipyard Industrial agreement is effective, Guangzhou Shipyard Industrial shall assume the production reduction loss of the Company in respect of the change in assets and relocation process, the relocation fees and production reduction loss of RMB560 million in total. On 16 December 2014, Guangzhou Shipyard Industrial completed the change in shareholders and new shareholders capital increase process, shareholder has changed to Shanghai Lingxiang, and capital increase of RMB572.8266 million to by Shanghai Lingxiang to Guangzhou Shipyard Industrial, paid-in capital of Guangzhou Shipyard Industrial after capital increase is RMB985 million. On 29 December 2014, the Company received the relocation and compensation for production loss of RMB560 million paid by Guangzhou Shipyard Industrial. On 30 December 2014, the Company signed "Guangzhou Shipyard Industrial transfer documents" and transferred all the information. Since then, the Company no longer holds shareholding in Guangzhou Shipyard Industrial, its control has been transferred to Shanghai Lingxiang.

Note 2: Disposal of Guangzhou JinzhouShip Technology Co., Ltd.

On 19 September 2014, after resolved on the 8th Meeting of the 8th Session of the Board, it was agreed that 100% in Guangzhou Jinzhou Ship Technology Co., Ltd. ("Jinzhou Company") to be disposed by open tender in Shanghai United Assets and Equity Exchange, for a minimum consideration which shall not be less than the valuation price of RMB33.80 million. The disposal has been considered and approved on the 3rd EGM in 2014 of the Company held on 11 November 2014. On 29 December 2014, Guangzhou Shipyard Marine Engineering Design Institute ("Guangzhou Shipyard Institute", under common control of CSSC), as the sole transferee, accepted the transfer of such equity interests, at a price of RMB33.80 million. On 29 December 2014, the Company entered into "Equity Transfer Agreement in Relation to the 100% Equity Interests in Guangzhou Jinzhou Ship Technology Co., Ltd." with Guangzhou Shipyard Institute. On 30 December 2014, the Company received the equity interests transfer price of RMB33.80 million paid by Shanghai United Assets and Equity Exchange. On 31 December 2014, the Company and Guangzhou Shipyard Institute signed "Jinzhou Company transfer documents" and transferred all the information. Since then, the Company no longer holds shareholding in Jinzhou Company, its control has been transferred to Guangzhou Institute.

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3. Other of change in the scope of combination

(1) *Establishment of Guangzhou Shipyard Industrial Co., Ltd. Company (“Guangzhou Shipyard Industrial”)*

On 20 August 2014, it was resolved on the 5th Meeting of the 8th Session of the Board of the Company, to contribute the establishment of Guangzhou Shipyard Industrial by part of land and buildings of evaluated value of RMB113.0088 million (among which, land evaluated value of RMB71.5851 million and buildings evaluated value of RMB41.4237 million) and cash of RMB 991,200. On 22 August 2014, Corporation Legal Representative Business License with registration no. of 440101000295026 issued by Guangzhou Municipal Bureau of Industrial and Commercial Administration and obtained on 22 August 2014, with a registered capital of RMB114.00 million. On 19 September 2014, after resolved on the 8th Meeting of the 8th Session of the Board of the Company, to increase capital in Guangzhou Shipyard Industrial by the land and buildings and structures of the Company of evaluated value of RMB298.1734 million (among which, land evaluated value of RMB142.4124 million and building and construction evaluated value of RMB155.7610 million), paid-in capital of Guangzhou Shipyard Industrial is RMB412.1734 million after capital increase. Guangzhou Shipyard Industrial obtained Corporation Legal Representative Business License reissued by Guangzhou Municipal Bureau of Industrial and Commercial Administration on 23 September 2014.

(2) *Establishment of Guangzhou Jinzhou Ship Technology Co., Ltd. (“Jinzhou Company”)*

On 20 August 2014, after resolved on the 5th Meeting of the 8th Session of the Board of the Company, to contribute the establishment of Jinzhou Company by the machinery auxiliary building on Gexin Road (with a floor area of 2,811 square meters) of valuation value of RMB33.7217 million and cash of RMB78,300. Corporation Legal Representative Business License with registration no. of 440101000295018 issued by Guangzhou Municipal Bureau of Industrial and Commercial Administration and obtained on 22 August 2014, with a registered capital of RMB33.80 million.

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(3) Establishment of Guangzhou Shipyard Shipping Co., Ltd. (“Guangzhou Shipyard Shipping”)

On 19 September 2014, after resolved on the 8th Meeting of the 8th Session of the Board of the Company, to contribute the establishment of Guangzhou Shipyard Shipping by lands (with a floor area of 393,793 square meters) and buildings and structures (with a building area of 175,058.74 square meter and other auxiliary facilities) of the Company, of evaluated value of RMB1,246.8033 million (among which, land evaluated value of RMB760.4143 million and buildings and constructions evaluated value of RMB486.3890 million) and cash of RMB1.1967 million. Corporation Legal Representative Business License with registration no. of 440101000310750 issued by Guangzhou Municipal Bureau of Industrial and Commercial Administration and obtained on 18 November 2014, with a registered capital of RMB1,248.00 million

(4) Establishment of Fanguang (Macau) Development Single Person Co., Ltd. (“Macau Fanguang”)

On 2 August 2014, after resolved on the 34th meeting of general manager office of the Company, it was agreed to contribute the establishment of Fanguang (Macau) Development Single Person Co., Ltd. in Macau, for a price of HK\$100,000.00. Business license (Registration no. 5299950) approved and issued by Commercial and Movable Property Registry was obtained on 15 September 2014.

8. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Name of subsidiaries	Place of registration and principal place of operation	Business nature	Proportion of shareholding (%)		Acquisition method
			Direct	Indirect	
CSSC Guangzhou Longxue Shipbuilding Co.,Ltd.	Guangzhou	Shipbuilding	100.00		Business combination under common control
Guangzhou Longxue Pipe Co., Ltd.	Guangzhou	Pipe processing		42.86	Business combination under common control
Guangzhou Wanda Marine Engineering Co., Ltd.	Guangzhou	interior decoration, of ships	75.00	25.00	Investment
Guangzhou Xingshun Marine Services Co., Ltd.	Guangzhou	Ship welding, outfitting, Painting	83.33	16.67	Investment
United Steel Structures Ltd.	Guangzhou	steel structure	75.00	25.00	Investment
Guangdong GSI elevator Co., Ltd.	Guangzhou	Production of elevator	95.00	5.00	Investment
Guangzhou Hongfan Technology Co., Ltd.	Guangzhou	Software development	51.00		Investment
Guangzhou Guangli Ship Shipbuilding Human Resources Service Company Limited	Guangzhou	Provision of labor service	80.00	20.00	Investment
Guangzhou Hongfan Hotel Limited	Guangzhou	Catering services	93.30	6.70	Investment
Glory Group Development Co., Ltd.	Hong Kong	General business trade	100.00		Investment

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Name of subsidiaries	Place of registration and principal place of operation	Business nature	Proportion of shareholding (%)		Acquisition method
			Direct	Indirect	
Fanguang Development Co., Ltd	Hong Kong	General business trade		80.00	Investment
Fanguang (Macau) Development Single person Co., Ltd.	Macau	Construction engineering		80.00	Investment
CSSC Large-scale Machinery and Equipment Co., Ltd	Guangzhou	Equipment Manufacturing	100.00		Investment
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Zhongshan	Equipment Manufacturing	100.00		Investment
Guangzhou Shipyard International Marine Engineering Co., Ltd	Guangzhou	Equipment Manufacturing	100.00		Investment
Guangzhou Shipyard Shipping Co., Ltd	Guangzhou	Equipment Manufacturing	100.00		Investment

Note: two of the five directors of Guangzhou Longxue Pipe Co., Ltd. are appointed by the Company, which acted as Chairman and general manager, who are responsible for the production and operation activities, Accounting Manager is appointed by the Company. The Company has substantial control over Pipe Company, it is therefore included into the scope of consolidation.

2. Interests in associates

Summary financial information of significant associates

Items	Ending Balance/ Current Year	Beginning Balance/ Last Year
Associates:		
Total amount of investment book value	47,869,587.37	42,956,414.09
Total amount of accounts below in proportion to equity held		
– Net profit	6,326,174.74	2,609,185.57
– Other comprehensive income		
– Total comprehensive income	<u>6,326,174.74</u>	<u>2,609,185.57</u>

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include: Loans, receivables, payables, trading financial assets and trading financial liabilities etc. For the specific details for each instrument please see Note VI. 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. Each kind of risk management objectives and policies

The risk management objectives of this Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

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(1) Market risk

1) Foreign currency risk

Foreign currency risk refers to risk caused by losses occurred because of changes in foreign currency rate. The Group's foreign exchange exposure is mainly related to USD. Except for the Company is using USD dollar and fragmentary Euro and Hong Kong Dollar for purchasing and sales transactions, other main business operations are settled in RMB. As of December 31, 2014, except for assets and liabilities with balances in USD, Hong Kong Dollar and Euro depicted as below, all other assets and liabilities of the Group are reported in RMB. The recognized assets and liabilities in USD shown in the table below and the unrecognized not shown in the table below (ship settlement payment in USD), leading to foreign currency risk, may affect the results of operation.

Items	31 December 2014	31 December 2013
Cash and bank-USD	251,780,701.00	127,046,029.06
Cash and bank-HKD	5,470,228.35	9,711,149.69
Cash and bank-EUR	722,758.52	637,564.41
Cash and bank-MOP	111,389.01	
Cash and bank-GBP	917.25	917.25
Accounts receivable-USD	35,612,013.40	45,654,788.00
Accounts receivable-HKD	46,590,367.40	23,858,985.58
Accounts receivable-MOP	3,277,585.17	3,277,585.17
Other receivables-USD	151,500.50	163,015.51
Other receivables-HKD	10,588,968.42	10,158,902.24
Other receivables – EUR		10,566.30
Interest receivable-USD	2,637,406.773	902,452.90
Accounts payable-USD	18,734,405.00	8,484,100.56
Accounts payable-HKD	7,065,055.30	1,063,782.82
Accounts payable – MOP	573,423.02	
Accounts payable-EUR	5,044,606.25	
Interest payable-USD	2,875,278.23	2,781,084.10
Short-term loans-USD	518,910,918.83	382,197,628.80
Short-term loans – EUR	610,616.28	
Short-term loans-HKD	55,924,099.95	
Long-term loans-USD	405,320,664.57	340,767,320.82

The Group has paid close attention to the influence generated from exchange rate changes.

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, and recognized fair values of financial assets (or liabilities) at fair value through or loss as at December 31, 2014 are RMB 41,140,210. The change in fair value of forward settlement contract is included in the profit or loss. Please refer to Note VI.54 for related information. 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 to offset the risk.

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2) Interest rate risk

The interest rate risk of the Group generated from borrowings with interest rate. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk. Borrowings at fixed rate expose the Group to fair value interest-rate risk. As at December 31, 2014, most of the bank borrowings with interest rates are borrowings at floating interest rate contracts in USD and RMB with total amount of RMB231,199,122.80 (December 31, 2013: RMB2,617,555,334.19) and the fixed interest rate contracts in RMB and USD with total amount of RMB8,344,096,243.28 (December 31, 2013: RMB7,835,289,667.14).

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 interest rate to float.

The risk of changes in fair value of financial instrument which caused by changes in interest rate is related to borrowings with floating interest rate. The policy of the Group is to keep these borrowings with floating interest rate, in order to eliminate the risk in fair value related to changes in interest rate.

(2) Credit risk

As at December 31, 2014, the Group's potential maximum exposure to credit risk is mainly because of the counter-parties' failure to perform their obligations leading to losses or financial guarantee related to the Group and the financial burden assumed by 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.

The total amount for the top 5 of Accounts receivable is RMB264,641,781.36.

(3) Liquidity risk

Liquidity risk refers to the risk that the Group could not engage the financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of the Group reputation. The analysis of liabilities structure and durations would be made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutes to remain the credit lines and reduce liquidity risks

The sources of funding of the Group are mainly from bank borrowings. As at December 31, 2014, the unused bank facilities amount is RMB4,511 million (December 31, 2013: RMB12,297 million).

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

31 December 2014:

Items	Within 1 year	1 to 2 years	2 to 5 years	5 years or above	Total
Financial assets					
Cash and bank	7,288,062,666.56	656,230,000.00	224,640,000.00		8,168,932,666.56
Financial assets which is measured by fair value and changes in fair value are recognized in the current profit and					
Loss account	12,026,660.89	981,333.82			13,007,994.71
Notes receivable	10,678,923.83				10,678,923.83
Accounts receivable	483,909,122.88	10,993,002.46	19,646,229.19		514,548,354.53
Other receivables	283,044,276.07	6,717,779.59	8,497,477.55	11,219,832.15	309,479,365.36
Interest receivable	125,431,317.07	10,924,270.00	5,980,260.00		142,335,847.07
Financial liabilities					
Short-term loans	4,042,518,219.57				4,042,518,219.57
Financial liabilities which is measured by fair value and changes in fair value are recognized in the current profit and					
loss account	17,287,100.40	35,653,624.54	3,534,985.35		56,475,710.29
Notes payable	1,316,585,489.50				1,316,585,489.50
Accounts payable	2,359,151,085.12	44,651,807.72	662,792.75		2,404,465,685.59
Other payables	42,810,552.66	4,200,000.00			47,010,552.66
Dividend payable	177,721.77				177,721.77
Interest payable	13,995,658.65	6,923,341.88			20,919,000.53
Employee benefits	35,262,506.61				35,262,506.61
Non-current liabilities due within one year	1,276,705,757.83				1,276,705,757.83
Long-term loans		1,261,071,388.68	1,495,000,000.00	500,000,000.00	3,256,071,388.68

2. Sensitivity analysis

The Group adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

(1) Exchange risk sensitivity analysis

The assumption of exchange risk sensitivity analysis: all overseas net operational investment hedge and cash flow hedge are highly effective

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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:

Items	Exchange rate change	2014		2013	
		Effect on Net profit	Effect on equity	Effect on Net profit	Effect on equity
USD	Against RMB appreciation 5%	-27,871,973.68	-27,871,973.68	-23,819,713.57	-23,819,713.57
USD	Against RMB devaluation 5%	27,871,973.68	27,871,973.68	23,819,713.57	23,819,713.57

(2) Interest rate sensitivity analysis

The assumptions of the sensitivity analysis in interest rate are the followings:

Change in interest rate will affect the interest income and expense of the financial instrument which bear variable interest rate;

The financial instrument's fixed rate is measured by the fair value, the changes in the market rate only influence interest income or expenses;

Change in fair value of Derivative financial instruments and other financial assets and liabilities, which is calculated using cash flow discount method, with the effective interest rate on the financial statement date.

Based on the above assumption, with other factors unchanged, the interest rate might float within a reasonable range, and has the following effect:

Items	Exchange rate change	2014		2013	
		Effect on Net profit	Effect on equity	Effect on Net profit	Effect on equity
Loans with floating rate	Increase1%	-1,640,143.85	-1,640,143.85	-19,425,518.73	-19,425,518.73
Loans with floating rate	Decrease1%	1,640,143.85	1,640,143.85	19,425,518.73	19,425,518.73

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10. FAIR VALUE DISCLOSURE

1. Amount of assets and liabilities measured at fair value at the end of the year and level of fair value measurement

Items	Ending fair value			Total
	Level one fair value measurement	Level second fair value measurement	Level third fair value measurement	
I. Continue fair value measurement				
(I) Financial assets at fair value through profit or loss				
1. Trading financial assets		13,007,994.71		13,007,994.71
(1) Forward settlement contract		13,007,994.71		13,007,994.71
Total financial assets continue measured in fair value		13,007,994.71		13,007,994.71
(II) Financial liabilities at fair value through profit or loss				
1. Trading financial liabilities		56,475,710.29		56,475,710.29
(1) Forward settlement contract		56,475,710.29		56,475,710.29
Total financial liabilities continue measured in fair value		56,475,710.29		56,475,710.29

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Related party relationships

(1) Controlling shareholder and the ultimate controller

1) Controlling shareholder and the ultimate controller

Name of controlling shareholder and the ultimate controller	Registration place	Nature	Registered capital	Proportion of shareholding in the Company (%)	Proportion of voting rights to the Company (%)
CSSC	Shanghai	Shipbuilding	RMB22,000 million	58.08	58.08

2) Register capital of controlling shareholder and its change of capital

Controlling Shareholder	Beginning Balance	Increase	Decrease	Ending Balance
CSSC	6,374.30 million	15,625.70 million		22,000.00 million

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3) Shares or equity held by controlling shareholders and its change

Controlling Shareholder	Holding amounts		Holding rights %	
	Ending Balance	Beginning Balance	Ending Proportion	Beginning Proportion
CSSC	598,551,270.00	252,610,380.00	58.08	35.71

(2) Subsidiaries

For related information in respect of the subsidiaries, please refer to the VIII.1(1) "Formation of the Company Group" for details.

(3) Joint ventures and associates

For related information in respect of significant joint ventures and associates in VIII.3.(1) to this Note for details.

(4) Other related parties

Type	Name of related parties	Business type	Organization code
Under common control of the controlling shareholder and the ultimate controller			
	Guangzhou Shipyard Co., Ltd.	Purchasing materials, marine accessories and technical labor services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labor services	199124798
	Jiujiang Shipbuilding Fire Equipment Manufacture 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
	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
	Shanghai Shipbuilding Technology Research Institute	Marine accessories, equipment	71780666-9
	Design and Research Institute of China Shipbuilding and Marine Engineering	Purchasing goods and service	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	Offshore Company
	Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd	Marine accessories	792801606
	China Ship Power Station Equipment Co., Ltd.	Equipment	756976070

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

Type	Name of related parties	Business type	Organization code
	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	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 Designand Research Institute of Guangzhou	Selling goods and rendering services and accepted shareholding of subsidiary	717806431
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Purchasing goods and services	683265787
	CSSC Chengxi Shipbuilding Co., Ltd.	Selling goods and rendering services	142243024
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Selling goods and rendering services	631423632
	CSSC Jiangnan Heavy Industry Co., Ltd.	Selling goods and rendering services	132283663
	CSSC Finance Co., Ltd	Accepting financial services	100027155
	Guangzhou Huangchuan Ocean Engineering Co. Ltd.	Materials	685212910
	Guangzhou Shipyard HR Service Co. Ltd	Labor and technical services	664021381
	Guangzhou Shipbuilding 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
Under joint venture control of the controlling shareholder and the ultimate controller			
	Shanghai Lingxiang Equity Investment Co., Ltd.	Accepted shareholding of subsidiary	32078574-0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2. Consolidated related party transactions

(1) Related transactions related to purchasing or selling goods or providing or rendering services

1) Purchasing goods or services

Company Name	Transactions	Current Year	Last Year
The Shipbuilding Industry Complete Logistics Co., Ltd. Guangzhou)	Purchasing materials	1,885,057,869.18	1,110,385,836.06
9th Design and Research Institute of the China Shipbuilding	Labor and technical services	302,188,103.11	3,419,170.63
Hualian Ship Co., Ltd.	Marine accessories	230,095,512.01	65,611,500.00
Guangzhou Shipyard Co., Ltd.	Purchasing materials, equipment and labour technical services	184,735,083.66	101,302,286.86
Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd	Purchasing materials	151,960,427.36	18,408,500.00
Eastern Shanghai Heavy Machinery Co., Ltd	Marine accessories	79,940,000.00	74,899,700.00
China Marine Power Co., Ltd.	Marine accessories	77,279,743.59	57,581,209.40
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	38,796,687.18	9,530,465.59
Guangzhou Shipyard HR Service Co. Ltd.	Labour technical services	36,391,087.25	40,462,700.00
Shanghai Merchant Ship Design and Research Institute	Labour technical services	23,936,616.90	21,491,164.15
China Shipbuilding Trading Company	Labour technical services	23,422,275.60	3,091,600.00
Guangzhou Shipyard Co., Ltd. (Foshan Zhuduan Branch)	Marine accessories	23,034,409.80	3,901,000.00
Nanjing CSSC Oasis Machinery Co. Ltd.	Marine accessories	18,032,572.62	24,916,798.30
Nanjing CSSC Oasis Environmental protection Co., Ltd.	Marine accessories	15,844,377.77	1,509,200.00
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	14,615,328.30	10,341,880.34
Shanghai Navigation Instrument Co., Ltd.	Marine accessories	11,948,000.00	5,813,736.00
Design and Research Institute of China Shipbuilding and Marine Engineering	Labour technical services	8,950,188.68	2,980,400.00
China Shipbuilding Industry complete Logistics Co., Ltd.	Purchasing materials	7,897,632.37	38,479,732.74
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	7,178,570.53	4,621,405.98
The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	Marine accessories	6,878,000.00	738,461.54
Nanjing CSSC Oasis Machinery Co. Ltd. – Zhenjiang marine auxiliary machinery factory	Marine accessories	6,142,927.33	3,044,200.00
Eastern Shanghai Zhonghua Shipbuilding Group) Co., Ltd.	Marine accessories	5,100,000.00	3,600,000.00
Guangzhou Shipyard Co., Ltd. (Panyu Cangkougai Branch)	Marine accessories	1,730,996.17	1,815,100.00
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Marine accessories	4,705,888.08	674,500.00
Guangzhou Shipbuilding Corporation	Labor and technical services	4,124,124.30	6,371,854.59
Shanghai Hudong Shipyard Valve Co., Ltd.	Marine accessories	4,054,409.04	
The ship survey and Design Institute Co., Ltd.	Labor and technical services	3,683,154.94	1,700,500.00
China Ship Power Station Equipment Co., Ltd.	Marine accessories	3,635,000.00	
Zhenjiang Shipyard modern power generation equipment Co., Ltd.	Marine accessories	3,339,128.21	582,900.00
China Shipbuilding Trading (Guangzhou) Co., Ltd	Marine accessories	3,024,849.90	3,794,611.39

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

Company Name	Transactions	Current Year	Last Year
Zhenjiang CSSC Waxilan propeller Co., Ltd	Marine accessories	2,567,862.49	
Shanghai Jiangnan Shinbuilding Pipe Industry Co., Ltd.	Marine accessories	3,067,013.34	296,200.00
China Ship Power Station Equipment Co., Ltd	Marine accessories	3,030,000.00	1,530,000.00
Jiangxi Chaoyang Machinery Factory	Marine accessories	1,222,605.14	24,179.49
China Shipbuilding Technology Institute of Economic Research	Labor and technical services	1,200,318.82	671,844.40
Shanghai DeruiSihua Ships Equipment Co., Ltd.	Marine accessories	1,032,077.95	11,541,241.02
Guijiang Shipbuilding Co., Ltd.	Marine accessories	767,692.30	85,299.15
Shipbuilding International Trading Co., Ltd.	Labor and technical services	525,200.00	1,741,800.00
Beijing Shipbuilding Information Technology Co., Ltd.	Labor and technical services	436,875.29	2,056,654.32
The ship survey and Design Institute Co., Ltd. (Xiamen Branch)	Labor and technical services	423,735.85	6,854,125.63
Jiangxi CSSC Valve Co. Ltd.	Marine accessories	411,032.00	
Jiangnan Shipbuilding(Group) Co., Ltd.	Labor and technical services	404,600.00	
Shanghai Navigation Instrument Co., Ltd.	Labor and technical services	85,848.72	
CSSC Huangpu Wenchong Shipbuilding Co., Ltd.	Labor and technical services	161,745.28	
Anqing Marine Electric Co., Ltd	Marine accessories	25,600.00	
Shanghai Shipbuilding Technology Research Institute	Labor and technical services	18,867.92	3,471,802.55
Guangzhou CSSC Marine Diesel Engine Co., Ltd.	Labor and technical services	13,200.00	240,000.00
Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	Labor and technical services		16,800.00
Jiangsui DeruiSihua Ships Equipment Co., Ltd.	Marine accessories		1,312,700.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd	Marine accessories		256,410.26
Shanghai Merchant Ship Design and Research Institute	Marine accessories		241,600.00
The Shanghai Shipbuilding Institute survey Geotechnical Engineering Co., Ltd.	Labor and technical services		2,240,000.00
Total		3,203,117,238.98	1,653,651,070.39

Note: Pricing policy:

- (a) Purchase price of electronic appliance, metallic materials and marine complement are based on market price.
- (b) Purchase price of marine equipment, if there are two or more related parties competed as supplier, after consideration of factors such as inventory cycle, quality of products and services of suppliers, are negotiated with basis on market price. If there is only one related party as supplier due to technical specifications or restrictions, the price should be arm's length as that provided by a third independent party.
- (c) 10% increase of labour cost is executed during the peak production period
- (d) Purchase price of cabin-cleaning, ship design and relevant technical services are based on market price.
- (e) Purchase prices of medical care, food and beverage, infant care, training for labours, management fee for residence, etc, are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

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From January 1, 2014 to December 31, 2014

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

2) Sell goods or render services

Company Name	Transactions	Curent Year	Last Year
Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Labor and technical services	439,374,145.66	140,169,016.80
The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Selling materials	62,913,142.82	69,832,078.70
Guangzhou Huangchuan Ocean Engineering Co. Ltd.	Material	36,649,096.49	29,941,865.10
CSSC Huangpu Wenchong Shipbuilding Co., Ltd.	Selling materials, provides labour and technical services	26,736,450.84	15,448,343.51
Guangzhou Shipyard Co., Ltd.	Labor and technical services	19,406,409.66	10,491,597.46
Guangzhou Wenchong Shipyard Co. Ltd	Labor and technical services and material	8,709,111.56	6,578,151.01
China Shipbuilding Technology Institute of Economic Research	Labor and technical services	2,311,132.08	72,641.51
Shanghai Shipbuilding Technology Research Institute	Labor and technical services	1,800,000.00	
CSSC Southern China Ship Machinery Co., Ltd.	Power supply	1,139,756.31	1,143,020.68
CSSC	Labor and technical services	849,056.60	245,283.02
Beijing Shipbuilding Information Technology Co., Ltd.	Material	575,081.87	925,455.57
Guijiang Shipbuilding Co., Ltd. Guangzhou	Labor and technical services	379,858.99	14,674.53
Wenchong Chonggong Co. Ltd.	Labor and technical services	358,974.36	
Guangzhou CSSC Marine Diesel Engine Co., Ltd.	Labor and technical services	171,364.18	1,091,966.88
China Shipbuilding Industry complete Logistics Co., Ltd.	Selling materials, provides labour and technical services	153,846.15	
China Shipbuilding Industry complete Logistics Co., Ltd.	Labor and technical services	128,205.13	
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Power supply	95,556.78	848,459.95
Guangzhou Shipbuilding Corporation	Material	65,172.92	28,301.89
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	Labor and technical services	55,555.56	98,717.94
CSSC Finance Co., Ltd.	Labor and technical services	33,018.87	34,188.03
The ship survey and Design Institute Co., Ltd	Labor and technical services	2,934.00	
CSSC Xijiang Shipbuilding Co., Ltd.	Labor and technical services	47,008.55	
Guangzhou CSSC Ship Steel Co. Ltd	Labor and technical services	19,226.42	18,867.92
CSSC Southern China Ship Machinery (Guangzhou) Co., Ltd.	Labor and technical services	17,000.00	
Zhenjiang CSSC Wartsila Propeller Co., Ltd.	Labor and technical services	12,820.51	
State-owned Xijiang Shipyard	Labor and technical services	1,037.74	
Shanghai Merchant Ship Design and Research nstitute	Labor and technical services		205,128.21
Jiangxi Marine Valve Factory	Labor and technical services		26,264.15
Eastern Shanghai Heavy Machinery Co., Ltd.	Labor and technical services		1,600,000.00
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Labor and technical services		2,200.00
Total		602,004,964.05	278,816,222.86

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Note: Pricing policy

- (a) Sale price of electrical and mechanical equipment and metal materials to be based on market price.
- (b) Supply of electricity to be based on cost plus 20% to 25% of administrative expense.
- (c) Labour service and design and technical services to be based on market price or cost plus 10% to 25% of administrative expense, which will not be lower than the price sold to independent third parties.

(2) Financial services

1) Deposits

Company Name	Balance of Deposits		Interest income	
	Ending Balance	Beginning Balance	Current Year	Last Year
CSSC Finance Co., Ltd.	2,789,292,726.28	939,594,680.41	17,144,403.41	17,880,018.42

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.

2) Loans

Company Name	Loans Balance		Interest expense	
	Ending Balance	Beginning Balance	Current Year	Last Year
CSSC Finance Co., Ltd.	1,787,570,000.00	3,630,969,000.00	184,356,652.75	178,431,046.65

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.

(2) Related party lease

1) Leasing

Lessor name	Lessee name	Type of leasing assets	Current Year	Last Year
Guangzhou Shipyard Industrial Co., Ltd	The Company	Lands and properties	–	–

Note: On 27 September 2014, the Company and Guangzhou Shipyard Industrial entered into a lease agreement pursuant to which three pieces of land plots which are Heliwai, South Fangcun Main Road Liwan District, Guangzhou, No. 29 Donglang Market Main Road, South Fangcun Main Road Liwan District, Guangzhou and on the north side of Heliwai, Donglangxiang, Liwan District, Guangzhou ("Leasing Lands"), the current usage of industrial use, and the buildings and structures on the landplots with total site area of 108,939 sq.m. were leased. Starting from 1 October 2014, "Leasing Lands" were leased to the Company, for a term of 39 months, and rental was RMB0. It is continued to perform according to the "Lease Agreement" agreed under "Equity Transfer Agreement in Relation to the 100% Equity Interests in Guangzhou Shipyard Industrial Co., Ltd" entered between the Company and Shanghai Lingxiang.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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2) Rental

Lessor name	Lessee name	Type of leasing assets	Current Year	Last Year
CSSC Guangzhou Longxue Shipbuilding Co., Limited	CSSC Huangpu Wenchong Shipbuilding Ship Company Limited	110KV general step-down station equipment, and facility fee	4,670,060.67	4,670,060.67
CSSC Guangzhou Longxue Shipbuilding Co., Limited	Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	Site using fee for Phase II site	0.00	2,542,300.00
CSSC Guangzhou Longxue Shipbuilding Co., Limited	Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	110KV general step-down station equipment, and facility fee	4,274,600.00	4,274,600.00

(4) Guarantee

1) Guarantee by related parties

Guarantor	Guarantee	Guaranteed Amount	Commencement date of guarantee	Expiry date	Fully performed or not
China State Shipbuilding Corporation	The Company	60,000,000.00	2014/10/17	2016/7/17	No
China State Shipbuilding Corporation	The Company	50,000,000.00	2014/10/31	2016/7/17	No
China State Shipbuilding Corporation	The Company	77,000,000.00	2014/10/31	2017/3/30	No
China State Shipbuilding Corporation	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	200,000,000.00	2014/10/17	2017/1/31	No
China State Shipbuilding Corporation	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	23,000,000.00	2014/10/31	2017/1/31	No
China State Shipbuilding Corporation	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	40,000,000.00	2014/10/17	2016/3/31	No
China State Shipbuilding Corporation	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	30,000,000.00	2014/10/31	2016/3/31	No
China State Shipbuilding Corporation	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	37,000,000.00	2014/12/18	2017/1/31	No
China State Shipbuilding Corporation	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	58,000,000.00	2014/12/18	2017/2/28	No
China Shipbuilding Trading Company	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	120,000,000.00	2014/1/27	2015/1/10	No
	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	80,000,000.00	2014/3/18	2015/1/10	No

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Guarantor	Guarantee	Guaranteed Amount	Commencement date of guarantee	Expiry date	Fully performed or not
China Shipbuilding Trading Company	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	200,000,000.00	2014/3/18	2015/2/20	No
China Shipbuilding	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	200,000,000.00	2014/5/28	2015/1/31	No
China Shipbuilding	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	200,000,000.00	2014/6/24	2015/6/18	No
Shanghai Shipyard Co., Ltd.	Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	500,000,000.00	2012/6/20	2022/6/15	No

2) Guarantee provided by the Group to related parties

Guarantor	Guarantee	Guaranteed Amount	Commencement date of guarantee	Expiry date	Fully performed or not
Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	Shanghai Shipyard Co., Ltd.	1,000,000,000.00	2012/6/20	2022/6/15	No
Guangzhou CSSC Longxue Shipbuilding Co., Ltd.,	Shanghai Shipyard Co., Ltd.	800,000,000.00	2012/9/19	2022/9/17	No

Note: The above credit guarantee provided by Longxue Shipbuilding for Shanghai Shipyard Co., Ltd. was already existed before the acquisition of Longxue Shipbuilding by the Company, such acquisition was disclosed in the circular of the Company in respect of the first EGM in 2014 held on 13 February 2014.

(5) Other related transactions

Transaction type	Name of related party	Current Year	Last Year
Sales agency fees	China Shipbuilding Trading Company	21,096,101.92	15,522,303.80
Sales agency fees	Shipbuilding International Trading Co., Ltd.	6,575,861.18	3,620,700.76
Purchasing agent fees	Hualian Ship Co., Ltd.	3,707,165.77	3,096,033.27
Purchasing agent fees	China Shipbuilding Trading Company	286,479.70	3,211,269.15
Maintenance fee	CSSC (Hong Kong) Shipping Company Limited	1,333,703.70	

Note 1: 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;

Note 2: In May 2014, the Company and China Shipbuilding Trading Company (Common seller, "CSSC Trading Company") entered into "Export Ships Progress Fees Transfer Financing Cooperation Agreement" with CSSC (Hong Kong) Shipping Company Limited ("CSSC Leasing"), pursuant to which, part of the ship progress fees of 6 export ships signed in 2013, were sold to CSSC Leasing, totalling US186.00 million. CSSC Leasing charged handling fee of 0.2%, and it has the right of recourse in respect of the ship progress fees. CSSC Leasing pledged this export ship progress fee to DBS Bank and borrowed US186.00million.

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(6) Selling Subsidiaries to related parties

- 1) For details in respect of sale of Guangzhou Shipyard Industrial Co., Ltd to Shanghai Lingxiang Equity Investment Co., Ltd., a related company, please refer to Note VII.2.
- 2) For details in respect of sale of Guangzhou Jinzhou Ship Technology Co., Ltd. to Guangzhou Shipyard Marine Engineering Design Institute, a related company, please refer to Note VII.2.

(7) Connected Transactions

The connected transactions mentioned in (1) and (6) above constitute connected transaction or continue connected transaction as defined under in Chapter 14A of the Listing Rules in Hong Kong, and are disclosed in details in the Connected Transaction section in Director's Report as required.

3. Connected Transaction between parent company and subsidiaries

(1) Purchasing goods or services

Connected Party	Transactions	Current Year	Last Year
Guangdong GSI Large-size Heavy Mechanical Equipment Co., Ltd.	Purchasing goods and services	31,393,126.77	28,827,866.58
Guangdong GSI Elevator Co., Ltd.	Purchasing goods and services	2,402,364.78	3,551,603.45
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Receiving services	296,597,172.10	280,219,347.03
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Receiving services and technical services	26,166,468.54	88,607,975.93
Guangzhou Hongfan Technology Co., Ltd.	Purchasing goods and services	4,192,314.86	3,832,853.05
Guangzhou Longxue Pipe Co., Ltd.	Purchasing goods and services	6,235,090.26	114,480.40
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	Purchasing goods and services	1,657,264,306.00	273,537,668.03
Guangzhou Wanda Marine Engineering Co., Ltd.	Purchasing goods and services	43,585,043.86	43,972,831.86
Guangzhou Xingshun Marine Services Co., Ltd.	Purchasing goods and services	148,101,303.46	110,282,727.01
United Structures Ltd.	Purchasing goods and services	10,602,711.36	1,962,768.85
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Purchasing goods and services	125,061,342.10	67,898,760.86
Glory Group Development Co., Ltd.	Purchasing goods	129,190,972.83	207,782,659.60
Total		<u>2,480,792,216.92</u>	<u>1,110,591,542.65</u>

Note: Pricing policy for purchasing goods or services from subsidiaries: according to market price if there is market price; if not, adding 8%-10% of the cost or using internal assessment settlement price pricing.

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(2) Selling goods and services

Connected Party	Transactions	Current Year	Last Year
Guangdong GSI Large-size Heavy Mechanical Equipment Co., Ltd.	Selling goods and leading assets	1,573,951.71	2,690,417.67
Guangdong GSI Elevator Co., Ltd.	Selling goods	824,383.77	1,095,739.27
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Selling goods	206,520.52	1,145,337.54
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Selling goods and leading assets	162,086,320.29	50,503,807.65
Selling goods and leading assets	Selling goods	10,735.65	25,453.06
Guangzhou Longxue Pipe Co., Ltd.	Selling goods	1,731,601.77	8,620,371.02
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	Selling goods and leading assets	17,932,459.89	27,317,610.35
Guangzhou Wanda Marine Engineering Co., Ltd.	Selling goods	41,867.33	47,958.90
Guangzhou Xingshun Marine Services Co., Ltd.	Selling goods	17,093,401.53	15,424,884.19
United Structures Ltd.	Selling goods and leading assets	9,176,217.82	14,077,863.68
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Selling goods and leading assets	3,489,212.69	734,792.17
Total		214,166,672.97	121,684,235.50

Note: Pricing policy for selling goods to the subsidiaries: adding 8% of the cost.

4. Payroll for key management staff (Consolidated and parent company)

(1) Directors and supervisors

Payroll for directors and supervisors for current year:

Name	Emoluments	Salaries	Retiring welfare	Total
Directors				
Han Guangde		801,460.92	28,132.92	829,593.84
Zhou Dusheng		673,756.02	28,132.92	701,888.94
Chen Ji		717,975.71	28,132.92	746,108.63
Chen Liping		683,728.78	28,132.92	711,861.70
Yang Li	120,000.00			120,000.00
Wang Jun	120,000.00			120,000.00
Chen Zhongqian	120,000.00			120,000.00
Qiu Jiachen	110,000.00			110,000.00
Li Junping (May to December)	80,000.00			80,000.00
Wang Hong (June to December)	–			–
Zhu Zhenyu (July to December)	60,000.00			60,000.00
Supervisors				
Chen Jingqi		704,882.83	28,132.92	733,015.75
Fu Xiaosi	90,000.00			90,000.00
Zhu Zhengfu	90,000.00			90,000.00
Qin Tinggui		482,545.59	28,132.92	510,678.51
Chen Shaolong		434,559.39	28,132.92	462,692.31

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Payroll for directors and supervisors for last year

Name	Emoluments	Salaries	Retiring welfare	Total
Directors				
Han Guangde		703,755.77	25,848.72	729,604.49
Zhou Dusheng (January to August)	66,666.00			66,666.00
Zhou Dusheng (September to December)		100,237.64	9,104.40	109,342.04
Yu Baoshan		223,388.24	19,386.54	242,774.78
Chen Ji		618,770.77	25,848.72	644,619.49
Chen Liping		646,540.97	25,848.72	672,389.69
Yang Li (January to June)		132,373.93	12,192.12	144,566.05
Yang Li (July to December)	50,000.00			50,000.00
Gao Feng	50,000.00			50,000.00
Wang Jun	100,000.00			100,000.00
Chen Zhongqian	8,333.00			8,333.00
Fu Zhengping	100,000.00			100,000.00
Qiu Jiachen	100,000.00			100,000.00
De Lihua	100,000.00			100,000.00
Pan Zhaoguo	100,000.00			100,000.00
Supervisors				
Chen Jingqi		667,584.93	25,848.72	693,433.65
Chen Shaolong		523,393.42	25,848.72	549,242.14
Qin Tinggui		544,848.47	25,848.72	570,697.19
Fu Xiaosi	80,000.00			80,000.00
Zhu Zhengfu	80,000.00			80,000.00

Note 1: On November 14, 2014, Mr. Wang Hong retired as an independent director of the Company due to reason of personal career.

Note 2: 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.

Note 3: On May 8, 2014, Li Junping was elected as director (independent non-executive director) of the 8th Session of the Board at the annual general meeting for 2013.

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 care

No one of the Board of Directors or Board of Supervisors give up any payroll for current year, except Wang Hong, a director.

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.

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

(2) Top 5 staff with highest salaries

The top 5 staff with highest salaries include 4 members of the Board of Directors (last year: 2 members). They are listed as followed:

Items	Current Year	Last Year
Salaries and allowances	3,581,804.26	3,283,397.48
Retiring welfare	140,664.60	129,243.60
Total	3,722,468.86	3,412,641.08

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 salaries:

Items	Current Year	Last Year
0-RMB788,900 (0-HKD1,000,000)	4	5
RMB788,900.79-RMB 1,183,350 (HKD1,000,001-HKD1,500,000)	1	
RMB1,183,350.79-RMB1,577,800 (HKD1,500,001-HKD2,000,000)		
Total	5	5

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5. Account balance between related parties

(1) Consolidated

1) Accounts receivable

Project name	Related parties	Ending Balance		Beginning Balance	
		Book value	Bad debt	Book value	Bad debt
Accounts receivable					
	CSSC Chengxi Shipbuilding (Guangzhou) Co., Ltd.	145,297,180.27	726,485.90	100,557,736.06	502,788.68
	Guangzhou Shipyard Co., Ltd.	15,097,732.41	75,488.66	1,503,516.40	7,517.58
	Guangzhou CSSC Ship Steel Co. Ltd.	8,018,890.26	40,094.45	8,018,890.26	40,094.45
	Guangzhou Huangchuan Ocean Engineering Co., Ltd.	6,632,126.89	33,160.63	9,071,153.18	45,355.77
	CSSC Huangpu Wenchong Shipbuilding Ship Company Limited	6,315,482.28	31,577.41	5,413,907.78	27,069.54
	The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	1,403,966.26	7,019.83	1,403,966.26	7,019.83
	Guangzhou Wenchong Shipyard Co. Ltd.	511,875.00	2,559.38	324,650.00	1,623.25
	Guangzhou Wenchong Chonggong Co. Ltd.	21,000.00	105.00		
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.	5,337.14	26.69	9,500.00	47.50
	Jiangxi CSSC Valve Co., Ltd.			27,840.00	139.20
	Sub-total of accounts receivable	183,303,590.51	916,517.95	126,331,159.94	631,655.80
Prepayments					
	The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	944,373,798.59		679,371,171.60	
	Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd	44,740,000.00		117,043,700.00	
	China Shipbuilding Trading Company	21,290,894.79		6,972,851.51	
	China Marine Power Co., Ltd.	10,892,000.00		10,178,000.00	
	Guangzhou Shipyard Co., Ltd.	5,146,000.00		756,000.00	
	Anqing CSSC Diesel Engine Co., Ltd.	2,490,000.00			
	Eastern Shanghai Heavy Machinery Co., Ltd.	1,407,884.62		5,998,500.00	
	China Shipbuilding Industry complete Logistics Co., Ltd.	130.99		130.99	
	Sub-total of prepayments	1,030,340,708.99		820,320,354.10	
	Total	1,213,644,299.50	916,517.95	946,651,514.04	631,655.80

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

2) Accounts payable

Project name	Related parties	Ending Balance	Beginning Balance
Accounts receivable			
	Jiangxi Chaoyang Machinery Factory	49,900.00	
	Guangzhou Shipyard Co., Ltd.	36,255,260.40	20,638,449.41
	Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	15,878,418.28
	CSSC Southern China Ship Machinery Co., Ltd.	17,842,464.00	7,962,500.00
	CSSC Huahai Marine Equipment Co., Ltd.	1,766,625.00	190,125.00
	Jiangxi Chaoyang Machinery Factory	21,786.00	65,358.00
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	1,289,600.00	3,730,400.00
	The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	2,773,776.45	428,900.00
	Anqing CSSC Diesel Engine Co., Ltd.	3,746,340.00	3,120,000.00
	The Jiujiang Shipbuilding Fire Equipment Co., Ltd.	667,400.00	1,674,400.00
	Nanjing CSSC Oasis Machinery Co. Ltd.	4,838,800.00	2,350,000.00
	Shanghai Merchant Ship Design and Research Institute	2,121,600.00	5,428,900.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	37,959,500.00	9,234,000.00
	Shanghai DeruiSihua Ships Equipment Co., Ltd.	800,000.00	4,957,000.00
	China Ship Power Station Equipment Co., Ltd.	1,791,000.00	331,500.00
	The Shanghai Lingang ship Equipment Co., Ltd	123,950.00	123,950.00
	National Engineering Research Center of Shanghai ship design technology Co., Ltd.	85,030.00	372,645.00
	Research Institute of CSSC	22,033,337.89	454,868.00
	Guangzhou Shipbuilding Corporation	1,765,523.84	753,385.40
	The ship survey and Design Institute Co., Ltd.		772,000.00
	Design and Research Institute of China Shipbuilding and Marine Engineering	146,000.00	1,200,000.00
	Shanghai Starry ship Ocean Engineering Service Co., Ltd		150,000.00
	China Shipbuilding Industry complete Logistics Co., Ltd.	8,543,345.81	
	The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	12,502,650.96	8,574,002.36
	Guangzhou CSSC Ship Steel Co. Ltd.	170,570.75	
	Shanghai Shipbuilding Technology Research Institute	435,000.00	435,000.00
	Shipbuilding International Trading Co., Ltd.	816,629.70	
	Shanghai Navigation Instrument Co., Ltd.	5,857,000.00	1,821,295.50
	Anqing Marine Electric Co., Ltd	11,200.00	2,300,000.00
	Jiujiang Haitian Equipment Manufacture Co., Ltd.		
	– Manufacture Base	7,000.00	
	Nanjing CSSC Oasis Machinery Co. Ltd.		
	– Zhenjiang Marine Auxilliary Machinery factory	1,429,925.00	2,288,025.00
	Zhenjiang Shipyard modern power generation equipment Co., Ltd.	1,183,000.00	1,600,000.00
	Guangzhou Shipyard Co., Ltd.(Foshan Zhuduan Branch)	4,590,549.96	1,647,236.14
	Nanjing CSSC Oasis Environmental protection Co., Ltd.	998,800.00	1,272,100.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	1,413,780.00	877,596.00
	A Research Institute of China Shipbuilding Industry Corp	1,632,350.00	1,632,350.00
	Zhenjiang CSSC Waxilan propeller Co., Ltd.		4,419,843.12
	China Marine Power Co., Ltd.	23,757,430.00	25,194,430.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	205,740.00	2,555,838.42
	Shipbuilding Chengxi the Voyage Ship Co., Ltd. (Guangzhou)	1,907,558.52	1,907,558.52
	Guangzhou Shipyard HR Service Co. Ltd.	751,495.93	
	Pudong Branch of China Ship Survey Research Institute	8,325.50	

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<u>Project name</u>	<u>Related parties</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>
	Beijing Shipbuilding Information Technology Co., Ltd.	239,386.50	
	Shanghai Haixun Electrical Engineering Co., Ltd.	1,427,595.00	11,637,400.00
	Jiangxi CSSC Valve Co., Ltd.	411,032.00	
	Guangzhou Shipyard Co., Ltd.(Panyu Cangkougai Branch)	6,441,351.37	525,853.17
	Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd	43,200,000.00	
	Subtotal of accounts payable	272,491,904.86	148,505,327.32
Advances from customers			
	Shanghai Merchant Ship Design and Research Institute	300,000.00	1,132,075.47
	Beijing Shipbuilding Information Technology Co., Ltd.	555,000.00	
	China Shipbuilding Technology Institute of conomic Research	105,660.38	164,528.30
	Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	10,450.00	10,450.00
	Shanghai Shipbuilding Technology Research Institute	283,018.87	300,000.00
	Guangzhou Wenchong Shipyard Co. Ltd.	29,065.44	29,065.44
	Subtotal of advances of customers	1,283,194.69	1,636,119.21
Other payables			
	Guangzhou Shipyard Co., Ltd.	741,065.33	729,460.00
	Hualian Ship Co., Ltd.	469,396.39	469,396.39
	The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	324,857.36	
	Subtotal of other payables	1,535,319.08	1,198,856.39
	Total	280,036,800.63	151,340,302.92

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

(2) Related balance between the parent company and subsidiaries

1) Receivables from related parties

Project name	Related parties	Ending Balance		Beginning Balance	
		Book value	Bad debt	Book value	Bad debt
Accounts receivable					
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	17,237,418.11		22,632,654.25	
	Guangzhou Shipyard International Marine Engineering Co., Ltd.	72,753,861.03		42,371,016.11	
	CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	23,013,342.30		28,669,337.87	
	United Structures Ltd.	5,130,670.79			
	Guangzhou XingShun Shipping Services Co., Ltd.	16,964,825.18		1,364,699.57	
	Guangzhou Longxue Pipe Co., Ltd.	803,615.18			
	Guangchuan large-scale machinery and equipment company Co., Ltd.	97,401,961.86		101,286,859.42	
	Subtotal of accounts receivable	233,305,694.45		196,324,567.22	
Prepayments					
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	87,289,021.10		60,792,927.07	
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	18,033,200.00		18,033,200.00	
	Guangchuan large-scale machinery and equipment company Co., Ltd.	1,655,600.00		1,052,000.00	
	Glory Group Developing Co., Ltd.	36,496,791.81		110,210,843.91	
	CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	1,678,381,999.50		918,550,250.00	
	Guangzhou Longxue Pipe Co., Ltd.			2,000,000.00	
	Guangzhou XingShun Shipping Services Co., Ltd.	3,262,806.56			
	Guangdong GSI Elevator Co., Ltd.	310,500.00			
	Subtotal of prepayments	1,825,429,918.97		1,110,639,220.98	

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Project name	Related parties	Ending Balance		Beginning Balance	
		Book value	Bad debt	Book value	Bad debt
Other receivables					
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	2,852,922.79		604,084.16	
	United Structures Ltd.	651,368.09			
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	1,755,692.83		1,702,744.20	
	Guangzhou Longxue Pipe Co., Ltd.	1,353.71			
	Guangzhou Hongfan Hotel Co., Ltd.	2,900,000.00			
	Guangzhou Shipyard International Marine Engineering Co., Ltd.	241,657.11			
	Guangchuan large-scale machinery and equipment company Co., Ltd.	14,705,204.95		7,175,530.02	
	Guangdong GSI Elevator Co., Ltd.	1,900,000.00		1,900,000.00	
	Glory Group Development Co., Ltd.	21,409,733.59		21,396,233.59	
	CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	3,000,021,752.38			
	Subtotal of other receivables	3,046,439,685.45		32,778,591.97	
	Total	5,105,175,298.87		1,339,742,380.17	

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

2) Payables by related parties

Project name	Related parties	Ending Balance	Beginning Balance
Accounts payable			
	Guangdong GSI Elevator Co., Ltd.	2,461,800.00	307,000.00
	Guangchuan large-scale machinery and equipment company Co., Ltd.	4,463,347.64	
	Guangzhou Hongfan Hotel Co., Ltd.	160,882.00	
	Guangzhou Longxue Pipe Co., Ltd.	984,021.00	
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	71,102.47	48,097.00
	Guangzhou XingShun Shipping Services Co., Ltd.	253,439.94	
	Guangzhou Hongfan Technology Co., Ltd.		2,740,620.00
	United Structures Ltd.	6,514,905.38	
	CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	76,300,838.48	5,112,445.00
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	11,033,946.00	
	Subtotal of accounts payable	102,244,282.91	8,208,162.00
Other payables			
	Guangchuan large-scale machinery and equipment company Co., Ltd.	10,120,000.00	
	Guangzhou Hongfan Hotel Co., Ltd.	10,142,363.00	
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	12,620,000.00	
	Guangzhou Wanda Marine Engineering Co., Ltd.	5,280,000.00	
	Guangzhou XingShun Shipping Services Co., Ltd.	31,860,000.00	
	CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	1,647,122.98	
	Glory Group Development Co., Ltd.	7,923.81	7,896.69
	Glory Group Developing Co., Ltd.	1,025,610.23	1,021,909.05
	Subtotal of other payables	72,703,020.02	1,029,805.74
	Total	174,947,302.93	9,237,967.74

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12. CONTINGENCIES

1. Contingent liabilities derived from pending litigation or arbitration

- (1) 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, had a dispute on a technical service contract and GLGS sued Jiangsu Shenghua for breaching of contract of 79600 tons bulk freighter 1# and 2#, which required, A(1) Jiangsu Shenghua shall Eliminate the obstruction, and return to all the production equipment, instruments, materials which belong to the Company and placing on its factory area to the Company immediately; (2) order Jiangsu Shenghua to assume all the liabilities in respect of the loss of above production equipment, instruments, materials; B. Jiangsu Shenghua shall pay the Company technical fees and interest of RMB2.4 million which Jiangsu Shenghua owns the Company, and assume penalty of RMB2.4 million; C. Jiangsu Shenghua shall pay Guangli Company the project funds, penalty and the job ready loss which it owns Guangli Company, in the amount of RMB50,281,700 (among which: 1# Ship RMB26,876,000 and 2# Ship RMB23,405,700)in total. 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 judgment 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. On June 20, 2014, the Company has made application to the Court for resumption of execution. In November 2014, the Company received notice from executive court of Wuhan Maritime Court, that Jiangsu Shenghua has been ruled bankruptcy in the Zhenjiang Intermediate People’s Court t at the end of October, all cases which are executing shall be terminated, creditors shall report their claims in the Zhenjiang Intermediate People’s Court. Calculation in respect of the bankruptcy claims has been completed, and filing the creditor claims data to the liquidation group.

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- (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 2009 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; 2. 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; 3. 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 judgment 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 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. Jinan Intermediate People's Court visited Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd for stocktaking and valuation on November 17, 2014. After the written valuation will carry forward on the auction of the land and property of Tian Jiang.

2. **Except for the contingencies mentioned above, there's no other significant contingency within the Group at 31 December 2014.**

13. COMMITMENTS

1. Significant commitment

(1) *Pledged assets*

Except for the pledged term deposits in bank, the Group has no other pledge assets at the end of the year.

2) *Undue forward foreign exchange transaction*

To minimise the foreign currency risk, the Group engaged in the forward foreign exchange contract with bank. At the end of the year, there are 59 outstanding forward foreign exchange contracts amounting to USD1,049,700,000, with the longest settlement date of 25 July 2017; the loss from changes in the fair value was RMB41,140,200 recognized at the end of the year. There are 4 outstanding forward foreign exchange contracts amounting to USD11,487,700, with the longest settlement date of 28 April 2015; the loss from changes in the fair value was RMB2,337,600 recognized at the end of the year.

2. Fulfillments of previous commitments

The payment of the pledged loans and settlement of forward contracts can be done by the Group according to agreement

3. Except for the commitments mentioned above, there's no other significant commitment within the Group at 31 December 2014.

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14. POST BALANCE SHEET EVENTS

As at the date of audited report, there was no non-adjusting significant post balance sheet date event.

15. OTHER SIGNIFICANT EVENTS

1. Correction of errors of prior periods and their effect

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

2. Segment information

According to the Group's internal organisational 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 of the Group 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.

2014

Items	Shipbuilding and related business	Steel structure engineering	Others	Elimination	Total
Operating income	10,312,366,483.87	439,403,416.06	2,017,715,709.55	3,238,744,727.74	9,530,740,881.74
Including: External transaction revenue	8,508,089,999.55	439,403,416.06	583,247,466.13		9,530,740,881.74
Revenue between segments	1,804,276,484.32		1,434,468,243.42	3,238,744,727.74	
Operating cost	10,562,548,931.31	401,591,572.26	1,977,268,669.32	3,310,428,755.41	9,630,980,417.48
Period charge	573,014,185.04	27,994,343.30	325,464,794.88	3,359,791.79	923,113,531.43
Segment total profit (total loss)	159,177,500.49	11,864,487.74	-253,310,964.29	-141,599,168.93	59,330,192.87
Total assets	28,934,401,853.16	412,643,698.36	3,268,554,370.47	8,945,506,556.37	23,670,093,365.62
Including: Significant impairment loss of individual assets					
Total liabilities	23,005,096,747.86	269,109,082.22	1,714,360,646.22	6,990,605,618.20	17,997,960,858.10
Supplementary information					
Capitalised expense	409,882,676.43	5,388,034.87	28,592,020.11		443,862,731.41
Recognised loss of impairment	56,886,334.55	358,570.71	19,801,565.60	65,102,025.36	11,944,445.50
Including: Share of impairment of goodwill					
Depreciation and amortization expense	378,528,431.32	1,164,930.28	46,393,427.44	6,099,787.35	419,987,001.69
Non-cash expenses other than loss of impairment, depreciation and amortization					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

2013

Items	Shipbuilding and related business	Steel structure engineering	Others	Elimination	Total
Operating income	5,114,415,792.95	438,553,119.66	1,661,340,352.27	1,376,040,750.69	5,838,268,514.19
Including: External transaction revenue	4,756,215,061.05	438,553,119.66	643,500,333.48		5,838,268,514.19
Revenue between segments	358,200,731.90		1,017,840,018.79	1,376,040,750.69	
Operating cost	5,037,526,639.49	379,788,834.02	1,534,202,326.27	1,366,622,966.85	5,584,894,832.93
Period charge	693,207,934.48	29,328,684.42	112,638,106.39	-9,095,783.54	844,270,508.83
Segment total profit (total loss)	-433,041,144.73	16,594,547.03	26,495,081.46	62,169,786.16	-452,121,302.40
Total assets	22,150,630,480.05	804,967,420.88	1,531,176,558.32	2,927,913,235.31	21,558,861,223.94
Total liabilities	18,228,477,767.03	621,765,206.44	1,227,212,343.71	2,446,819,957.92	17,630,635,359.26
Supplementary information					
Capitalised expense	120,934,099.85	4,137,624.09	54,546,945.62		179,618,669.56
Recognised loss of impairment	271,548,021.85	-44,654.20	3,636,344.82	7,405,235.58	267,734,476.89
Including: Share of impairment of goodwill					
Depreciation and amortization expense	395,468,648.95	1,467,290.60	44,401,750.77		441,337,690.32
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 Year	Last Year
Inside China (except Hong Kong)	9,476,792,900.06	5,786,134,920.19
Hong Kong	53,947,981.68	52,133,594.00
Total	9,530,740,881.74	5,838,268,514.19
Total non-current assets	Ending Balance	Beginning Balance
Inside China (except Hong Kong)	8,755,843,921.27	8,723,708,722.11
Hong Kong	59,017,394.10	53,012,366.94
Total	8,814,861,315.37	8,723,708,722.11

Note: Total non-current assets exclude financial assets and total deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

3. Progress of Material Assets Restructure

On 31 October 2014, the 11th Meeting of the 8th Session of the Board of the Company resolved that: "The Company proposed to acquire 100% equity interests in CSSC Huangpu CSSC Wenchong Shipbuilding Ship Company Limited ("Huangpu Wenchong") which held by CSSC, by way share issue and payment of cash, among which., 85% equity interests in Huangpu Wenchong is purchased by way of share issue, and 15% equity interests in Huangpu Wenchong is paid by cash; acquire related shipbuilding assets which Yangzhou Kejin owns from Yangzhou Kejin by way of share issue. Meanwhile, the Company proposed that the non-public issue of A Shares to no more than 10 specific investors by enquiry to raise financing funds with amounts no more than 25% of the aggregate transaction amount (the "Material Assets Restructure").

On 26 November 2014, the Material Assets Restructure was approved by National defense science and technology industry authorities.

On 5 December 2014, the Company announced the "Shareholders Circular" of the Material Assets Restructure.

On 28 December 2014, the Material Assets Restructure was approved by State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

On 22 December 2014, the Material Assets Restructure was approved on the 4th EGM of the Company in 2014, first class meeting of domestic shares of the Company in 2014, first class meeting of foreign shares of the Company in 2014.

On 2 February 2015, the Material Assets Restructure was approved at the 10th meeting in 2015 of Listed Companies Merger and Reorganization Vetting Committee of the China Securities Regulatory Commission.

16. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Cash and cash equivalents

Items	Ending Balance	Beginning Balance
Cash	52,919.87	72,170.91
Bank deposits	3,702,377,814.04	3,642,192,696.97
Others	3,001,122,677.34	2,315,581,253.55
Total	6,703,553,411.25	5,957,846,121.43

Including: total amount deposited overseas

Note 1: The ending balances of other monetary fund include credit card deposit of RMB114,415.34 (Beginning Balance: RMB108,182.73); and fixed deposit for long-term and short-term mortgage loans amounted RMB3,001,008,262.00 (Beginning Balance: 2,315,473,070.82), this guaranteed fixed deposit would be terminated after the debt redemption.

2. Financial assets at fair value through profit or loss

The item is consistent with amount in the consolidated financial statements. Please refer to Note VI/2 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

3. Notes receivable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	2,700,000.00	
Total	2,700,000.00	

4. Account receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	416,203,436.56	599,205,935.28
Less: provision for bad debts	1,682,545.82	2,879,932.47
Net amount	414,520,890.74	596,326,002.81

(1) Terms of sales on credit

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

(2) Aging analysis

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt		Amount	Book value		Bad debt		Amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year	258,782,111.69	62.18	758,375.38	0.29	258,023,736.31	517,374,069.39	86.35	1,852,853.93	0.36	515,521,215.46
1-2 years	125,400,320.71	30.13	14,364.05	0.01	125,385,956.66	15,588,034.55	2.60	73,999.60	0.47	15,514,034.95
2-3 years	9,755,856.41	2.34	43,988.42	0.45	9,711,867.99	26,916,255.89	4.49	33,593.86	0.12	26,882,662.03
3-4 years	3,743,195.01	0.90	4,572.16	0.12	3,738,622.85	17,809,284.68	2.97	89,046.42	0.50	17,720,238.26
4-5 years	17,809,284.68	4.28	232,728.87	1.31	17,576,555.80	21,177,921.17	3.53	490,069.06	2.31	20,687,852.11
5 years or above	712,668.06	0.17	628,516.93	88.19	84,151.13	340,369.60	0.06	340,369.60	100.00	-
Total	416,203,436.56	-	1,682,545.82	-	414,520,890.74	599,205,935.28	-	2,879,932.47	-	596,326,002.81

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(3) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt		Amount	Book value		Bad debt		Amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
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	794,604.06	0.19	794,604.06	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	177,587,706.68	42.67	887,941.76	0.50	176,699,764.92	430,690,572.59	71.88	2,153,452.87	0.50	428,537,119.72
Accounts receivable with no bad debts provision	237,821,125.82	57.14	-	-	237,821,125.82	167,788,883.09	28.00	-	-	167,788,883.09
Total	416,203,436.56	-	1,682,545.82	-	414,520,890.74	599,205,935.28	-	2,879,932.47	-	596,326,002.81

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

- 1) Accounts receivable that are individually significant, or insignificant but are provided for bad debts on individual basis as at the end of the year

Company Name	Book value	Bad debts	%	Reasons
Qingdao Haier Special electric freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long-overdue with risk of uncollectibility
China Refrigeration Industry Co., Ltd	166,510.00	166,510.00	100.00	Long outstanding period, with operational difficulties
	117,000.00	117,000.00	100.00	Long-overdue with risk of uncollectibility
Hefei Hualing Co., Ltd.				
Zhenhua Gulf Engineering Co. Ltd.	68,124.46	68,124.46	100.00	Long-overdue with risk of uncollectibility
Qingdao Haier Special Plastic Co. Ltd.	44,800.00	44,800.00	100.00	Long-overdue with risk of uncollectibility
Hisense (Nanjing) Electric Company Limited	39,100.00	39,100.00	100.00	Long-overdue with risk of uncollectibility
Chengdu Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Long-overdue with risk of uncollectibility
Guangzhou Merro steel grating Co., Ltd.	35,000.00	35,000.00	100.00	Long-overdue with risk of uncollectibility
Qingdao Haier Special electric freezer Co., Ltd.	18,000.00	18,000.00	100.00	Long-overdue with risk of uncollectibility
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Long-overdue with risk of uncollectibility
Shenzhen Jishang Architectural Company	15,904.00	15,904.00	100.00	Long-overdue with risk of uncollectibility
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Long-overdue with risk of uncollectibility
Total	794,604.06	794,604.06	100.00	

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

Items	Book value	%	Bad debts
Within 1 year	151,674,430.28	0.50	758,375.38
1-2 years	2,872,810.24	0.50	14,364.05
2-3 years	8,797,685.13	0.50	43,988.42
3-4 years	914,432.35	0.50	4,572.16
4-5 years	13,243,774.68	0.50	66,218.87
Over 5 years	84,574.00	0.50	422.88
Total	177,587,706.68	-	887,941.76

- (3) Accounts receivables which do not make bad debt provision

Name of company	Ending carrying value	Bad debt provision	Net amount
Receivables from subsidiaries	237,821,125.82		237,821,125.82
Total	237,821,125.82		237,821,125.82

- (4) There was no bad debts provision reversed or recovered as at the end of the year

- (5) As at end of the year, there were no account receivables that have been actually written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(6) Top 5 Clients as at the end of the year

Company Name	Relationship	Amount	Aging	Proportion in accounts receivable (%)	Ending balances of bad-debt provision
Client 1	Subsidiary	95,201,961.86	Within 1 year	22.87	
Client 2	Subsidiary	72,753,861.03	Within 1 year	17.48	
Client 3	External client	48,401,290.00	Within 1 year	11.63	242,006.45
Client 4	External client	27,462,000.00	Within 1 years	6.60	137,310.00
Client 5	External client	19,568,562.00	Within 1 year	4.70	97,842.81
Total		263,387,674.89		63.28	477,159.26

5. Prepayments

(1) Aging analysis

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	2,539,837,133.49	96.67	1,627,830,837.17	94.90
1-2 years	62,221,661.62	2.37	60,650,767.97	3.54
2-3 years	5,908,526.14	0.22	7,818,856.25	0.46
3 years or above	19,345,227.90	0.74	18,928,937.10	1.10
Total	2,627,312,549.15	-	1,715,229,398.49	-

(2) Prepayments with aging over one year and are of significant amount, and the reasons for not settling on time.

Company Name	Relationship	Amount	Proportion in prepayments %	Aging	Reasons
Research Institute A of China Shipbuilding Industry Corp	External Client	18,985,000.00	0.75	1-2 years	Facilities not arrived
Shanxi Diesel Engine Co., Ltd.	External Client	10,080,000.00	0.40	1-2 years	Facilities not arrived
WARTSILA China Co., Ltd.	External Client	9,732,054.90	0.39	1-2 years	Facilities not arrived
China Marine Power Co., Ltd.	Under the same control of CSSC	3,482,000.00	0.14	1-2 years	Facilities not arrived
Henan Diesel Engine Heavy Industry Co., Ltd.	External Client	2,262,880.00	0.09	1-2 years	Facilities not arrived
Total		44,541,934.90	1.77		

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

(3) Top 5 prepayments at the end of the year

Company Name	Ending balance	Aging	Proportion of total ending prepayments (%)
CSSC Guangzhou Longxue Shipbuilding Co., Ltd. The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	1,678,381,999.50	Within 1 year	66.50
Poly Technology Co., Ltd.	382,949,914.39	Within 1 year	15.17
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	66,611,024.00	Within 1 year	2.64
WARTSILA Company (Finland)	61,576,540.60	0-2 years	2.33
	58,730,646.55	1-2 years	2.33
Total	2,248,250,125.04		88.97

6. Interest receivable

Items	Ending Balance	Beginning Balance
Fixed deposit	123,613,565.69	108,337,980.19
Total	123,613,565.69	108,337,980.19

7. Dividends receivable

Items (or invested company)	Ending Balance	Beginning Balance
South China Special Coating Industrial Co., Ltd. In Guangzhou Economic and Technological Development Zone United Structures Ltd.	721,976.56	63,484,936.63
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	44,000,000.00	3,600,000.00
Guangzhou Hongfan Technology Co., Ltd.	3,600,000.00	510,000.00
Total	48,321,976.56	67,594,936.63

8. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	4,220,788,444.34	806,680,727.98
Less: provision for bad debts	11,729,203.78	10,640,353.67
Net amount	4,209,059,240.56	796,040,374.31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(1) Aging analysis

Items	Ending Balance					Beginning Balance				
	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value
Within 1 year	3,967,932,904.30	94.01	1,326,064.26	0.03	3,966,606,840.04	588,411,861.80	72.94	237,666.35	0.04	588,174,195.45
1-2 years	241,596,425.94	5.72	1,000.96	0.00	241,595,424.98	205,941,126.06	25.53	4,705.63	0.00	205,936,420.43
2-3 years	835,937.45	0.02	4,179.69	0.50	831,757.76	14,607.97	0.00	73.04	0.50	14,534.93
3-4 years	9,894.50	0.00	49.47	0.50	9,845.03	3,300.00	0.00	16.50	0.50	3,283.50
4-5 years	150.00	0.00	0.75	0.50	149.25					
5 years or above	10,413,132.15	0.25	10,397,908.65	99.85	15,223.50	12,309,832.15	1.53	10,397,892.15	84.47	1,911,940.00
Total	4,220,788,444.34	-	11,729,203.78	-	4,209,059,240.56	806,680,727.98	-	10,640,353.67	-	796,040,374.31

(2) Classification

Items	Ending Balance					Beginning Balance				
	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value
Other receivables that are individually significant and are provided for bad debts on individual basis	10,340,232.15	0.24	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	266,274,326.74	6.31	1,331,371.63	0.50	264,942,955.11	48,504,303.86	6.01	242,521.52	0.50	48,261,782.34
Other receivables with no bad debt reserves	3,944,116,285.45	93.45			3,944,116,285.45	747,778,591.97	92.70			747,778,591.97
Total	4,220,788,444.34	-	11,729,203.78	-	4,209,059,240.56	806,680,727.98	-	10,640,353.67	-	796,040,374.31

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

- 1) Other receivables that are individually significant and provided for bad debts on individual basis as at the end of the year

Company Name	Ending Balance			Reasons
	Book value	Bad debts	Provision proportion (%)	
Mitsuhiro International Co., Ltd., Hong Kong	10,340,232.15	10,340,232.15	100.00	Note
Total	10,340,232.15	10,340,232.15	-	-

Note: Trusted deposits have been exchanged for some assets with Guangzhou National Investment Corp. under the Company and Guangzhou National Investment Debt Restructuring Agreement. On August 17, 2005, according to "the contract of transfer rights" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB10,640,000.00 to Hong Kong Guanghong international Corp, which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Guanghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before September 2005, and pay the rest of debt with interest in Guanghong Optoelectronic Technology Corp, on which Hong Kong Guanghong international Corp has the right of disposition. On September 21, 2009, the Guangdong Province Higher People's Court of Final Appeal has made the judgment, Hong Kong Guanghong international Corp. has to settle the debt principal and interest of the Company within 10 days from the legal effective day. As of the end of 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	Provision proportion (%)	Reasons
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Unrecoverable
Total	57,600.00	57,600.00	-	-

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

Items	Ending balance		
	Other receivables	Bad debts	Provision proportion (%)
Within 1 year	265,212,852.44	1,326,064.26	0.50
1-2 years	200,192.35	1,000.96	0.50
2-3 years	835,937.45	4,179.69	0.50
3-4 years	9,894.50	49.47	0.50
4-5 years	150.00	0.75	0.50
5 years or above	15,300.00	76.50	0.50
Total	266,274,326.74	1,331,371.63	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

4) *Other receivables with no bad debts provision*

Items	Ending Balance	Bad debts provision	Net amount
Receivables from subsidiaries	3,944,116,285.45		3,944,116,285.45
Total	3,944,116,285.45		3,944,116,285.45

(3) There was no provision for bad debts reversed or recovered on individual basis for the year

(4) As at end of the year, there were no account receivables that have been actually written off.

(5) *Other receivables by nature*

Nature	Ending book value	Beginning book value
Refundable deposits	2,007,111.88	1,690,306.00
Temporary receipts receivable	48,113,292.71	36,007,685.72
Subsidy receivables	252,591,822.35	34,323,851.81
Reserve fund	4,002,345.64	2,820,841.93
Subsidiary protection fund	3,000,000,000.00	–
Trusted loans	897,380,000.00	715,000,000.00
Other current account	4,964,667.98	6,197,688.85
Total	4,209,059,240.56	796,040,374.31

(6) *Top 5 other receivables at the end of the year*

Company	Nature	Ending Balance	Aging	Proportion of ending balance of other receivables in total (%)	Ending balance of bad debts provision
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	Production preparation fund and trusted loans	3,123,821,752.38	Within 1 year	74.01	
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Trusted loans	760,000,000.00	0-4 years	18.01	
Export tax refund receivable	Export tax refund	147,612,313.40	Within 1 year	3.50	738,061.57
Product subsidy receivable	Subsidy	106,248,814.59	Within 1 year	2.52	531,244.07
Glory Group Development Co., Ltd.	Current account	21,396,233.59	1-2 years	0.51	
Total		4,159,079,113.96		98.55	1,269,305.64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(7) Receivables involving government subsidy

Name	Projects	Ending Balance	Aging	Date	Expected	
					Amount	Basis
Tax Bureau of Liwan District,	Export tax refund	150,162,800.46	Within 1 year	February 2015	150,162,800.46	The Provisional Regulations of the People's Republic of China on Value-Added Tax
Ministry of finance	Subsidiaries on products	106,248,814.59	Within 1 year	December 2015	106,248,814.59	Finance and tax [2009] 95
Total	-	256,411,615.05	-	-	256,411,615.05	-

9. Inventories

(1) Classification

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	581,965,336.64	8,619,954.02	573,345,382.62	672,651,200.68	7,528,641.63	665,122,559.05
Work in progress	144,554,184.57	9,401,636.44	135,152,548.13	298,401,232.73	13,016,920.92	285,384,311.81
Merchandise inventories	22,424,565.69	31,903.89	22,392,661.80	8,578,079.97	465,694.36	8,112,385.61
Capitalized construction contracts	2,231,345,289.60	344,927,227.70	1,886,418,061.90	607,163,569.15	208,469,351.59	405,983,971.22
Total	2,980,289,376.50	362,980,722.05	2,617,308,654.45	1,586,794,082.53	222,190,854.84	1,364,603,227.69

(2) Inventory impairment

Items	Beginning Balance	Increase		Decrease		Ending Balance
		Accrued	Others	Reversal or write-off	Transferred out	
Raw materials	7,528,641.63	1,091,312.39				8,619,954.02
Work in progress	13,016,920.92	5,096,515.52		8,711,800.00		9,401,636.44
Merchandise inventories	465,694.36			433,790.47		31,903.89
Capitalized construction contracts (relates to inventories)	201,179,597.93	388,174,569.57		290,003,408.57		344,927,227.70
Capitalized construction contracts (relates to contingent liabilities)	362,824,075.45	-	-	-	-	317,247,606.68
Subtotal	585,014,930.29	394,362,397.48		299,148,999.04		680,228,328.73
Less: Capitalized construction contracts (relates to contingent liabilities)	362,824,075.45	-	-	-	-	317,247,606.68
Total	222,190,854.84	-	-	-	-	362,980,722.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(3) The methods of provision for inventory impairment

Items	Basis to recognize net realisable value	Reasons
Raw materials	Book value higher than NPV (Estimated disposal proceeds less taxes)	Receiving materials
Work in progress	Book value higher than NPV (Estimated disposal proceeds less related expenses)	Selling finished products
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)	Selling Merchandise inventories
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Write off according to construction process

(4) The ending completed non-settled capitalized construction contracts

Items	Amount
Accumulated cost incurred	6,821,850,544.98
Accumulated gross profit recognised	-276,601,723.93
Less: estimated loss	662,174,834.38
Add: estimated loss reclassified to estimated liabilities	317,247,606.68
Less: settled amount	4,313,903,531.45
The completed non-settled capitalized construction contracts	<u>1,886,418,061.90</u>

10. Available-for-sale financial assets

(1) Available-for-sale financial assets are as follow

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Equity instrument available-for-sale						
Measured at fair value	1,000,000.00		1,000,000.00	30,070,000.00		30,070,000.00
Measured at cost				29,070,000.00		29,070,000.00
	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
Total	<u>1,000,000.00</u>		<u>1,000,000.00</u>	<u>30,070,000.00</u>		<u>30,070,000.00</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) *The analysis is as follows*

Items	Ending Balance	Beginning Balance
Listed		26,620,000.00
Including: China (except HK)		26,620,000.00
Unlisted	1,000,000.00	3,450,000.00
Total	1,000,000.00	30,070,000.00

(3) *The ending balance of available-for-sale financial assets measured at cost*

Investee	Book value			Provision for impairment			Share holding of investee %	Cash dividend for the year	
	Beginning Balance	Increase	Decrease	Ending Balance	Beginning Balance	Increase			Decrease
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd	1,000,000.00			1,000,000.00				4.05%	
Total	1,000,000.00			1,000,000.00				-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

11. Long-term equity investment

(1) Long-term equity investment

1) Classifications

Items	Ending Balance			Beginning Balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment to subsidiaries	1,123,801,607.69		1,123,801,607.69	477,487,284.25		477,487,284.25
Investment to associates and joint ventures	4,887,152.92		4,887,152.92	5,426,696.10		5,426,696.10
Total	1,128,688,760.61		1,128,688,760.61	482,913,980.35		482,913,980.35

2) Investment to subsidiaries

Investee	Beginning Balance	Increase	Decrease	Ending Balance	Impairment provision for the year	Ending balance of impairment provision
Guangzhou XingShun Shipping Services Co., Ltd.	500,000.00			500,000.00		
United Structures Ltd.	79,095,776.55			79,095,776.55		
Guangdong GSI Elevator Co., Ltd.	19,950,000.00			19,950,000.00		
Guangzhou Hongfan Technology Co., Ltd.	2,550,000.00			2,550,000.00		
Glory Group Development Co., Ltd.	26,443,792.13			26,443,792.13		
Guangzhou Hongfan Hotel Co., Ltd.		33,067,988.09		33,067,988.09		
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	6,652,492.77			6,652,492.77		
Guangchuan large-scale machinery and equipment company Co., Ltd.	188,610,000.00			188,610,000.00		
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	100,000,000.00			100,000,000.00		
Guangzhou Wanda Marine Engineering Co., Ltd.	3,685,222.80			3,685,222.80		
Guangzhou Shipyard International Marine Engineering Co., Ltd.	50,000,000.00			50,000,000.00		
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.		242,055,380.79		242,055,380.79		
Guangzhou Shipyard Shipping Co., Ltd.		371,190,954.56		371,190,954.56		
Total	477,487,284.25	646,314,323.44		1,123,801,607.69		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

3) Investment to associates and joint ventures

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year					Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment		
1. Associated companies										
South China Special Coating Industrial Co., Ltd. In Guangzhou Economic and Technological Development Zone	4,505,874.94			799,504.64			1,399,866.01			3,905,513.57
Zhanjiang/Nanhai Ship Hi-Tech Services Ltd.	920,821.16			96,818.19			36,000.00			981,639.35
Total	5,426,696.10			896,322.83			1,435,866.01			4,887,152.92

(2) Analysis

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	1,128,688,760.61	482,913,980.35
Total	1,128,688,760.61	482,913,980.35

12. Investment property

This item is consistent with the amount in the consolidated financial statements, please refer to Note VI/12 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

13. Fixed assets

(1) Fixed assets category

Items	Buildings	Machinery	Transportation facilities	Others	Total
(I) Net book value					
1. Beginning balance	965,175,571.56	1,017,545,168.92	28,910,049.48	22,080,158.74	2,033,710,948.70
2. Increase for the year	2,540,318.98	11,259,849.02	3,887,719.85	1,193,143.89	18,881,031.74
(1) Capitalized construction in progress transferred-in	2,540,318.98	11,259,849.02	3,887,719.85	1,193,143.89	18,881,031.74
3. Decrease for the year	793,434,522.19	55,542,326.42	225,455.56	–	849,202,304.17
(1) Disposal or scrapped	793,434,522.19	55,542,326.42	225,455.56	–	849,202,304.17
4. Ending balance	174,281,368.35	973,262,691.52	32,572,313.77	23,273,302.63	1,203,389,676.27
(II) Accumulated depreciation					
1. Beginning balance	365,582,009.08	660,833,796.31	13,587,632.25	14,323,438.82	1,054,326,876.46
2. Increase for the year	27,982,915.75	47,742,867.43	2,548,853.84	1,874,086.12	80,148,723.14
(1) Provision	27,982,915.75	47,742,867.43	2,548,853.84	1,874,086.12	80,148,723.14
3. Decrease for the year	318,051,509.61	41,545,299.91	165,219.07	–	359,762,028.59
(1) Disposal or scrapped	318,051,509.61	41,545,299.91	165,219.07	–	359,762,028.59
4. Ending balance	75,513,415.22	667,031,363.83	15,971,267.02	16,197,524.94	774,713,571.01
(III) Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
(IV) Carrying value					
1. Ending net book value	98,767,953.13	306,231,327.69	16,601,046.75	7,075,777.69	428,676,105.26
2. Beginning net book value	599,593,562.48	356,711,372.61	15,322,417.23	7,756,719.92	979,384,072.24

The amortization of fixed assets recognized through profit or loss is RMB80,148,723.14 for Current Year. (Last Year: RMB89,893,584.61).

The increased fixed assets included RMB18,881,031.74 of capitalized construction in progress transferred-in.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) *Buildings analyzed by region and year*

Items	Ending Balance	Beginning Balance
Inside China Mid-term (10-50 years)	98,767,953.13	599,593,562.48
Total	98,767,953.13	599,593,562.48

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

Items	Book value	Reasons
Mechanical and electrical suppliers storage	25,610,551.77	In process
Company 5 floors office building	6,930,780.35	In process
Total	32,541,332.12	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

14. Construction in progress

(1) Category

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
General shipbuilding platform	19,233,590.41		19,233,590.41			
Development the construction of security conditions	14,729,102.96		14,729,102.96	4,250,000.00		4,250,000.00
The shipbuilding division 500HP tugboat 1 set	3,385,711.39		3,385,711.39			
1#3# Slipway Extension Project	2,041,714.01		2,041,714.01			
Comprehensive technical advance fee	1,129,021.51		1,129,021.51	1,096,917.01		1,096,917.01
Research and conservation projects in the prophase of the project funds	904,275.17		904,275.17	693,469.77		693,469.77
Shipbuilding Division onshore power supply with variable frequency function	584,871.97		584,871.97			
Preliminary design of comprehensive technical innovation project	566,037.74		566,037.74			
3# team room mechanical parking facilities	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			
The shipbuilding division stern work platform				2,224,039.02		2,224,039.02
Complex network cabling, safety production expansion and renovation project				2,059,126.00		2,059,126.00
Shipbuilding division 150 ton platform trailer 1 set				1,959,066.78		1,959,066.78
The old dock berth dredging projects				1,502,683.48		1,502,683.48
Electrical goods distribution base project of the old district berths local dredging projects				1,150,454.29		1,150,454.29
Renovation of canteen office building design department office space				655,018.03		655,018.03
Other projects	2,354,555.24		2,354,555.24	4,618,662.39		4,618,662.39
Total	45,899,768.25		45,899,768.25	20,209,436.77		20,209,436.77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) The changes in significant Construction in progress

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Decrease	
Development the construction of security conditions Shipbuilding Division onshore power supply with variable frequency function	4,250,000.00	10,479,102.96	–		14,729,102.96
Assembly shipbuilding platform (Heavy Block Stock Yard and platform project)	–	584,871.97	–		584,871.97
1#3# Slipway Extension Project	–	19,233,590.41	–		19,233,590.41
The shipbuilding division 500HP tugboat 1 set	–	2,041,714.01	–		2,041,714.01
	–	3,385,711.39	–		3,385,711.39
Total	4,250,000.00	35,724,990.74			39,974,990.74

(Continued)

Project Name	Budget	Budget use-up ratio %	Press of work	Accumulated capitalized interest	Capitalized interest for Current Year	Capitalization %	Source of capital
Development the construction of security condition Shipbuilding Division onshore power supply with variable frequency function	14,020,000.00	105.06	In progress				Self financed
Assembly shipbuilding platform (Heavy Block Stock Yard and platform project)	1,500,000.00	38.99	In progress				Self financed
1#3# Slipway Extension Project	253,830,000.00	7.58	In progress				Self financed
The shipbuilding division 500HP tugboat 1 set	4,100,000.00	49.80	Completed				Self financed
	4,800,000.00	70.54					Self financed
Total	278,250,000.00						

15. Fixed assets disposal

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/15 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

16. Fixed assets disposal

(1) Intangible assets in details

Items	Land use right	Software	Total
(I) Net book value			
1. Beginning balance	73,481,962.38	64,596,250.14	138,078,212.52
2. Increase		202,096.11	202,096.11
(1) Purchase		202,096.11	202,096.11
3. Decrease	58,701,453.88		58,701,453.88
(1) Disposal	58,701,453.88		58,701,453.88
4. Ending Balance	14,780,508.50	64,798,346.25	79,578,854.75
(II) Accumulated amortization			
1. Beginning balance	26,784,581.30	47,908,855.90	74,693,437.20
2. Increase	1,151,282.13	5,034,055.72	6,185,337.85
(1) Provision	1,151,282.13	5,034,055.72	6,185,337.85
3. Decrease	24,920,838.99		24,920,838.99
(1) Disposal	24,920,838.99		24,920,838.99
4. Ending balance	3,015,024.44	52,942,911.62	55,957,936.06
(III) Impairment provision			
1. Beginning balance			
2. Increase			
3. Decrease			
4. Ending Balance			
(IV) Carrying value			
1. Ending carrying value	11,765,484.06	11,855,434.63	23,620,918.69
2. Beginning carrying value	46,697,381.08	16,687,394.24	63,384,775.32

There was no intangible asset formed from internal research and development of the Company during the year.

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From January 1, 2014 to December 31, 2014

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Land use right analyzed by region and year:

Items	Ending Balance	Beginning Balance
Inside China Mid-term (10-50 years)	11,765,484.06	46,697,381.08
Total	11,765,484.06	46,697,381.08

The amortization of Intangible assets recognized through profit or loss is RMB6,185,337.85 for Current Year. (Last Year: RMB6,032,127.57).

17. Research and development expense

Items	Beginning Balance	Increase	Decrease	Ending Balance
Semi submerged ship design and construction technology R&D and industrialization		77,671,446.44	77,671,446.44	
Research of Polar module carriers		18,499,165.74	18,499,165.74	
Research on typical cabin arrangement and decoration design manufacturing technology and luxury cruise		16,336,895.05	16,336,895.05	
High performance large curvature complex curved hull plate forming intelligent robot		5,864,866.56	5,864,866.56	
Research and development on catamaran sea houseboat		3,826,195.82	3,826,195.82	
Marine electric propulsion system integration research and equipment development		3,820,915.79	3,820,915.79	
Luxury guest rolling ship generation development		3,709,251.18	3,709,251.18	
Oceanographic research vessel development		2,890,254.86	2,890,254.86	
Emulation of precise shipbuilding techniques		2,633,906.51	2,633,906.51	
Complex component forming key technology and equipment technology		2,031,253.98	2,031,253.98	
Shipbuilding computer integrated manufacturing system –		1,690,294.37	1,690,294.37	
Research & Development of comprehensive manufacturing technology		5,432,657.27	5,432,657.27	
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		1,292,624.94	1,292,624.94	
Ship shaft rudder system assembly		1,066,248.49	1,066,248.49	
Others		22,494,357.68	22,494,357.68	
Total		169,260,334.68	169,260,334.68	

There was no intangible asset formed from internal research and development of the Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

18. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Decrease	Ending Balance
Leasing fixed assets	3,476,413.96	1,165,628.29	1,223,475.74		3,418,566.51
Dining hall complex modification		2,958,232.19	164,346.24		2,793,885.95
Renovation of ventilation and air-conditioning system of technical center building		576,232.19	16,006.45		560,225.74
Total	3,476,413.96	4,700,092.67	1,403,828.43	0.00	6,772,678.20

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	691,049,649.87	103,657,447.48	597,799,800.72	89,669,970.11
Deductible loss				
Prepaid housing subsidy	13,784,639.00	2,067,695.85	17,217,736.00	2,582,660.40
Monetary housing allowance for retired employees	53,318,868.40	7,997,830.26	54,273,837.64	8,141,075.65
Medical insurance for retired employees within 10 years	860,229.87	129,034.48	860,229.78	129,034.47
Payroll for retiring employees	26,015.73	3,902.36	380,144.94	57,021.74
Accrued expenses	71,838,503.93	10,775,775.59		
Payroll balance owing at year end	183,006.00	27,450.90	459,734.48	68,960.17
Financial liabilities at fair value through profit and loss	55,734,758.73	8,360,213.81		
Available-for-sale financial assets			10,480,000.00	1,572,000.00
Employee education expense	15,612,687.33	2,341,903.10	14,088,084.07	2,113,212.60
Others	190,612,106.60	28,591,815.99		
Total	1,093,020,465.47	163,953,069.82	695,559,567.63	104,333,935.14

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(2) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Fair value changes in financial assets available for sale			90,741.07	13,611.16
Financial value changes in available-for-sale financial assets	13,007,994.71	1,951,199.21	69,210,083.75	10,381,512.56
Total	13,007,994.71	1,951,199.21	69,300,824.82	10,395,123.72

20. Short-term loans

Category	Ending Balance	Beginning Balance
Mortgage loans	1,133,653,446.88	30,484,500.00
Total	1,133,653,446.88	30,484,500.00

As at the end of 2014, the short-term loans of RMB1,133,653,446.88 are granted with other cash fund of RMB877,676,935.13 of the Group as the pledge.

As at 31 December 2014, the weighted average annual interest rate of short-term loans is 3.7368%.

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

Items	Ending Balance	Beginning Balance
Designated as financial liabilities at fair value through profit or loss Including: forward exchange contract	55,734,758.74 55,734,758.74	
Total	55,734,758.74	

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22 Notes payable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	795,965,835.62	616,401,532.69
Total	795,965,835.62	616,401,532.69

23. Accounts payable

(1) Accounts payable

Items	Ending Balance	Beginning Balance
Materials purchased	1,367,986,554.05	1,020,403,240.45
Settlements for projects	152,848,035.74	16,787,122.95
Product settlement	24,852,222.08	28,526,160.98
Warranty	110,149,292.45	76,468,364.63
Other projects and labour service	13,792,599.27	190,686,804.44
Total	1,669,628,703.59	1,332,871,693.45

(2) Aging analysis of accounts payable

As at 31 December 2014, the aging analysis of amounts payable is as follows:

Items	Ending Balance	Beginning Balance
Within 1 year	1,621,526,071.44	1,267,625,159.82
1-2 years	33,899,556.55	25,793,996.72
2-3 years	8,774,524.20	33,477,551.26
3 years or above	5,428,551.40	5,974,985.65
Total	1,669,628,703.59	1,332,871,693.45

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

(3) Significant accounts payable aged more than 1 year

Company name	Ending Balance	Reasons
Research Institute A of China Shipbuilding Industry Corp	7,870,992.00	Quality guarantee deposit
Research Institute B of China Shipbuilding Industry Corp	7,848,500.00	Quality guarantee deposit
Guangzhou Construction Group Co. Ltd.	5,854,242.99	Quality guarantee deposit
Kalzip (Guangzhou) Limited Company	5,650,559.31	Quality guarantee deposit
Nanjing Panda Handa Technology Co., Ltd.	4,450,000.00	Quality guarantee deposit
Total	31,674,294.30	—

24. Advances from customers

(1) Advances from customers

Items	Ending Balance	Beginning Balance
shipbuilding and off-shore engineering products	389,388,976.99	161,813,285.03
Other products	58,270,122.75	245,648,251.35
Total	447,659,099.74	407,461,536.38

(2) Significant advances from customers aged more than 1 year

Company name	Ending Balance	Reasons
Sandvik Mining and Construction Material Handling GmbH & Co KG	5,089,677.08	Not settled
China Construction of the Eighth IndustryEquipment Installment Co. Ltd.	3,642,000.00	Not settled
Qingdao Haier Special electric freezer Co., Ltd.	3,119,247.86	Not settled
Jiantao (Lianzhou) Copper Toil Co., Ltd.	2,176,200.00	Not settled by Fogang precision filter production engineering due to reasons such as quality
Stokes Industries Inc	1,088,388.54	Not settled
Total	15,115,513.48	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

25. Employee benefits

(1) Classification of employee benefits

Items	Beginning Balance	Increase	Decrease	Ending Balance
Short-term payroll	15,788,468.44	719,296,533.43	718,300,728.88	16,784,272.99
Post-employment benefits				
– Defined contribution plan		45,092,846.55	45,092,846.55	
Severance benefits	336,793.42	208,597.27	519,374.97	26,015.72
Other long-term staff welfare due within one year	2,795,580.00	2,795,580.00	2,795,580.00	2,795,580.00
Total	18,920,841.86	767,393,557.25	766,708,530.40	19,605,868.71

(2) Short-term payroll

Items	Beginning Balance	Increase	Decrease	Ending Balance
Wages or salaries, bonuses, allowances and subsidies	503,085.93	295,279,333.95	295,599,413.84	183,006.04
Staff welfare		22,296,163.61	22,296,163.61	
Social insurance		24,060,882.50	24,060,882.50	
Including: Medical insurance		20,329,567.72	20,329,567.72	
Work-related injury insurance		1,906,168.29	1,906,168.29	
Maternity insurance		953,084.14	953,084.14	
Supplementary medical insurance		872,062.35	872,062.35	
Housing fund		29,892,115.00	29,892,115.00	
Union & Education funds	15,285,382.51	7,202,997.00	5,887,112.56	16,601,266.95
Outsourcing labour costs and others				
Non-monetary benefits		340,565,041.37	340,565,041.37	
Total	15,788,468.44	719,296,533.43	718,300,728.88	16,784,272.99

(3) Defined contribution plan

Items	Beginning Balance	Increase	Decrease	Ending Balance
Basic medical insurance		42,888,786.20	42,888,786.20	
Unemployment insurance		2,204,060.35	2,204,060.35	
Enterprise annuity				
Total		45,092,846.55	45,092,846.55	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

26. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-222,398,081.68	-101,432,138.50
Business Tax	2,001,307.79	7,866,531.44
Corporate Income Tax	84,471,034.30	19,599,693.52
Individual Income Tax	5,034,018.08	4,985,929.76
City Maintenance and Construction Tax	155,584.48	664,757.57
Real Estate Tax	878,326.70	899,961.17
Land Appreciation Tax	280,593.80	280,593.80
Education Surcharge	111,131.77	474,826.83
Flood control and maintain expenses	1,683,691.37	1,621,852.94
Total	-127,782,393.39	-65,037,991.47

27. Interests 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	12,161,810.98	10,703,500.67
Interest payable of short-term borrowings	2,945,134.55	59,275.40
Total	15,106,945.53	10,762,776.07

28. Dividends payable

Items	Ending Balance	Beginning Balance
Dividend payable of A Share	67,010.53	66,449.19
Dividend payable of H Share	110,711.24	110,711.24
Dividend payable of the minority interests		
Total	177,721.77	177,160.43

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

29. Other payables

(1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Pledged deposits	308,100.00	258,500.00
Payable of temporary receipts	13,180,332.58	16,811,438.74
Concentrated fund	82,290,000.00	
Total	95,778,432.58	17,069,938.74

(2) Significant other payables aged more than 1 year

Company Name	Ending Balance	Reasons
Hong Kong Hualian Ship Co., Ltd.	469,396.39	Not settled
Renfuwei scientific and technological progress bonus fund	455,960.73	Not settled
Total	925,357.12	

30. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	1,276,705,757.83	789,219,805.15
Total	1,276,705,757.83	789,219,805.15

31. Other current liabilities

(1) Classification of other current liabilities

Items	Ending Balance	Beginning Balance
Long-term project settlement	4,856,001,300.17	2,766,416,684.35
Shipbuilding products	4,856,001,300.17	2,766,416,684.35
Deferred income	3,791,678.90	4,107,745.20
Government subsidy	3,791,678.90	4,107,745.20
Total	4,859,792,979.07	2,770,524,429.55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Projects that are completed but not yet settled under construction contract at the end of the year

Items	Amount
Billed amount	9,169,904,831.62
Less: accumulated costs	4,313,903,531.45
Projects that are completed but not yet settled under construction contract	<u>4,856,001,300.17</u>

(3) Government subsidy

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
Metering scientific instruments for the Group	9,999.96	9,999.96	9,999.96		9,999.96	Related to assets
150 tons self-propelled hydraulic flatbed (Revamp Fund)	166,666.68	166,666.68	166,666.68		166,666.68	Related to assets
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	142,191.84	142,191.84	142,191.84		142,191.84	Related to assets
Dock adaptive transformation	26,666.64	26,666.64	26,666.64		26,666.64	Related to assets
Noise control engineering for painting workshop	15,789.48	15,789.48	15,789.48		15,789.48	Related to assets
Coating technology and transformation (coating workshop building)	153,698.64	153,698.64	153,698.64		153,698.64	Related to assets
Noise control engineering for new area	9,519.96	9,519.96	9,519.96		9,519.96	Related to assets
Transferring capabilities of regional value integration and upgrading technologies	50,000.04	50,000.04	50,000.04		50,000.04	Related to assets
Integrated ship building project	2,461,881.12	2,348,780.76	2,461,881.12		2,348,780.76	Related to assets
Innovative capacity-building projects of the Enterprise Technology Centre	300,000.00	300,000.00	300,000.00		300,000.00	Related to assets
Upfront fees for infrastructure development of the quality Department metering station	737,997.48	535,031.54	737,997.48		535,031.54	Related to assets
Upfront fees for comprehensive technology upgrading		-			-	Related to assets
Dock adaptive transformation (1)	33,333.36	33,333.36	33,333.36		33,333.36	Related to assets
Total	<u>4,107,745.20</u>	<u>3,791,678.90</u>	<u>4,107,745.20</u>		<u>3,791,678.90</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

32. Long-term loans

(1) Category

<u>Classification</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>
Mortgage loans	2,357,777,146.51	2,077,624,278.31
Secured loans	187,000,000.00	
Unsecured loans	600,000,000.00	600,000,000.00
Less: Due within 1 year	1,276,705,757.83	789,219,805.15
Total	1,868,071,388.68	1,888,404,473.16

Interest rate of long-term loans mainly within the range of 1.72%-5%.

Mortgage:

As at 31 December 2014, the long-term loans of RMB2,357,777,146.51 are granted with other cash fund of RMB2,073,461,070.82 of the Group as the pledge.

Guarantee:

As at 31 December 2014, long-term loans of RMB187,000,000.00 was guaranteed by credit guarantee provided by China State Shipbuilding Corporation.

Interest rate

As at 31 December 2014, the weighted average annual interest rate of long-term loans is 2.5037%

(2) Long-term loans due date analysis

<u>Items</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>
1 - 2 years	1,191,071,388.68	1,288,404,473.16
2 - 5 years	677,000,000.00	
5 years or above		600,000,000.00
Total	1,868,071,388.68	1,888,404,473.16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

33. Long-term staff welfare payable

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/33 for details.

34. Special payable

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/34 for details.

35. Estimated liabilities

Items	Ending Balance	Beginning Balance	Reason
Product quality warranties	71,838,503.94	74,130,127.14	Maintenance fee provision
Onerous contract note	317,247,606.68	362,824,075.45	Note
Total	389,086,110.62	436,954,202.59	

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

36. Deferred income

(1) Classification of deferred income

Items	Beginning Balance	Increase	Decrease	Ending Balance
Government subsidy	90,141,707.60	68,031,765.00	47,402,242.73	111,087,296.17
Total	90,141,707.60	68,031,765.00	47,402,242.73	111,087,296.17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Government subsidy

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Related to assets/related to profit
Upfront fees for comprehensive technology upgrading	43,700,000.00		-	-	43,700,000.00	Related to assets
1 st development the construction of security conditions		30,000,000.00			30,000,000.00	Related to assets
Shipbuilding Division stern platform	21,977,966.62	5,000,000.00	9,996,123.67		16,981,842.95	Related to profit
Integrated ship building project	14,387,126.53		2,258,916.14		12,241,310.75	Related to assets
Upfront fees for infrastructure development of the quality Department metering station	2,698,430.60		624,897.12		2,276,499.42	Related to assets
Enterprise Technology Center innovative capacity-building projects	1,500,000.00		300,000.00		1,200,000.00	Related to assets
150 tons self-propelled hydraulic flatbed	1,208,333.27		166,666.68		1,041,666.59	Related to assets
Coating technology and transformation	1,101,506.80		153,698.64		947,808.16	Related to assets
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	995,342.16		142,191.84		853,150.32	Related to assets
Dock adaptive transformation (1)	739,999.84		33,333.36		699,999.76	Related to assets
Dock adaptive transformation	580,000.16		26,666.64		560,000.24	Related to assets
Noise control engineering for new area	195,493.52		9,519.96		185,973.56	Related to assets
Noise control engineering for painting workshop	189,473.64		15,789.48		173,684.16	Related to assets
Implementation of information technology and industrialization management system standards		100,000.00	-		100,000.00	Related to profit
Standardized special fee		131,765.00	42,946.72		88,818.28	Related to profit
Metering scientific instruments for the Group	32,500.27		9,999.96		22,500.31	Related to assets
Transferring capabilities of regional value integration and upgrading technologies	64,041.63		49,999.96		14,041.67	Related to assets
Key technology and equipment of ship systems	260,000.00		260,000.00		-	Related to profit
Key equipment and technology of complex component modeling		1,600,000.00	1,600,000.00		-	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		17,000,000.00	17,000,000.00		-	Related to profit
Emulation of precise shipbuilding techniques		2,600,000.00	2,600,000.00		-	Related to profit
76,000 tons of semi-submersible transport ship design and construction technology development and industrialization		10,000,000.00	10,000,000.00		-	Related to profit
Research & manufacturing of testing and analysing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		1,200,000.00	1,200,000.00		-	Related to profit
Research on archives of shipbuilding by International Maritime Organization		400,000.00	400,000.00		-	Related to profit
Total	90,141,707.60	68,031,765.00	47,402,242.73		111,087,296.17	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

37. Share capital

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/37 for details.

38. Capital reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	502,982,007.95	1,449,072,276.47		1,952,054,284.42
Other capital reserves	582,931.25			582,931.25
Total	503,564,939.20	1,449,072,276.47		1,952,637,215.67

Note: During the year 2014, share capital premium increased by RMB1,449,072,276.47. 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. After capital increase, share capital premium therefore increased by the remaining proceeds after the issuance cost.

Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	502,982,007.95			502,982,007.95
Other capital reserves	173,151,908.32	-1,309,000.00	171,259,977.07	582,931.25
Total	676,133,916.27	-1,309,000.00	171,259,977.07	503,564,939.20

39. Other comprehensive income

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/39 or details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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40. Special reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		11,299,462.64	11,299,462.64	
Total		11,299,462.64	11,299,462.64	

Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		43,363,109.26	43,363,109.26	
Total		43,363,109.26	43,363,109.26	

41. Surplus reserves

Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	424,890,084.65	10,421,985.22		435,312,069.87
Discretionary surplus reserves	18,582,196.43			18,582,196.43
Total	443,472,281.08	10,421,985.22		453,894,266.30

Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	412,289,185.17	12,600,899.48		424,890,084.65
Discretionary surplus reserves	18,582,196.43			18,582,196.43
Total	430,871,381.60	12,600,899.48		443,472,281.08

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

42. Undistributed profits

Current Year

Items	Amounts	Appropriation %
Ending balance of last year	2,367,213,921.15	
Add: Beginning retained earnings adjustment		
Including: Retroactive adjustment according to new Accounting standards		
Including: Changes in accounting policies		
Corrections of Prior Period Error		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	2,367,213,921.15	
Add: Net profit attributable to Parent Company of Current Year	104,219,852.17	
Less: Provision of statutory surplus reserve	10,421,985.22	10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	10,305,346.51	
Capitalized ordinary share dividend		
Ending Balance of Current Year	2,450,706,441.59	

Last Year

Items	Amounts	Appropriation %
Ending Balance of Last Year	2,330,975,528.31	
Add: Beginning retained earnings adjustment		
Including: Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
Beginning Balance of Current Year	2,330,975,528.31	
Add: Net profit attributable to Parent Company of Current Year	126,008,994.80	
Less: Provision of statutory surplus reserve	12,600,899.48	10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	77,169,702.48	
Capitalized ordinary share dividend		
Ending Balance of Current Year	2,367,213,921.15	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

43. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	16,759,398,283.11	10,675,188,125.30
Less: current liabilities	10,242,027,156.67	5,928,856,222.85
Net current assets	6,517,371,126.44	4,746,331,902.45

44. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	18,582,147,084.10	12,388,558,012.69
Less: current liabilities	10,242,027,156.67	5,928,856,222.85
Total assets less current liabilities	8,340,119,927.43	6,459,701,789.84

45. Loans

Detailed information:

Items	Ending Balance	Beginning Balance
Short-term loans	1,133,653,446.88	30,484,500.00
Non-current assets due within 1 year	1,276,705,757.83	789,219,805.15
Long-term loans	1,868,071,388.68	1,888,404,473.16
Total	4,278,430,593.39	2,708,108,778.31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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(1) Analysis

Items	Ending Balance	Beginning Balance
Bank loans		
– Bank loans due within 5 years	4,278,430,593.39	2,108,108,778.31
– Bank loans due after 5 years		600,000,000.00
Other loans		
– Other loans due within 5 years		
– Other loans due after 5 years		
Total	4,278,430,593.39	2,708,108,778.31

(2) Due date analysis

Items	Ending Balance	Beginning Balance
Pay back as required or within 1 year	2,410,359,204.71	819,704,305.15
1-2 years	1,191,071,388.68	1,288,404,473.16
2-5 years	677,000,000.00	
Over 5 years		600,000,000.00
Total	4,278,430,593.39	2,708,108,778.31

46. Operating income & Operating cost

Items	Current Year	Last Year
Main operation income	6,569,366,388.99	3,165,025,227.06
Other operation income	313,317,688.93	145,998,760.80
Total	6,882,684,077.92	3,311,023,987.86
Main operation cost	6,841,836,200.92	3,023,686,521.30
Other operation cost	275,775,403.75	116,744,506.74
Total	7,117,611,604.67	3,140,431,028.04

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Gross margin

Items	Current Year	Last Year
Main operation income	6,569,366,388.99	3,165,025,227.06
Main operation cost	6,841,836,200.92	3,023,686,521.30
Gross margin	-272,469,811.93	141,338,705.76

Revenue from building contracts

Items	Current Year	Last Year
Revenue from building contracts	6,083,896,881.37	2,944,772,112.54

(1) Main operation income – classified by products

Items	Current Year	Last Year
Operation income		
Shipbuilding	6,083,896,881.37	2,944,772,112.54
Steel Structure Engineering	87,011,652.85	67,316,323.57
Mechanical and electrical products and others	398,457,854.77	152,936,790.95
Total	6,569,366,388.99	3,165,025,227.06
Operation cost		
Shipbuilding	6,352,410,639.48	2,808,069,207.40
Steel Structure Engineering	92,385,335.15	70,309,689.85
Mechanical and electrical products and others	397,040,226.29	145,307,624.05
Total	6,841,836,200.92	3,023,686,521.30

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(2) Main operation income – classified by regions

Region	Current Year	Last Year
Operation income		
Mainland China	3,444,415,350.39	1,063,085,000.15
Hong Kong		204,000,165.36
Denmark	315,871,175.22	686,559,419.44
Holland	394,972,413.89	287,517,148.19
Sweden	629,197,395.79	231,088,475.09
Greece	382,929,649.59	591,463,044.19
Canada	108,576,830.26	
Singapore	418,822,058.50	
Switzerland	470,109,169.16	
Marshall Islands	19,820,788.75	
Mauritius	249,793,910.07	
Norway	37,208,798.91	
Morocco	97,648,848.46	101,311,974.64
Total	6,569,366,388.99	3,165,025,227.06
Operation cost		
Mainland China	3,459,400,028.21	1,041,087,058.03
Hong Kong		191,289,112.09
Denmark	352,666,738.00	690,268,366.88
Holland	362,817,514.60	180,418,826.18
Sweden	669,938,987.75	231,088,475.09
Greece	458,954,441.41	607,983,316.62
Canada	109,604,679.01	
Singapore	485,659,612.17	
Switzerland	491,510,482.20	
Marshall Islands	19,820,788.75	
Norway	294,795,946.83	
Morocco	33,638,804.31	
Other countries and regions	103,028,177.68	81,551,366.41
Total	6,841,836,200.92	3,023,686,521.30

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(3) Other operation Income and Other operation Cost

Items	Current Year	Last Year
Other operation income		
Sales of materials	218,462,455.21	68,388,079.30
Sales of scrap materials	20,672,851.70	21,426,311.06
Service income	21,726,290.85	16,980,771.17
Rental income	20,061,702.54	17,266,004.55
Energy income	22,295,488.63	21,937,594.72
Disposal of investment property income	10,098,900.00	
Total	313,317,688.93	145,998,760.80
Other operation cost		
Sales of materials	212,860,533.42	65,560,448.74
Sales of scrap materials	14,094,163.79	13,025,615.41
Service income	12,887,876.68	10,505,096.41
Rental income	7,113,074.56	6,134,551.28
Energy income	23,119,811.69	21,518,794.90
Disposal of investment property cost	5,699,943.61	
Total	275,775,403.75	116,744,506.74

(4) Contract Revenue

Items	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Falling price reserves provided
Fixed price contract					
Total construction in progress contracts	31,436,725,564.52	6,821,850,544.98	-276,601,723.93	9,169,904,831.62	662,174,834.38
In which: contract under construction which is expected to incur loss at end of year					
50000 series (tankers for product oil/chemicals)	5,555,677,504.40	1,787,399,185.78	-233,184,522.46	1,161,234,224.80	301,318,968.22
37500 series (tankers for product oil/chemicals)	436,669,463.27	221,172,842.54	-12,939,153.09	301,887,622.43	
115000 ton series (tankers for product oil/chemicals)	559,807,359.45	294,795,946.83	-45,002,036.76	80,731,672.50	43,522,819.28
30.8WTVLCC	888,958,364.20	854,639,511.54	-229,646,484.47	268,714,333.33	37,150,713.22
250,000 ton series (tankers for product oil/chemicals)	1,409,075,138.20	487,268,087.84	-66,837,553.67	282,385,665.00	77,539,530.30
113,000 ton series (tankers for product oil/chemicals)	2,612,567,221.99	25,146,637.56		435,049,597.26	178,914,304.18
250,000 series(ore sand tankers)	719,166,456.00	228,901,840.1		106,306,254.00	23,728,499.18

Due to the shipbuilding market is still in the trough period and ship price is at the low position, as well as the estimated total cost increase because of improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, which lead to the estimated total cost exceeds the estimated total revenue for some ship contracts, resulting in an estimated loss.

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(5) Operating income from top 5 clients

Client	Amount	% of the total main operating revenue
Client 1	1,870,494,886.87	30.75%
Client 2	632,307,515.87	10.39%
Client 3	629,197,395.79	10.34%
Client 4	553,154,588.63	9.09%
Client 5	470,109,169.16	7.73%
Total	4,155,263,556.32	68.30%

47. Business tax and surcharges

Items	Current Year	Last Year
Business Tax	2,769,474.38	556,138.78
City Maintenance and Construction Tax	805,653.51	3,546,425.44
Education Surcharge	575,467.47	2,533,161.04
Total	4,150,595.36	6,635,725.26

48. Sales Expense

Items	Current Year	Last Year
Ship maintenance fee	29,941,032.61	-8,758,299.41
Consignment fee	2,959,175.68	3,127,322.24
Business Expenditure	1,055,183.49	2,419,046.56
Advertisement	760,813.65	489,325.41
Exhibition	771,237.09	393,072.93
Other selling expenses	522,511.72	1,583,312.59
Total	36,009,954.24	-746,219.68

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

49. Administration Expense

Items	Current Year	Last Year
Salaries	80,767,274.14	97,616,338.41
Research and development fee	169,260,334.68	133,076,687.40
Repairing expenses	35,560,174.25	38,101,791.46
Taxation	19,123,649.93	14,742,771.05
Depreciation	9,711,831.54	11,899,671.64
Amortization of intangible assets	5,912,625.27	5,754,598.41
Labor transfer fees	7,821,399.55	12,974,124.86
Business entertainment expense	1,857,763.95	2,443,874.23
Travelling expense	2,106,098.33	1,961,150.56
Security expense	3,271,712.75	2,500,666.88
Agency fee	31,390,952.05	6,094,037.33
Board meeting fee	7,127,484.36	4,726,950.92
Water supply and electricity expense	3,299,632.08	2,965,610.26
Office supply	804,527.55	901,696.84
Rental expense	—	2,106,722.47
Insurance expense	351,396.49	566,629.90
Environmental protection fee	2,351,835.07	1,602,400.22
Labor training	2,324,916.00	2,765,999.97
Others	16,987,783.88	14,389,059.24
Total	400,031,391.87	357,190,782.05

50. Financial Expenses

(1) Financial Expenses Category

Items	Current Year	Last Year
Interest expenditure	118,539,077.19	90,939,628.10
Less: Interest income	171,373,501.02	195,003,968.54
Add: Exchange loss	-29,875,878.28	-30,446,987.85
Add: Other expenditure	4,319,494.10	1,096,538.30
Total	-78,390,808.01	-133,414,789.99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Interest expenditure category

Items	Current Year	Last Year
Interests from bank loans and overdraft	118,539,077.19	90,939,628.10
Interests from bank loans due within 5 years	118,539,077.19	60,522,961.46
Interests from bank loans due after 5 years		30,416,666.64
Subtotal	118,539,077.19	90,939,628.10
Other borrowings		
Interests from other borrowings due within 5 years		
Interests from other borrowings due after 5 years		
Subtotal		
Less: Capitalized interest		
Total	118,539,077.19	90,939,628.10

(3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	171,373,501.02	195,003,968.54
Total	171,373,501.02	195,003,968.54

51. Assets impairment losses

Items	Current Year	Last Year
Bad debts	-108,536.54	-2,029,466.25
Loss from inventory devaluation	334,019,398.28	217,421,895.56
Total	333,910,861.74	215,392,429.31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

52. Gain or loss on changes in fair value

Items	Current Year	Last Year
Financial assets by fair value and its change is included into profit and loss	-56,202,089.04	46,709,107.24
Financial liabilities by fair value and its change is included into profit and loss	-55,734,758.74	
Total	-111,936,847.78	46,709,107.24

53. Investment income

Items	Current Year	Last Year
From long-term equity investment under equity method	896,322.83	946,282.45
From long-term equity investment under cost method		67,627,946.63
From disposal of financial assets at fair value through profit and loss and its changes in fair value recognized in the current profit and loss account	29,022,405.27	41,628,805.00
From holding financial assets available for sale		11,032,819.50
From disposal of available-for-sale financial assets	30,890,440.93	147,386,282.79
From disposal of long-term equity investment	326,923,305.12	
Total	387,732,474.15	268,622,136.37

The investment income from investment in listed companies and non-listed companies for the year is RMB30,890,440.93 and RMB356,842,033.22 respectively.

54. Non-Operating Income

(1) Non-Operating Income

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the year
Gain on disposal of non-current assets	594.97	1,740.65	594.97
In which: gain on disposal of fixed assets	594.97	1,740.65	594.97
Government grants	212,004,847.32	79,504,104.11	49,976,032.73
Penalty income	141,330.00	24,500.00	141,330.00
Compensation income	673,099.08	9,786,135.21	673,099.08
Compensation for production loss	560,000,000.00		560,000,000.00
Others	1,209,201.06	1,551,079.38	1,209,201.06
Total	774,022,014.90	90,867,559.35	612,000,852.81

The amount included in non-recurring profit and loss for current year is RMB612,000,852.81 (Last year: RMB46,482,136.79).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(2) Government grants category

Items	Current Year	Last Year	Source and basis	Related with assets/income
Product subsidy	162,028,814.59	44,385,422.56	National Funding	Related to income
Research and Development of technology of classical cabin layout aluxury cruise ship designnd decoration	17,000,000.00	12,000,000.00	National Funding	Related to income
Shipbuilding technology research	10,612,014.15	8,022,033.38	National Funding	Related to income
76000 tons of semi submerged ship design and construction technology R&D and industrialization	10,000,000.00		National Funding	Related to income
Emulation of precise shipbuilding techniques	2,600,000.00		National Funding	Related to income
Ship construction projects	2,258,916.14	3,323,578.30	National Funding	Related to assets
Research and Development of technology of Complex component modeling	1,600,000.00	2,700,000.00	National Funding	Related to income
Research & manufacturing of testing and analysing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle	1,200,000.00		National Funding	Related to income
Subsidies for service trade in provinces, municipality and districts	1,000,000.00		National Funding	Related to income
Upfront fees for construction of fundamental condition of quality department measurement station project	624,897.12	1,063,571.92	National Funding	Related to assets
Support the development of foreign trade and economic cooperation	500,000.00		Liwan District national treasury payment center	Related to assets
Research on archives of shipbuilding by International Maritime Organization	400,000.00		National Funding	Related to income
Interest Subsidy		2,286,410.00	Interest subsidy on financial exporting in Liwan District	Related to income
The innovative enterprise special research in Guangzhou	300,000.00	1,589,725.06	National Funding	Related to income
High-tech personnel subsidies		1,500,000.00	High-tech personnel subsidies	Related to income
Innovative capacity-building projects of the Enterprise Technology Centre		300,000.00	Central government subsidies	Related to assets
The employment of university graduates trainee subsidies		81,834.72	Guangzhou Financial Bureau	Related to income
Economic incentive subsidies	200,000.00		Guangzhou Financial Bureau– National Treasury Payment Branch	Related to income
Export credit insurance special funds	868,800.00		Liwan District national treasury payment center	Related to income
Others	811,405.32	2,251,528.17	National Funding	Related to income
Total	212,004,847.32	79,504,104.11		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

55. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for Current Year
Loss on disposal of non-current assets	120,498.07	155,395.90	120,498.07
Including: Loss on disposal of fixed assets	120,498.07	155,395.90	120,498.07
Penalties		13,961.48	
Compensation		846,950.82	
Others	10,000.00	16,000.00	10,000.00
Total	130,498.07	1,032,308.20	130,498.07

The non-operating gains or losses for Current Year are RMB130,498.07. (Last Year: RMB1,032,308.20)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

56. Income tax expenses

(1) Income tax expenses

Items	Current Year	Last Year
Current income tax: China Corporate Income Tax	84,456,274.64	19,418,766.17
China	84,471,034.30	19,599,693.52
Accruals and/or deferrals from previous years	-14,759.66	-180,927.35
Deferred income tax	-69,621,448.03	-14,726,233.34
Total	14,834,826.61	4,692,532.83

(2) The reconciliation sheet between Current income tax and total income

Income tax expenses calculation is based on the total profit in the consolidated income statement and the applicable tax rates:

Items	Current Year	Last Year
Total consolidated profit for the year	119,054,678.78	130,701,527.63
Income tax calculated at statutory/applicable tax rate	17,858,201.82	19,605,229.14
Impact from different tax applicable for subsidiaries		
Impact from adjustment to income tax in prior periods		
Effect from non-taxable income		
Impact from non-deductible costs, fees and losses	147,584.30	146,632.45
Impact from utilization of deductible losses of unrecognized deferred income tax assets in prior periods		
Impact from deductible temporary differences or losses of unrecognized deferred income tax assets in the year	-3,156,199.85	-14,878,401.42
Less than accrued income tax of Last Year	-14,759.66	-180,927.35
Tax rates effect on the beginning balance changes of deferred income tax assets/liabilities		
Income tax expenses	14,834,826.61	4,692,532.83

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

57. Depreciation and amortization

Items	Current Year	Last Year
Depreciation of investment properties	690,021.09	751,330.01
Depreciation of fixed assets	80,148,723.14	89,893,584.61
Amortization of intangible assets	6,185,337.85	6,222,105.69
Total	87,024,082.08	96,867,020.31

58. Gain (or loss) from disposal of investment or property

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/61 for details.

59. Operating rentals expenditure

Operating rentals expenditure for the Current Year is RMB11,152,481.22 (Last Year: RMB6,660,706.64).

60. Rental income

Rental income from land and buildings during the Current Year is RMB9,390,171.30 (Last Year: RMB7,552,127.84).

61. Other comprehensive income

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/66 for details.

62. Supplemental information of parent's income statement

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

Items	Current Year	Last Year
Raw material consumed	4,400,331,439.22	2,020,859,432.07
Salaries expense	707,477,564.77	647,334,570.79
Depreciation expense	93,098,742.42	89,116,380.77
Amortization	6,185,337.85	6,222,105.69
Product specific fee	2,094,139,734.53	637,328,858.34
Power cost	62,251,671.52	28,266,195.15
Taxes and surcharges	17,541,305.24	20,139,570.89
Others	172,144,758.35	47,608,476.71
Total	7,553,170,553.90	3,496,875,590.41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

63. Notes to the Consolidated Cash Flow Statement

(1) Other cash receipts or payments from operating activities, investing activities and financing activities

1) Cash receipts from operating activities

Items	Current Year	Last Year
Received product subsidy	55,780,000.00	189,452,882.05
Government subsidies	97,829,302.79	
Compensation for production reduction	560,000,000.00	
Other non-operating income		51,207,587.43
Total	4,358,512.76	1,500,060.10
Total	717,967,815.55	242,160,529.58

2) Cash payments from operating activities

Items	Current Year	Last Year
Production preparation fee	3,000,000,000.00	
Administrative expense	25,377,938.11	22,585,889.09
Operation expense	974,915.23	2,100,971.66
Non-operation expense	–	322,836.48
Maintenance expense	23,647,336.46	9,897,664.90
Payment of other current accounts	175,797,474.60	122,161,989.13
Bank handling fees	4,234,212.86	739,954.58
Total	3,230,031,877.26	157,525,596.67

3) Cash receipts from investing activities

Items	Current Year	Last Year
Fixed deposit pledge resolution	1,469,783,137.57	1,683,954,850.46
Interest income from deposit	151,532,359.35	224,316,824.35
Total	1,621,315,496.92	1,908,271,674.81

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

4) Cash payments from investment activities

Items	Current Year	Last Year
Fixed deposit pledge	2,125,318,328.75	1,637,253,070.82
Total	2,125,318,328.75	1,637,253,070.82

(2) Supplemental information for Cash Flow Statement of the parent company

Items	Current Year	Last Year
1. Reconciliation of not profit to cash flows from operating activities:		
Net profit	104,219,852.17	126,008,994.80
Add: Provision for impairment	333,910,861.74	215,392,429.31
Fixed assets depreciation	80,838,744.23	89,893,584.61
Intangible assets amortization	6,185,337.85	6,222,105.69
Long-term unamortized assets amortization	1,403,828.43	1,184,738.90
Loss from disposal of Fixed assets, Intangible assets and other long-term assets (gain marked "-")		
Loss from scrapped of Fixed assets (gain marked "-")	119,903.10	153,655.25
Loss on changes in fair value (gain marked "-")	111,936,847.78	-46,709,107.24
Finance costs (gain marked "-")	-99,386,438.67	-134,789,076.82
Investment loss (gain marked "-")	-387,732,474.15	-268,622,136.37
Decrease in Deferred tax assets (increase marked "-")	-59,619,134.68	-21,699,068.33
Increase in Deferred tax liabilities (decrease marked "-")	-8,443,924.51	6,972,834.98
Decrease in Inventories (increase marked "-")	-1,393,495,293.97	-623,327,485.05
Decrease in operating receivables (increase marked "-")	-4,141,890,993.73	-913,911,751.76
Increase in operating payables (decrease marked "-")	2,502,759,243.86	1,271,342,194.32
Others		
Net Cash Flow From Operating Activities	-2,949,193,640.55	-291,888,087.71
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Ending balance	3,702,545,149.25	3,642,373,050.61
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	60,172,098.64	180,886,317.77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(3) Information of acquisition of or disposal of subsidiaries or other operating units

Items	Current Year	Last Year
Information of acquisition of subsidiaries or other operating unit		
1. Consideration of acquisition of subsidiaries or other operating units	605,138,451.98	
2. Cash and cash equivalents received from acquisition of subsidiaries or other operating units	605,138,451.98	
Less: cash and cash equivalents hold by subsidiaries and other operating units	2,008,644,021.64	
3. Net cash received from acquisition of subsidiaries or other operating units	-1,403,505,569.66	
4. Net assets of the acquiring subsidiaries	-54,109,262.03	
Current asset	3,857,975,285.64	
Non-current asset	6,503,493,106.27	
Current liability	6,068,620,974.94	
Non-current liability	4,346,956,679.00	
Information on disposal of subsidiaries or other operating units		
1. Consideration of disposal of subsidiaries or other operating units	447,591,300.00	
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	447,591,300.00	
Less: cash and cash equivalents hold by subsidiaries and other operating units	992,666.12	
3. Net cash received from disposal of subsidiaries or other operating units	446,598,633.88	
4. Net assets of the disposing subsidiaries	436,321,400.13	
Current asset	992,666.12	
Non-current asset	435,328,734.01	
Current liability		
Non-current liability		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

(4) Cash and Cash Equivalents

Items	Current Year	Last Year
Cash	3,702,545,149.25	3,642,373,050.61
Including: Cash	52,919.87	72,170.91
Bank deposit available-for-use	3,702,377,814.04	3,642,192,696.97
Other cash fund available-for-use	114,415.34	108,182.73
Deposits in central bank available-for-use		
Deposits in other banks		
Replacement in other banks		
Cash Equivalents	3,702,545,149.25	3,642,373,050.61
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	3,702,545,149.25	3,642,373,050.61
Including: Restricted Cash and Cash Equivalents available-for-use to Parent Company or Subsidiaries		

17. THE APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on February 16, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

Supplemental information of 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 below:

Items	Current Year	Explanation
Gains and losses from disposal of non-current assets	-216,843.97	
Casual tax rebate or tax exemption with ultra vires or without formal approval		
Government grants expensed	59,236,732.79	
Funds usage fees from non-financial institutions expense		
Gains from the investment lower than the fair value of net identifiable assets of investees during the process of acquiring subsidiaries, joint ventures and associate		
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	
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	-55,660,753.13	
Reversals of provision for impairment reserves from receivables with individual impairment test	349,110.49	
Reversals of provision for impairment reserves from receivables with individual impairment test		
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	561,242,962.82	
Other non-operating profit and loss define	331,997,753.15	Note
Subtotal	891,490,164.31	
Income tax impact	134,158,429.51	
Impact on non-controlling shareholder's equity (after-tax)	1,023,760.31	
Total	756,307,974.49	

Note: mainly from the income from disposal of subsidiaries of RMB331,997,753.15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

2. Return on net assets and earnings per share

Reported profit	Weighted average return on net assets %		Earnings per share			
			Basic EPS		Diluted EPS	
	2014	2013	2014	2013	2014	2013
Net profit attributable to the parent company	2.75	-5.19	0.1470	-0.2121	0.1470	-0.2121
Net profit attributable to the parent company, net of non-operating gains and loss	-11.09	-4.06	-0.6261	-0.2541	-0.6261	-0.2541

3. Abnormal issues and explanations

Assets	Index	Ending balance	Beginning balance	Changes	Change
Financial assets which are measured by the fair value and changes in fair value is recognized in current profit and loss account	Note 1	13,007,994.71	69,210,083.75	-56,202,089.04	-81.20%
Notes receivable	Note 2	10,678,923.83	21,607,944.72	-10,929,020.89	-50.60%
Prepayments	Note 3	1,476,460,562.44	1,070,938,867.43	405,521,695.01	37.90%
Other receivables	Note 4	297,586,125.55	75,790,266.06	221,795,859.49	292.60%
Inventories	Note 5	4,243,869,651.14	2,988,934,033.42	1,254,935,617.72	42.00%
Available-for-sale financial assets	Note 6	6,900,000.00	35,970,000.00	-29,070,000.00	-80.80%
Construction in progress	Note 7	424,477,179.97	91,957,146.55	332,520,033.42	361.60%
Deferred income tax assets	Note 8	577,393,228.99	402,599,880.10	174,793,348.89	43.40%

Note 1: Compared to beginning balance, the ending balance of financial assets held for trading decreased by 81.20%, due to the increase of holding long-term forward foreign currency contracts as well as forward exchange rate fluctuations;

Note 2: Compared to beginning balance, the ending balance of notes receivable decreased by 50.60%, due to the bank's acceptance bills during the period;

Note 3: Compared to beginning balance, the ending balances of prepayments increased by 37.90%, mainly due to the increase in capacity which resulted in prepayment increased;

Note 4: Compared to beginning balance, the Ending balance of other receivables decreased by 292.65%, mainly due to the new product subsidy and export tax refund at the end of the year;

Note 5: Compared to beginning balance, the ending balance of Inventories increased by 42.00%, mainly due to the increase of new orders leads to the increase in raw materials and goods in process;

Note 6: Compared to beginning balance, the ending balance of available-for-sale financial assets decreased by 80.80%, mainly due to the disposal of China Merchant Energy Shipping Stocks;

Note 7: Compared to beginning balance, the ending balance of construction in progress increased by 361.60%, mainly due to the new construction project of Longxue Shipbuilding, a subsidiary;

Note 8: Compared to beginning balance, the ending balance of deferred income tax assets increased by 43.40%, mainly due to Longxue Shipbuilding, a subsidiary, recognized part of the deductible loss as deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

Liabilities and equity	Index	Ending balance	Beginning balance	Changes	Change
Short-term loans	Note 9	4,042,518,219.57	2,740,220,723.02	1,302,297,496.55	47.50%
Financial liabilities which are measured by the fair value and changes in fair value is recognized in current profit and loss account	Note 10	56,475,710.29		56,475,710.29	
Notes payable	Note 11	1,316,585,489.50	889,353,412.06	427,232,077.44	48.00%
Accounts payable	Note 12	2,404,465,685.59	1,754,934,382.86	649,531,302.73	37.00%
Tax payable	Note 13	-292,285,242.99	-139,946,711.34	-152,338,531.65	108.90%
Interest payable	Note 14	20,919,000.53	68,778,979.01	-47,859,978.48	-69.60%
Other payable	Note 15	47,010,552.66	30,953,655.67	16,056,896.99	51.90%
Other current liabilities	Note 16	4,681,683,042.76	3,153,645,678.93	1,528,037,363.83	48.50%
Long-term loan	Note 17	3,256,071,388.68	5,943,404,473.16	-2,687,333,084.48	-45.20%
Deferred tax liabilities	Note 18	1,951,199.21	11,330,087.60	-9,378,888.39	-82.80%
Estimated liabilities	Note 19	269,050,764.55	657,847,075.11	-388,796,310.56	-59.10%
Share capita	Note 20	1,030,534,651.00	643,080,854.00	387,453,797.00	60.25%
Capital reserve	Note 21	3,319,815,828.93	2,138,063,611.56	1,181,752,217.37	55.30%
Non-controlling interest	Note 22	42,856,483.36	18,662,087.21	24,194,396.15	129.60%

Note 9: Compared to beginning balance, the ending balance of short-term loans increased by 47.50%, mainly due to the increase in loans;

Note 10: Compared to beginning balance, the ending balance of financial liabilities held-for-trading increased by 100%, mainly due to the fair value change in the forward settlement contracts;

Note 11: Compared to beginning balance, the ending balance of notes payable increased by 48.00%, mainly due to the increase in purchase of raw materials, leads to increase in notes payable;

Note 12: Compared to beginning balance, the ending balance of accounts payable increased by 37.00%, mainly due to the increase in purchase of raw materials, leads to increase in accounts payable;

Note 13: Compared to beginning balance, the ending balance of tax payable decreased by 108.90%, mainly due to the increase in import value-added tax;

Note 14: Compared to beginning balance, the ending balance of interest payables decreased by 69.60%, mainly due to repayment of interests;

Note 15: Compared to beginning balance, the ending balance of other payables increased by 51.90%, mainly due to the bidding security fund newly added by the subsidiaries;

Note 16: Compared to beginning balance, the ending balance of other current liabilities increased by 48.50%, mainly due to the increase in ship progress fee;

Note 17: Compared to beginning balance, the ending balance of long-term loans decreased by 45.20%, mainly due to the repayment of loans;

Note 18: Compared to beginning balance, the ending balance of deferred income tax assets decreased by 82.80%, mainly due to decrease in fair value gains;

Note 19: Compared to beginning balance, the ending balance of estimated liabilities decreased by 59.10%, mainly due to the decrease in contract loss;

Note 20: Compared to beginning balance, the ending balance of share capital increased by 60.25%, mainly due to the additional share issue;

Note 21: Compared to beginning balance, the ending balance of capital reserves increased by 55.20%, mainly due to the share issue which leads to capital premium;

Note 22: Compared to beginning balance, the ending balance of minority interests increased by 129.60%, mainly due to equity interest change in subsidiaries;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

Profit and loss	Index	Ending balance	Beginning balance	Changes	Change
Operating income	Note 23	9,530,740,881.74	5,838,268,514.19	3,692,472,367.55	63.20%
Operating cost	Note 24	9,630,980,417.48	5,584,894,832.93	4,046,085,584.55	72.40%
Selling expenses	Note 25	33,547,079.26	5,684,005.42	27,863,073.84	490.20%
Assets impairment losses	Note 26	11,944,445.50	267,734,476.89	-255,790,031.39	-95.50%
Gain on changes in fair value	Note 27	-112,677,799.33	46,571,580.25	-159,249,379.58	N/A
Investment income	Note 28	395,363,838.64	202,672,876.30	192,690,962.34	95.10%
Non-operating income	Note 29	813,325,483.25	180,557,982.31	632,767,500.94	350.45%
Other comprehensive income	Note 30	8,830,870.15	-181,399,847.22	190,230,717.37	N/A

Note 23: Compared to beginning balance, the ending balance of operating income increase by 63.20%, mainly due to the increase in product volume, there are 66 ships under construction this year (Last year: 49 ships);

Note 24: Compared to beginning balance, the ending balance of operating cost increased by 72.40%, mainly due to the increase in production volume, and have the same increase with the income;

Note 25: Compared to beginning balance, the ending balance of selling expenses increased by 490.20%, mainly due to the shipbuilding income increase the maintenance fee according to the progress, and the maintenance fees which were expired were written-off;

Note 26: Compared to beginning balance, the ending balance of assets impairment loss decreased by 95.50%, mainly due to appreciation of USD forward exchange rate, and the increase in contract estimated total income, and the contract estimated loss decreased;

Note 27: Compared to beginning balance, the ending balance of gain on changes in fair value decreased by RMB159 million, mainly due the appreciation in USD forward exchange rate, which leads to forward settlement fair value gains decreased;

Note 28: Compared to beginning balance, the ending balance of investment income increased by 95.10%, mainly due to the disposal of subsidiaries, stocks and settlement of forward exchange contracts which leads to increase in income;

Note 29: Compared to beginning balance, the ending balance of non-operating income increased by 350.45%, mainly due to increase in compensation for loss from production reduction;

Note 30: Compared to beginning balance, the ending balance of other comprehensive income increased by RMB190 million, mainly due to the disposal of available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

From January 1, 2014 to December 31, 2014

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

4. The details of the Group's public financial results and assets, liabilities for the past 5 years

Items	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
A total assets	24,110,093,365.62	12,600,384,087.70	11,268,553,664.38	11,885,509,370.27	12,157,451,995.38
B total liabilities	18,437,960,858.10	8,684,267,701.58	7,021,977,546.79	7,684,735,148.21	8,403,525,396.25
C equity for parent	5,629,276,024.16	3,903,599,340.88	4,145,114,473.30	4,107,606,378.32	3,663,019,478.60
D equity for non controlling interest	42,856,483.36	12,517,045.24	101,461,644.29	93,167,843.74	90,907,120.53
E operation income	9,530,740,881.74	4,166,071,985.61	6,424,083,364.01	8,296,431,347.84	7,014,224,669.01
F total operation cost	10,566,038,394.41	4,478,479,525.99	6,703,228,356.31	7,949,745,459.36	6,451,036,437.00
G operating profit	-752,611,473.36	-63,363,269.88	-241,869,246.10	393,766,389.62	603,873,057.88
H total profit	59,330,192.87	28,079,997.97	27,535,028.17	606,591,265.14	835,247,436.63
I net profit	150,426,486.61	15,536,862.82	18,621,340.99	522,588,574.28	710,504,547.12
I1 net profit attributable for parent	151,496,768.77	13,599,718.51	10,327,540.44	518,333,370.07	707,736,792.53
I2 net profit attributable for non controlling interest	-1,070,282.16	1,937,144.31	8,293,800.55	4,255,204.21	2,767,754.59
J EPS	0.1470	0.0211	0.0161	0.8060	1.1005
K Gain and loss will be reclassified next accounting period	8,830,870.15	-181,399,847.22	27,180,554.54	-24,278,712.35	-75,047,950.09
L Total comprehensive income	159,257,356.76	-165,862,984.40	45,801,895.53	498,309,861.93	635,456,597.03
L1 total comprehensive attributable to parent	160,327,638.92	-167,800,128.71	37,508,094.98	494,054,657.72	632,688,842.44
L2 total comprehensive attributable to non controlling interest	-1,070,282.16	1,937,144.31	8,293,800.55	4,255,204.21	2,767,754.59

Note: On 28 February 2014, the Company completed the acquisition of Longxue Shipbuilding, and included Longxue Shipbuilding into the scope of consolidation, and prepared the 2014 consolidated financial statements in accordance with the business combination under common control. The financial figures of 2010 to 2013 are the figures which the Group announced in the previous years in respect of the results, assets and liabilities.

Guangzhou Shipyard International Company Limited

16 February 2015