

# Financial Report PRC

*For the year ended 31st December, 2001*

## III. Notes to The Financial statements

### (I) Overview of the Company

Guangzhou Shipyard International Company Limited (the “Company” and its subsidiaries) was reorganized in 1993 from Guangzhou Shipyard, a state-owned enterprise under China State Shipbuilding Corporation, and incorporated in the PRC as a joint stock limited company. Upon approval by the Ministry of Foreign Trade and Economic Cooperation of the PRC, the Company was registered as a Sino-foreign joint stock limited company on 21st October 1994.

Currently, the Company is the largest modernized and comprehensive shipyard in southern China and enjoys the autonomy of operating import and export business.

The operation scope of the Company includes design, fabrication, installation and sales of ship and its auxiliary engines, containers, steel structure and its components, pressure vessels, common machinery, casting and forging units, common parts and components, fabric reinforced plastic products, lines, pipes, tools and furniture; repair of machinery equipment and ships; ship dismantling; exploration and design; transfer of know-how; house decoration; and leasing of containers, ships and equipments.

At present, the Company owns three shipbuilding berths and a 440m shipbuilding quay, with the largest capacity of 60,000dwt, and a ship-repairing dock which can undertake repairing and modification work for ships up to 10,000dwt, and a 480m ship-repairing quay. It also owns production lines that can produce various international standards and non-standard specialized steel dry cargo containers.

The Company presently has 5 major product lines, including shipbuilding, containers manufacturing, ship-repairing, steel structure engineering, and other mechanical and electrical equipment. In addition to large vessels and containers, the Company’s principal products include steel structure’s manufacturing & coating & erecting for bridges & high-rise construction & large-size pipe, manufacturing & installing of passenger/goods lift, foils and studs for hydrofoil, port machinery, hydraulic machines, production line for external painted steel plates of refrigeration and design & manufacturing of crane machinery.

## (II) Principal Accounting Policies adopted by the Company (Group)

### 1. *Accounting System*

The Company adopted the Enterprise Accounting System issued by the PRC Financial Department since 1st January 2001.

### 2. *Accounting Period*

The accounting period covers the calendar year from 1st January to 31st December.

### 3. *Currency Adopted in Accounting Records*

Accounting records are maintained in Renminbi.

### 4. *Basis of Recording and Valuation*

Basis of recording adopts accrual system and Basis of Valuation is cost of acquisition.

### 5. *Foreign Currency Translation*

Foreign currency translations during the year are translated into Renminbi at the exchange rates quoted by the People's Bank of China on the first day of the month in which the transactions take place. At the end of the month, the monetary balances are adjusted in accordance with the regulations of Accounting System with the differences arising stated as exchange difference.

### 6. *Cash Equivalents*

Cash equivalents are defined as investments that are short-term (within three months), highly liquid, and readily convertible to cash and are subject to low risk of changes in value.

### 7. *Short-term Investments*

The short-term investments, including shares, bonds and funds, refers to the investment that can be realized at any moment, and the time of holding the investment does not exceed 1 year (including 1 year). The investment is calculated on basis of the cost of the investment while returning the investment. At the end of the term, short-term investment is valued in accordance with the lower between the cost and market price. When the market price is lower than the cost, provision for diminution is made.

### 8. *Provisions for Doubtful Debts*

(1) Basis of recognition as of doubtful debts lost: If cases where debtors to bankrupt or is dead, doubtful debts unpaid represent balance after settlement out of liquidation or estate; The debtor do not pay back debt overdue, and certify it is impossible to get back after litigation process.

(2) Accounting basis of doubtful debts lost: provision way.

(3) Provision and applicable rate: For the account receivable which there is no bad information of in-receivable, 0.5% of its left will be draw out as provision; For the account receivable which there is special disadvantageous information for the bad debts, the provision will draw in accordance with the difference between the returnable amounts of debts and its book account.

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## 9. Inventories

Inventories of the Company are valued on the basis of cost, including:

- (1) Raw materials and low-value consumables are stated at standard costs. The amount is adjusted for price variance to arrive at actual cost at the end of month.
- (2) Low-value consumables are amortized upon issuance for use.
- (3) Finished products and work-in-progress are stated at actual cost.

Methods of making provision for diminution of value on inventories:

- (1) For materials (excluding those special materials for the products with the support of contract), provision is made on those damaged or rotten materials based on the difference between cost and net realizable value.
- (2) For construction contracts (including products under long term contracts), provision is made against total impact of foreseeable loss.
- (3) For finished goods

For finished goods covered by contracts, provision is made based on the difference between cost and sales proceeds when the actual cost is more than the foreseeable operating income.

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## 10. Long-term Investments

- (1) Long-term equity investments

Long-term equity investments by the Company are stated as the investment cost.

For enterprises in which the Company's investment representing more than 50% of the investee's issued capital, equity method of accounting is adopted and consolidated financial statements are prepared.

For enterprises in which the Company has made an investment representing more than 20% but equal to or less than 50% of the investee's issued capital, equity method of accounting is adopted and no consolidated financial statements are prepared generally except where the Company has control over the investing project.

The Company's investments representing 20% or less of the investee's issued capitals are stated at cost.

- (2) The balance of the equity investment, the term of which is stipulated in the contract, is amortized and included as current income of investment according to the investment term; while those, the term of which is not stipulated in the contract, are amortized and included as current income of investment according to the term that does not exceed 10 years (including 10 years).

- (3) Long-term bond investments: Bonds invested by the Company are regarded as original investment cost according to the exact payment. The interest, included by the exact payment, will be stated dividually as item receivable when the interest is at the expiration but not drawn. The original investment cost of long-term bonds includes the bond interest that is included by the exact payment and does not expire.
- (4) The amortization of premium and discount of long-term bond investment is carried out at the same time with the confirmation of the relevant bond interest in order to adjust the investment income.
- (5) Provision for diminution in long-term investments
  1. Provision for diminution in long-term investments that have market price is made according to the following symptom.
    - A. Market price lower than the account price for the 2 years
    - B. The transaction of investment suspended for one year or more
    - C. The company invested have a serious loss in this year
    - D. The loss of the company invested lasted for 2 years
    - E. The company invested is in process of rectification and liquidation or the company invested has other symptoms that show it can not do business continually.
  2. Provision for diminution in long-term investments that have not market price are made according to the following symptom.
    - A. The company invested has a mint loss.
    - B. The financial status of the company invested has deteriorated, such as the rectification and liquidation, etc, because of the change of market and the descent of the competitive ability.
    - C. In other case, for example, it shows evidence that the investment actually did not bring any economic interest to the Company.

## 11. Fixed Assets and Depreciation

Fixed assets refer to the house, building, machinery and the equipment of transportation that have been used for one year or more, including other equipment related to the production and business. Fixed assets are stated at cost.

Depreciation is provided to write off the cost over their useful lives on a straight-line method, after taking into account the estimated residual value of 3% to 10% of the cost. The annual rates of depreciation for various categories of fixed assets are as follows:

Fixed assets category	Service years	Depreciation rate (%)
Machinery and equipment	6-20	5-16.67
Transmission systems	8-35	2.86-12.5
Instrument and meters	5-10	10-20
Vehicles	10-15	6.67-10
Buildings	8-50	2-12.5
Structures	15-50	2-6.67

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Provision for diminution is made when the fixed assets comply with one of the items in the following.

- (1) The fixed assets, left unused for a long time, not are used in the foreseeable future and no any transference value.
- (2) The fixed assets left unused for the sake of the technical advance.
- (3) The fixed assets produced a great number of rejects, although the fixed assets can be used.
- (4) The fixed assets, no any use and transference value because of damage.
- (5) The fixed assets, actually no any economic interest to the Company.

At the end of term, the value of fixed asset is calculated in accordance with the lower between the accounting value and the receivable value. When the receivable sum is lower than the accounting sum, the balance will be regarded as the fixed assets provision for diminution that is stated in accordance with one asset.

## 12. *Construction-in-process*

- (1) The time of transference of the construction-in-process to the fixed assets: when the construction-in-process in the Company has been finished and reached the scheduled workable condition, the construction-in-process can be regarded as fixed asset according to the actual cost, and the provision for the fixed asset depreciation is be made.
- (2) Provision for diminution is made when the construction-in-process appears the following situation.
  1. The construction-in-process suspended for a long time and foreseeingly no restart working within 3 years.
  2. The construction-in-process devalued evidently.

## 13. *Loan Expenses*

When the following requirements are met simultaneously, the expenses of loan in order to buy or construct a fixed asset is capitalized and covered by the cost of the asset.

- (1) The payout has been occurred.
- (2) The expenses of loan have been occurred.
- (3) The action of buy and construction, which are indispensable in order to reach the scheduled workable condition, has begun.

The loan expenses for buying or constructing fixed assets, fulfilling the condition of capitalization and the fixed assets reaching the scheduled workable condition, can be stated as cost of fixed assets. The loan expenses occurred after the construction was reached the scheduled workable condition, would be stated as the current financial expenses.

## 14. *Intangible Assets and Its Amortization*

- (1) Intangible assets are state at cost. Amortization is provided to write off the cost evenly over the legal or contractual lives or, in the absence of legal or contractual lives, evenly over the useful lives. Where the useful lives of intangible assets cannot be ascertained, amortization is provided evenly over a period of not less than 10 years.
- (2) The balance would be regarded as the provision for diminution when the scheduled receivable sum of intangible assets was lower than the accounting sum.
  1. The ability of creating interest of intangible asset, has been affected seriously and disadvantageously or the intangible asset has no use and transference value.
  2. A intangible asset has exceeded the protective legal term and has no any use and transference value completely or partly.
  3. The market price of a intangible asset fell heavily during the current term and can not recover to previous level within the amortization year left°C
  4. There are full evidences to show that a intangible asset has no use and transference value completely or partly.

## 15. *Long-term Deferred Expenses And Amortization*

Long-term deferred expenses are amortized evenly during favorable period of expense items.

## 16. *Income from sale, labor services and release of the assets-use-right*

Commodity sale: the Company has no any managing and controlling right after the important risk and reward has been transferred to the seller. The evidence of receiving money has been possessed in respect of the relevant income and the cost concerning the commodity sale can be calculated reliably in order to confirm the business income.

Labor services: the contract has been executed and the sum of money in contract or the evidence of receiving money has been received.

When the result of construction contract (long-term contract engineering) is foreseeable, it is to calculate the business income on basis of the percentage of the construction progress when settle accounts, and to calculated the business cost on basis of the same percentage of scheduled cost. The provision for loss, which consists of the whole cost of construction, will be made when foreseeable loss.

Release of the assets-use-right: the economic interest concerning transaction can be stated and the received money can be stated reliably.

## 17. *Income Tax*

The income tax of the Company is on basis of accrual basis.

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## 18. *The changed policy and the accounting estimation, and the affection of financial status and business result*

The Company has executed the Enterprise Accounting System in accordance with the document (No. finance and account 2000-25) the Notice of Publication of the Enterprise Accounting System, the document (No. Finance and account 2001-17) The Notice Of Joint Of Policy Concerning Publication And Execution Of Enterprise Accounting System, and the document (finance and account 2001-43) The Notice Of Publication Of Explanation Of Executing The Enterprise Accounting System And Related Rules since 1st January 2001. The following accounting policy has changed accordingly.

- (1) Flotation expenses were amortized formerly in accordance with the term not exceeding 5 years. Now, the flotation expenses are added to the current income and loss.

The retained profits at the end of 2000 are adjusted to RMB 5,670,000 on basis of relevant regulation, because the balance of flotation expenses at the end of 2000, added to the current income and loss, affected the income and loss of 2001 significantly. Meanwhile the surplus reserve, provision for which has been made, the long-term investment on equity at the beginning year in the balance sheet, and the equity of minor shareholders at beginning year in consolidated balance sheet has been adjusted to RMB 567,000, RMB 5,670,000 and RMB 1,900,000 respectively.

- (2) The fixed assets and the construction-in-process at the closing year from non-provision to provision for diminution.

Provision for diminution for the fixed assets and construction-in-process was not made because there is no risk of diminution for fixed assets and construction-in-process foreseeingly.

- (3) Intangible assets at the closing year from non-provision to provision for diminution.

The Company decided to make provision for diminution of intangible assets that amounts to RMB. 13,900,000, because the realization of land use right of Dongguan Yuedong Industry Development Company, a subsidiary controlled by the Company, has been diminished. The non-operating expenses in the profits sheet of the year 2000, the long-term investment on equity at the beginning year in the balance sheet, and the intangible assets at the beginning year in the consolidated balance sheet have been adjusted to RMB13,900,000, RMB13,900,000, RMB13,900,000 respectively in accordance with the method of backward adjustment.

## 19. *Basis of Preparation of Consolidated Financial Statements*

In accordance with the "Tentative Regulations for Consolidated Financial Statements" issued by Finance

Ministry, enterprises that the Company holds over 50% of total equity, or even less than that, but get the actual holding rights, are consolidated into the accounting statements.

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## (II) Taxation

- The type and rate of tax applicable to the major business activities are:

Activity Category	Tax category	Tax rate
Shipbuilding, Ship-repairing, container, Steel structures & terrestria machines manufacturing, other products and sales materials	Value-added tax	17%
Transportation and installation	Sales tax	3%
Other services	Sales tax	5%

- The Company's income tax is calculated at 15% on the assessable profit.

## (IV) Principal Subsidiaries and Affiliates

- Principal Subsidiaries

Name	Registered Capital ('000)	Principal Business	Investment Capital ('000)	Attributable to the Company
Kwangchow Shipyard Container Factory	RMB 44,925	Container & steel structure manufacturing, installation and repairing	RMB56,157	100%
Guangzhou Jinfan Advertisement Decoration	RMB 1,400	Design and manufacture all kinds of domestic advertisement	RMB 1,260	90%
Masterwood Company Limited	USD600	Manufacture and sales of all kind of material furniture series	RMB 2,486	75%
Guangzhou Guanglian Container Transportation Company Limited	RMB 20,000	Container transportation	RMB 15,000	75%
Xinhui City Guangzhou Shipyard NanyangShipping Industrial Company	RMB 34,200	Ship dismantling, shipbuilding and steelstructure engineering	RMB 25,200	70%
Guangzhou Haizhu District Guanghua Machinery Factory	RMB 1,438	Machine manufacturing, Production design, motorand electrical equipment.	RMB 935	65%



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Name	Registered Capital (‘000)	Principal Business	Investment Capital (‘000)	Attributable to the Company
Guangzhou Sanlong Industrial Trading Development Company Limited	RMB 1,000	Business of steel structure and general ship component manufacturing	RMB 1,005	67%
Guangzhou Xinsun Shipping Service Company Limited	RMB 600	Installation, welding, fitting, coating, repairing of hull structure	RMB 500	83%
United Steel Structures Limited	USD 6,000	Manufacturing, sales and post sales service of steel structure	RMB 37,522	51%
Guangdong GSI Elevator Limited	RMB 21,000	Design, manufacturing, sales, installation, modification and repairing of all kinds of elevator	RMB 19,950	95%
Guangzhou Hongfan Information Technique Co., Ltd.	RMB 5,000	Developing of computer software, system integration and sales	RMB 4,500	90%
Guangzhou Shipyard Machinery Equipment Engineering Co., Ltd.	RMB 1,000	Mechanical & electrical Product manufacturing and equipment maintenance	RMB 600	60%
Guangzhou Henghe Construction Company Limited	RMB 27,500	steel structure design, construction and installment	RMB 20,880	75.93%

The above-mentioned principal subsidiaries are all registered and operated in PRC. Approved by the Board of the Directors of the Company, the Company has cleared Dongguang Yuedong Industry & Commerce Development Co. Ltd. and ended its operation because its operation couldn't be developed in a long period. The Company has added investment RMB 17,500,000 to Guangzhou Henghe Construction Company Limited in the form of fixed assets in the year and the equity held by the Company has been changed from 33.8% to 75.93%. The total investment amounts to RMB 20,880,000.

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## (2) Affiliates

Name	Registered Capita (‘000)	Principal Business	Investment Capital Interest (‘000)	Attributable to the Company
Guangzhou Yongda International Container/Engineering Co. Ltd.	USD130	Container repairing	RMB 263	35%
South china/Marine andl Industria Special Coating Limited	USD1,200	Production & sales of all kindsof specia coating and post service	RMB 1,722	25%
Contech International Container Engineering Company Limited	RMB 650	Manufacturing and repairr of Containe	RMB 163	25%
Shenzhen Yuanzhou Science &Technology Industry Co. Ltd.	RMB13,500	Development and transferrng of Science production	RMB 1,000	7.41 %
China Merchants Banking Corporation	RMB4,200,000	RMB, foreign currencyDeposit, loan and settle accounts	RMB10,010	0.23%
CSSC Information Tech.. Co., Ltd	RMB6,000	Network consultation	RMB900	15%
Guangzhou Shipyard Mechanical and Electrical Equipment Co.	RMB300	Mechanical and Electrical Equipment	RMB300	10%

The joint operation of Huanan Plastic Coated Steel Pipe Factory expired in the year. The Company approved to sell the 18.75% equity held by the Company to the jointer, Shunde City Lunjiao Construction Development Company.

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## (V) Notes to Items in the Financial Statements

### 1. Cash and Bank Balances

Item	Foreign currency	Consolidated		Foreign currency	Closing Balance Equivalen RMB
		Opening Balance Equivalen RMB			
Cash in hand					
– RMB Account		215,499.10			240,434.51
– HKD Account	29,226.81	31,019.44	2,372.81		2,517.79
– USD Account	2,495.44	20,657.50	2,495.44		20,654.26
– EUR Account	500.00	36.21	500.00		36.21
Sub-total		267,212.25			263,642.77
Cash at bank					
– RMB Account		129,854,851.07			179,596,960.57
– HKD Account	504,872.20	535,706.24	3,415,223.80		3,623,893.97
– USD Account	5,089,902.04	42,134,454.08	10,731,349.92		88,821,237.02
– EUR Account	104,433.92	804,726.01			804,726.01
Sub-total		173,329,737.40			272,042,091.56
Others		61,609.99			408,028.46
Total		173,658,559.64			272,713,762.79

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### 2. Short-term Investments

Item	Opening Balance (RMB)	Consolidated		Closing Blance (RMB)
		Addition in the Period (RMB)	Deduction in the Period (RMB)	
Bonds investment	18,000,000.00	–	18,000,000.00	–
Others	–	–	–	–
Total	18,000,000.00	–	18,000,000.00	–

The Company has sold out 96 Government Bonds in the period.

### 3. Accounts Receivable

#### (1) Accounts Receivable

Bond age	Consolidated			
	Opening Balance (RMB)		Closing Balance(RMB)	
	Amount	percentage%	Amount	percentage %
Within 1 year	371,270,774.77	63.10%	291,831,368.98	63.05%
1-2 years	74,145,969.44	12.60%	28,712,895.35	6.20%
2-3 years	4,083,106.12	0.69%	39,379,120.51	8.51%
Over 3 years	138,851,392.59	23.60%	102,915,974.39	22.24%
Total	588,351,242.92	100.00%	462,839,359.23	100.00%

The amounts of the five highest companies of accounts receivable are RMB350,330,000 that accounts for 75.69% of the accounts receivable of the Company.

Among the balances of debts aged over 3 years, the payment of China Container Transportation Center of Railroad is RMB 99,300,000, it should be received within 8 years, and the debts have been receiving normally.

Included in balances aged 3 years, amount due from Shenzhen Seig Plaza Investment Company is RMB70,130,000. The Company has taken back the principal RMB 45,000,000 by the conciliation of the court. According to the conciliation papers of the court, the remained debts, including the principal and interest RMB 36,970,000, will be repaid within 2002.

The total accounts receivable of fully provision for bad debts amount to RMB 1,795,864.77. It is proved these can't be received or less possibility to be received with conclusive evidences. Accordingly, pursuant to solidity principle, the Company considers it is necessary to make fully provision for bad debts.

The total accounts receivable of actual charged off amount to RMB 3, 927,207.85. The Company has initiated legal actions against debtors and won lawsuits. The judgments were carried out difficultly for the debtors were unable to return the accounts assuredly.

The Company approved to write off these accounts.

This does not include amount due from shareholders who hold 5% or above of the Company's interest.

## (2) Prepayment from customers

Bond Age	Consolidated			
	Opening Balance (RMB)		Closing Balance (RMB)	
	Amount	%	Amount	%
Within 1 year	106,392,576.59	97.35%	180,196,516.66	99.34%
1-2 years	2,858,941.45	2.62%	95,200.00	0.05%
2-3 years	36,000.00	0.03%	40,893.11	0.02%
Over 3 years	—	—	1,052,381.28	0.58%
Total	109,287,518.04	100%	181,384,991.05	100%

This does not include amount due from shareholders who hold 5% or above of the Company's interest.

The amount of the five highest companies of prepayments is RMB 13,880 million, which is accounted for 63.25% of prepayment from customers.

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## (3) Other receivables

Bond age	Consolidated					
	Opening Balance (RMB)			Closing Balance (RMB)		
	Amount	%	Provision for doubtful debts	Amount	%	Provision for doubtful debts
Within 1 year	14,710,251.40	2.67%	446,255.25	1,557,463.15	0.33%	427,461.57
1-2 years	1,844,186.46	0.34%	4,596.83	6,782,070.64	1.40%	2,461.44
2-3 years	261,827,016.91	47.57%	170,421,756.17	1,000,000.00	0.21%	1,004,913.79
Over 3 years	271,986,548.57	49.42%	230,956,114.20	473,805,678.93	98.06%	384,648,657.97
Total	550,368,003.34	100%	401,828,722.45	483,165,212.72	1.00	386,083,494.77

The balance does not include amount due from shareholders holding 5% or above of the Company's interest.

The five highest amounts of other receivables are:

Company Name	Debts RMB	%	Debts Age
Guangzhou International Trust and Investment Company ("CZITIC")	397,068,000.00	82.18%	2-4 years
Guangzhou Economic and Technology Development Zone International Trust and Investment Company ("GETDZITIC")	51,380,000.00	10.63%	2-4 years
Guangdong Overseas Chinese Trust and Investment Company	8,809,756.58	1.67%	2-4 years
Haiwensi Company	3,282,653.79	0.68%	Within 1 year
Guangzhou Shipyard	1,995,947.14	0.40%	Within 1 year

Note:

- In this period, there's no special provision for bad debts about other receivables;
- The debts owed by GETDZITIC have been made fully provision for bad debts previously. In the period, approved by the Board of the Directors, the Company agreed to transfer the principal of the debts RMB 362 million to Guangzhou Hongli Investment Consultant Co. Ltd. ("GHICC") by consulting with GHICC. GHICC paid RMB 108.6 million that is 30% of the total amount of the debts to the Company as the cost. The rest of the debts RMB 253.4 million were written off as bad debts. It couldn't be estimated to take back the money.
- As to the debt owed by Guangzhou Foreign Economic Trust Investment Company ("GFETIC"), the Company has taken back property worth RMB 867.65 million and listed it in property account. The Company has made a provision RMB 132.25 million for bad debts in 2000 annual and written it off fully in the period.
- The Company has taken back RMB 1,285 million from CZITIC. Consulting with CZITIC and approved by the Board of the Directors, the Company agreed to reduce the debt RMB 2570 million owed by CZITIC.

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## (4) Subsidy receivable

Items	Consolidated	
	Opening Balance RMB	Closing Balance RMB
Subsidy for domestic cross ocean liners	41,372,831.83	33,789,930.08
Value-added tax refund for exports	12,903,881.36	43,434,721.59
Total	54,276,713.19	77,224,651.67

Subsidy refund for domestic cross-ocean liners is also operated under the related domestic rules.

Value-added tax refund for exports mainly is the receivable tax refund of exported bulks and container products.

## 4. Inventories and provision for diminution in value

Items	Consolidated			
	Opening Balance (RMB)	Provision for diminution in value	Closing balance (RMB)	Provision for diminution in value
Amount	Amount	Amount	Amount	Amount
Raw material	262,101,939.8	2,920,555.25	230,870,384.52	1,034,477.21
Low-value Consumables	1,395,072.02	—	1,383,305	76
Work-in-progress	79,704,754.90	326,432,200.00	62,639,821.38	103,611,460.81
Finished good	119,614,820.97	6,283,375.84	75,098,579.77	1,018,541.33
Total	462,816,587.76	335,636,131.09	369,992,091.43	105,664,479.35

The inventory movements of provision for diminution in value are referred to the provision for diminution in value statement. RO/PAX ship and 40000t oil tanker Huahai will have been sold according to schedule and the provision for diminution in value has been transferred, so the provision for work-in-progress products of this term has significantly decreased compared with that of the beginning.

## 5. Deferred Expenses

category	Consolidated			Closing balance RMB
	Opening balance RMB	Addition in the period RMB	Amortization in the period RMB	
Value-added tax Payable	19,532,050.43	—	19,532,050.43	—
Others	1,134,477.59	888,762.91	1,195,502.72	827,737.78
Total	20,666,528.02	888,762.91	20,727,553.15	827,737.78

Kwangchow shipyard container factory(the factory), the subsidiary of the company, used the duty free material against the rules in 1996, when the factory produced a batch of containers for China Container Transportation Center of Railroad and make a deferred payment for value-added tax according to the requirement of the Custom in 2000. The factory has paid part of the tax with the rules of the Custom in 2001 and the balance will be paid in 2002. So the closing balance has decreased compared with the opening balance.

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## 6. Long-term Investment

	Opening balance (RMB)			closing balance (RMB)		
	Amount	Provision for diminution	Addition in the period	Deduction in the period	Amount	Provision for diminution
Long-term equity investments	18,790,192.46	–	259,622.15	3,903,496.21	15,146,318.39	–
long-term debt investments	3,200,000.00	–	–	3,200,000.00	–	–
Total	21,990,192.46	–	259,622.15	7,103,496.21	15,146,318.39	–

### (1) Long-term equity investment – other equity investment

Name of investees	Consolidated					note
	Total investment RMB	Percentage holding of investees' capital	Change in the period RMB	Closing balance RMB	Equity method Accumulated change RMB	
Guangzhou Yongda International Container Engineering Company Limited	263,299.40	35.00%	338,296.07	2,162.57	74,996.67	
South China/Marine And Industrial Special Coating Limited	1,722,060.00	25.00%	2,371,899.66	55,307.93	649,839.66	
Contech International Container Engineering Company Limiter	162,500.00	20.00%	496,122.66	43,825.61	333,622.66	
Huanan Plastic Coated Steel Pipe Factory	750,000.00	18.75%	–	-750,000.00	–	
GuangzhouHenhe Construction Company	23,457,150.21	33.80%	–	-2,995,170.17	–	
Shenzhen Yuanzhou Science & Technology Industry Company Limited	1,000,000.00	7.41%	1,000,000.00	–	–	
China Merchants Banking Corporation	10,010,000.00	0.23%	10,010,000.00	–	–	
Information and Technology Company Limited of CSSC	900,000.00	15.00%	900,000.00	–	–	
Machinery and Electric Equipment Company	30,000.00	10.00%	30,000.00	–	–	
Total	38,295,009.61	–	15,146,318.39	-3,643,874.06	1,058,458.99	

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## (2) Consolidated Balance

Unit: RMB

Name of investees	Opening balance	Amortization period	Amortization in the period	Value after amortization
Guangzhou Henghe Construction Company Limited	2,157,150.21	10 years	17,976.25	2,139,173.96
Guangdong GSI Elevator Company	515,313.60	10 years	–	515,313.60

- The company has added the investment to Guangzhou Henghe Construction Company Limited with fixed assets that have been entered into the account book as investment costs with book value. The investee has entered into the account book with the value confirmed by all investors. And the investment balance will be amortized not less than 10 years.
- After consulting with Guangdong Province Construction Mechanical Industry Company, the subsidiary of the Company, Guangzhou Wanda Wood Company Limited agreed to buy the 5% equity held by another subsidiary of the company, Guangdong GSI Elevator Company with RMB 350,000.

## (3) Long-term debt investments – other debt investments

Name of debtor	Loan principal RMB'000	term	Interest rate (%)	Expiry date	Interest received in the year RMB	Accumulative interest Received RMB	Principal received in the year RMB	Accumulative principal received RMB	Balance of outstanding principal RMB
Guangzhou Electric Power Corporation	7000.00	13	4.2-9	2007.6	452850.00	2590850.00	3,200,000	7,000,000	–
Total					452850.00	2590850.00	3,200,000	7,000,000	–

This relates to a long-term loan agreement with Guangzhou Electric Power Corporation based on the favorable electricity price attained by the Company for the improving the electricity-usage index. The principle and interests will be repaid in installment within 10 years in which all principal and interests of the bonds have been repaid in advance.

## 7. Fixed assets and depreciation

### (1) Fixed assets cost

Items	Opening balance RMB	Consolidated Addition RMB	Consolidated Disposal RMB	Closing balance RMB
Buildings	434,942,677.02	12,027,973.90	5,368,762.18	441,601,888.74
Structures	196,110,711.50	16,251,777.70		212,362,489.20
Vehicles	22,816,798.89	1,876,888.02	1,011,621.40	23,682,065.51
Instruments and meters	5,541,496.26	268,166.04	32,514.20	5,777,148.10
Transmission system	39,460,060.53	795,576.90	17,309.11	40,238,328.32
Machinery and equipment	744,611,818.72	54,776,389.99	33,327,617.20	766,060,591.51
Total	1,443,483,562.92	85,996,772.55	39,757,824.09	1,489,722,511.38



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## (2) Accumulated depreciation of fixed assets

Items	Opening balance	Consolidated		Closing balance
		Addition	Disposal	
Buildings	69,609,162.34	12,762,427.45	2,153,872.29	80,217,717.50
Structures	58,774,228.17	8,169,023.12		66,943,251.29
Vehicles	10,963,110.61	2,369,515.15	682,721.43	12,649,904.33
Instruments and meters	3,149,459.10	638,728.40	29,952.83	3,758,234.67
Transmission system	10,958,662.64	2,095,100.74	7,555.68	13,073,207.70
Machinery and equipment	279,457,476.82	55,768,745.16	15,040,159.16	320,186,062.82
Total	432,939,099.68	81,803,540.02	17,914,261.39	496,828,378.31
Net value of fixed assets	1,010,544,463.24	4,193,232.53	21,843,562.70	992,894,133.07

## 8. Construction Materials

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
Steels	110,103.70	110,103.70
Nonmetallic materials	9,545.00	9,545.00
Electrical equipment	4,380.00	
Tubes	18,280.40	—
Total	142,309.10	119,648.70

## 9. Construction-in-process

Category	Opening balance (including: interest) RMB	Addition in the period (including: interest) RMB	consolidated		Closing balance (including: interest) RMB
			Transfer to fixed assets (including: interest) RMB	Other reductions (including: interest) RMB	
1. Facilities improvements					
(1) "ninth five-year plan" project	24,651,222.06	7,709,379.67	31,730,601.73	—	—
Including: capitalized interests	1,018,143.80	695,491.66	1,713,635.46	—	—
(2) others	7,366,911.01	87,894,405.00	31,517,370.32	—	63,743,945.69
2. projects of subsidiary companies	8,247,344.04	—	—	—	8,247,210.97
Total	40,265,344.04	94,973,784.67	63,247,972.05	—	71,991,156.66
Including: capitalized interests	1,018,143.80	695,491.66	1,713,635.46	—	—

The construction-in-progress is financed by the Company internally and the capitalized rate in the period is 5.94%.

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## 10. Intangible assets

Category	Opening balance	Addition	Consolidated		Closing balance	Initial cost
	RMB	RMB	Transfer out	Amortization	RMB	RMB
Land use right	106,862,000.00	82,822,412.27	–	8,080,000.00	1,604,524.32	73,137,887.95
Know-how	10,332,076.00	6,886,055.23	–	–	1,036,096.60	5,849,958.63
Total	117,194,076.00	89,708,467.50	–	8,080,000.00	2,640,620.92	78,987,846.58

Land use right is amortized evenly over the useful lives of 50 years. Know-how is amortized evenly over a period of 10 years. the company sold the land use right of the subsidiary of the company, Dongguang Yuedong Company by consultation. So the amount transferred out in the period was RMB8,080,000

## 11. Long-term deferred expenses

Category	Opening balance	Addition	Consolidated		Closing balance	Remained term
	RMB	RMB	Amortization		RMB	
Long-term deferred expenses	–	–	–		–	
Modification expenses						
of fixed assets	664,160.39	63,800.00	287,143.62		440,816.77	–
Computer leased	517,087.60	–	517,087.60		–	
Others	271,634.00	1,009,810.28	294,623.52		986,820.76	4
Total	1,452,881.99	1,073,610.28	1,098,854.74		1,427,637.53	–

The amortization of modification expenses of fixed assets will be amortized evenly during the main repairing period.

## 12. Short-term loans and long-term loans within one year

### (1) Short-term loans

Loans category	Opening balance	Closing balance	Loan's term	Consolidated	
	RMB	RMB		note	Annual interest (%)
Mortgage loans	215,000,000.00	105,000,000.00	2001.2-2002.11		5.025-5.85
Guarantee loans	100,000,000.00	41,384,000.00	2001.1-2002.11		3-5.58
Credit loans		41,384,000.00	2001.11-2002.10		3.40
Total	315,000,000.00	187,768,000.00		–	–

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## (2) Long-term loans within one year

Loans category	Consolidated		Loan's term	Annual interest (%)
	Opening balance RMB	Closing balance RMB		
Mortgage loans	132,000,000.00	–	1999.10.20-2001.11.08	5.94
Guarantee loans	410,000,000.00	370,000,000.00	2000.7-2002.12	4.05
Other	4,468,365.36	4,468,365.36		
Total	546,468,365.36	374,468,365.36	–	–

## 13. Accounts payable

### (1) Bills payable

Name	Offer bills date	Expiry date	consolidated	
			Closing balance	Note
Chongqing Iron Compay Limited				
Guangdong Sell Company	2001.10.16	2002.1.16	10,000,000.00	
Chongqing Iron Compay Limited				
Guangdong Sell Company	2001.11.22	2002.2.22	15,000,000.00	
Chongqing Iron Compay Limited				
Guangdong Sell Company	2001.12.12	2002.3.13	22,000,000.00	
COSCO International trade Company	2001.11.27	2002.05.27	30,000,000.00	
COSCO International trade Company	2001.12.5	2002.06.05	15,000,000.00	
CSSC Material Company Huanan Branch	2001.11.14	2002.02.14	8,000,000.00	
Shanghai Dacheng Company	2001.11.14	2002.02.14	6,000,000.00	
Total			106,000,000.00	

In the period, the Company had no advance payments from the shareholders with equity holding at 5% or above of share capital.

### (2) Accounts payable

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
Amounts payable for materials purchased	232,581,580.51	233,272,901.47
Amounts payable for subcontracting services	8,544,991.14	24,895,671.55
Total	241,126,571.65	258,168,573.02

In the period, the Company had no advance payments from the shareholders with equity holding at 5% or above of share capital.

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## (3) Advances from customers

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
Shipbuilding	80,000,000.00	–
Ship-repairing	1,316,108.00	1,131,814.00
Other products	40,099,571.35	32,434,254.56
Total	121,415,679.35	33,566,068.56

The closing balance decreased compared with the opening balance because shipbuilding products fund is listed in “construction settlement”

In the period, the Company had no advance payments from shareholders with equity holding at 5% or above of share capital.

## (4) Other Payables

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
Company retirement pension	18,792,870.69	21,497,701.37
Staff check off	871,426.82	769,223.72
Auditing expenses to accountants	1,986,412.75	2,000,000.00
Military projects expenses	2,244,647.04	–
Administration expenses to Gujin town	1,206,500.00	1,200,000.00
Guangzhou Shipyard	4,977,388.87	2,610,259.75
National defense research expenses	3,448,917.32	10,113,479.12
Technical expenses allotted from Guangzhou government	6,256,731.60	–
Labor union expenses Check off	370,113.39	–
Remuneration to independent directors	519,626.00	634,099.92
KF company, Germany	803,721.36	
Other payables	7,147,275.73	7,804,509.01
Total	48,625,631.57	46,611,272.89

In the period, the company did not have other payables due to shareholders holding 5% or above of the total share capital.

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## 14. Dividends Payable

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
State shares		
A shares		
H shares		
Dividends from associated companies	804,577.76	487,355.45
Total	804,577.76	487,355.45

## 15. Taxes Payable

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
Value-added tax	-18,421,440.41	-19,860,349.06
Business tax	1,444,644.88	1,379,217.11
City construction tax	231,893.54	146,647.46
Income tax	4,624,205.24	8,785.80
Property tax	2,567,039.61	189,606.36
Land tax	1,519,677.50	-47,110.72
Tax of staff income	785,684.41	459,816.82
Total	-7,248,295.23	-17,723,386.23

## 16. Accrued expenses

Category	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
Product warranty provision	55,443,013.59	38,602,411.73
Finalisation Costs for projects	32,036,655.41	22,929,239.82
Transportation costs	3,483,706.89	177,526.53
Specific expenses of CCTCRB	65,000,000.00	40,004,499.12
Others	3,442,167.04	5,485,850.14
Total	159,405,542.93	107,199,527.34

Product warranty provision is made based on fixed percentage of vessel contract price of five vessels delivered during the year in accordance with industry practice. It is intended to cover product maintenance costs incurred within one-year form date of delivery.

Finalisation Costs for projects is the cost of shipbuilding product after finish the project, which including the project cost may occur in future but not occur now and the postponed project cost.

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## 17. Long-term Bank Loans

Name of bank	Amount RMB	Loan's term	Consolidated	Conditions of loans
			Annual interest (%)	
China Import and Export Bank	410,700,000.00	2001.05-2003.06	4.05	Guarantee

## 18. Other Long-term Liabilities

Catalogue	Consolidated	
	Opening balance (RMB)	Closing balance (RMB)
China Container Transportation Center of Railroad Bureau	12,474,186.22	8,005,820.86
Total	12,474,186.22	8,005,820.86

According to the contract signed with China Container Transportation Center of Railroad Bureau in 1996, the debts of goods payment should be amortized with 8 years. The above-mentioned debts are the interest of unpaid goods payment, and were received normally.

## 19. The alteration of Capital, Capital Reserve and Surplus reserves, please refer to "Statement of movements in shareholders equity"

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## 20. Distributed Earnings

Item	Amounts before adjustment	Increase of adjustment	Decrease of adjustment	Amounts after adjustment
Balance at the beginning of the year	-619,023,707.54	—	—	—
Adjustment of the launching expenses	—	—	5,670,354.70	—
Adjustment of the "two expenses" accordingly	—	1,134,079.94	—	—
Adjustment to the unimportant accounting errors in previous year	—	—	591,098.06	—
The land diminution of Yuedong Company	—	—	13,900,000.00	—
Total	-619,023,707.54	1,134,070.94	20,161,452.76	-638,051,089.80

The Company adjusted the launching expenses and the provision for diminution for assets in accordance with the document the notice of publication of enterprise accounting system (the No. Finance and account 2000-25), the notice of publication of regulations concerning the policy of and execution of enterprise accounting system (the No. Finance and account 2001-17) and the notice of publication of explanation to the execution of enterprise accounting system and other related questions issued by the finance and accounting department.

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## 21. Regional distribution of the turnover

Please refer to "Division statement (regional division)". The total of the five highest turnover is 1,092,810,000 yuan (RMB) that amounts for 52.62% of the total turnover.

## 22. Main operating tax and the tax added

### Category

Business tax	1,663,667.04
City construction tax	355,314.67
Additional money for education	206,397.00
Total	2,225,378.71

## 23. Financial expenses

Category	Consolidated	
	Amount of the year RMB	Amount of last year RMB
Interest expense	50,457,906.05	53,400,516.28
Less: interest income	16,455,317.69	10,822,635.09
Exchange loss	5,258.07	929,115.38
Less: Exchange income		
Others	1,872,733.13	4,769,052.84
Total	35,880,579.56	48,276,049.41

## 24. Profit from other operations

Category	Consolidated					
	Operating income RMB		Operating cost RMB		Operating gross profit RMB	
	This year	Last year	This year	Last year	This year	Last year
Sales of raw materials	15,268,050.41	12,955,007.53	13,523,474.68	13,998,661.56	1,744,575.73	-1,043,654.03
Sales of scrap materials	8,420,856.90	10,780,429.21	5,769,208.17	5,434,334.84	2,651,648.73	5,346,094.37
Transportation services	193,085.00	4,412,489.76	73,958.15	3,853,765.80	119,126.85	558,723.96
Others	22,855,807.11	15,403,440.90	14,405,298.86	15,517,348.85	8,450,508.25	-113,907.95
Total	46,737,799.42	43,551,367.40	33,771,939.86	38,804,111.05	12,965,859.56	4,747,256.35

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For the year ended 31st December, 2001

## 25. Investment income

Item	Bonds investment RMB	Consolidated Equity investments		Total income RMB
		At equity	At cost	
Short-term investments	5,293,303.40	—	—	5,293,303.40
Long-term investments	452,850.00	1,986,367.98	1,000,000.00	—
Total	5,746,153.40	1,986,367.98	1,000,000.00	8,732,521.38

## 26. Subsidy income

Item	Consolidated Amount RMB
Value-added tax refunded	7,556,596.99
Subsidy for cross ocean liners	34,405,246.71
Others	6,120,000.00
Total	48,081,844.70

The main source of subsidy income in the period is:

The 28,000dwt bulk cargo carrier and 18000dwt half submerge cargo carrier built for COSCO are eligible for subsidy income including special financial subsidy at 12% on contracted price or 17% on contracted price excluding tax, from State Finance Bureau pursuant to the related State's policy. The confirmation is the same as the confirmation of related construction contract while the value-added tax refund is confirmed after the corresponding construction contract is fulfilled. Other subsidy incomes refer to the refund of value-added tax for the development of new product approved by the State.

## 27. Non-operating income and expenses

### (1) Non-operating income

Category	Consolidated	
	Amount of the year RMB	Amount of last year RMB
Gain on disposal of fixed assets	136,873.14	94,412.17
Penalty received	21,113.80	14,855.50
Compensation	122,334.98	210,720.52
Others	576,849.57	429,101.80
Total	854,171.49	749,089.99



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## (2) Non-operating expenses

Category	Consolidated	
	Amount of the year RMB	Amount of last year RMB
Loss on disposal of fixed assets	3,069,257.83	1,787,201.78
Penalty expenses	-2,450,053.20	34,624,908.48
Donations	62,726.00	
Compensation	6,939.93	146,802.39
Others	219,735.57	14,439,151.90
Total	908,606.13	50,998,064.55

Non-operating expenses decreased notably compared with the amount of last year because the penalty in accordance with requirement of customs for violating regulations and using import materials on the batch of containers made for Container Transportation Center of Railroad Bureau China("China Railroad") by the Container Factory, a subsidiary of the Company during 1996, and customs asked to pay off the penalty in 2000.

## 28. Notes to the major items of financial statements of the parent company

### (1) Accounts receivable

Age bond	Parent-company			Parent-company		
	Opening Balance RMB		Provision for doubtful debts	Closing Balance RMB		Provision for doubtful debts
	Amount	Proportion		Amount	Proportion	
Within 1 year	295,627,310.09	57.7%	1,477,613.55	254,932,269.57	62.9%	1,132,275.31
1-2 years	73,992,965.20	14.4%	1,340,355.86	9,225,184.33	2.3%	38,357.91
2-3 years	4,083,106.12	0.8%	20,415.53	39,059,799.51	9.6%	77,950.52
Over 3 years	138,814,615.70	27.1%	4,161,983.78	102,168,769.01	25.2%	2,235,676.60
Total	512,517,997.11	100%	7,000,368.72	405,386,022.42	100%	3,484,260.34

The total of the five highest accounts receivable is RMB 346983032.29 yuan, which accounts for 85.59% of the total accounts receivable.

Note: For more details please refer to notes to accounts.

The above does not include amount due from shareholders who hold 5% or above of the Company's interest.

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## (2) Other accounts receivable

Age bond	Parent-company			Parent-company		
	Opening Balance (RMB)		Provision for doubtful debts	Closing Balance (RMB)		Provision for doubtful debts
	Amount	Proportion		Amount	Proportion	
Within 1 year	33,933,415.12	6.09%	446,255.25	9,372,907.01	1.89%	428,023.28
1-2 years	802,665.46	0.14%	4,596.83	6,429,126.60	1.30%	488.00
2-3 years	261,658,479.51	46.97%	169,298,325.48	972,158.10	0.20%	4,860.79
Over 3 years	260,675,031.92	46.79%	230,956,114.20	478,895,088.56	96.62%	396,148,657.97
Total	557,069,592.01	100%	400,705,291.76	495,669,280.27	100%	396,582,030.04

The above does not include amount due from shareholders who hold 5% or above of the Company's interest.

The five highest other accounts receivable are:

Company Name	Debts (RMB)	Proportion	Date of debt	Reason of debt
Guangzhou International Trust and Investment Company ("GZITIC")	397,068,000.00	80.11%	2-4 years	refer to Significant Events
Guangzhou Economic and Technology Development Zone International Trust and Investment Company ("GETDZITIC")	51,380,000.00	10.37%	2-4 years	refer to Significant Events
Guangdong Overseas Chinese Trust and Investment Company (GOCTIC)	8,089,756.58	1.63%	Within 1 year	refer to Significant Events
Guangzhou Shipyard	1,995,947.14	0.40%	Within 1 year	refer to a current account
Guangzhou Ocean Research Institute	3,000,000.00	0.06%	1-2 years	refer to a current account

## (3) Long-term Investments

	Parent-company				Parent-company	
	Opening Balance (RMB)		Addition in the period	Disposal in the period	Opening Balance (RMB)	
	Amount	Provision for diminution in value			Amount	Provision for diminution in value
Long-term equity Investments	19,323,273.95	20,251,522.39	8,842,396.94	204,732,399.40	–	–
Long-term debt Investments	3,200,000.00	–	–	3,200,000.00	–	–
Total	196,523,273.95	–	20,251,522.39	12,042,396.94	204,732,399.40	–

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## Long-term equity investments – other equity investments

Name of investees	Total investment RMB	Percentage holding of investees' capital %	Closing Balance RMB	Share of results-equity method RMB	Accumulated change RMB
Kwangchow Shipyard Container Factory	56,155,800.59	100%	56,155,800.59	–	–
Guangzhou Jinfan Advertisement Decoration Company Limited	1,260,000.00	90%	-1,719,276.62	-1,310,724.14	-2,979,276.62
Masterwood Company Limited	2,486,385.00	75%	3,540,346.34	296,997.41	1,053,961.34
Guangzhou Guanglian Container Transportation Company Limited	15,000,000.00	75%	15,088,642.93	-388,253.54	88,642.93
Xinhui City Nanyang Shipping Industrial Company	25,200,000.00	70%	22,124,840.88	–	-3,075,159.12
Guangzhou Haizhu District Guanghua Machinery Factory	934,700.00	65%	1,675,187.80	–	740,487.80
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,005,000.00	67%	73,771.25	-1,225,916.87	-931,228.75
Guangzhou Xinsun Shipping Service Company Limited	500,000.00	83%	10,756,453.52	860,898.37	10,256,453.52
United Steel Structures Limited	37,522,079.55	51%	38,584,877.23	612,898.65	1,062,797.68
Guangdong GSI Elevator Limited	19,950,000.00	95%	19,704,611.21	-56,229.76	-245,388.79
Guangzhou Hongfan Information Technique Co., Ltd	4,500,000.00	90%	5,396,717.73	237,947.39	896,717.73
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	600,000.00	60%	663,636.41	13,117.35	63,636.41
Dongguang Yuedong Industry & Commerce Development Co. Ltd.	19,782,000.00	90%	–	-19,782,000.00	–
Guangzhou Yongda International Container Engineering Company Limited	263,299.40	35%	338,296.07	2,162.57	74,996.67
South china/Maring and Industrial Special Coating Limited	1,722,003.00	25%	2,371,899.66	55,307.93	649,896.66
Contech International Container Engineering Company Limited	162,500.00	25%	496,122.66	43,825.61	333,622.66
Huanan Plastic Coated Steel Pipe Factory	750,000.00	19%	–	-750,000.00	-750,000.00
Henghe Construction Company	3,380,000.00	33%	18,470,471.74	17,614,475.53	15,090,471.74
Shenzhen Yuanzhou Science & Technology Industry Company Limited	1,000,000.00	7%	1,000,000.00	–	–
China Merchants Banking Corporation	10,010,000.00	–	10,010,000.00	–	–
Total	202,183,767.54		204,732,399.40	-3,775,493.50	2,548,631.86

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## Long-term equity investments – other equity investments

Name of debtor	Loan		Interest per year	Expiry date	Received interest in		Received principle in		Balance of outstanding principle
	principal	Term			the year	Accumulative amounts	the year	Accumulative amounts	
	RMB				RMB	RMB	RMB	RMB	RMB
Guangzhou Electric Power Corporation	7,000,000.00	13	4.2-9	2007.6	452,850.00	259,085.00	3,200,000	7,000,000	–
Total	7,000,000.00				452,850.00	259,085.00	3,200,000	7,000,000	–

Raising funds for the electric power is a long-term loan agreement for increasing electro-index and gaining favorable electric price signed between Guangzhou Electric Power Corporation and the Company. The capital and interest will be amortized with 10 years. The Company has received capital and interest of the residual bonds up till the annual report disclosed.

## (4) Investment income

Item	Parent-company bonds investment income		Equity investment income		Total income
	RMB		At equity	At cost	
Short-term Investments	5,293,303.40		–	–	5,293,303.40
Long-term Investments	452,820.00		10,440,905.48	1,000,000.00	11,893,755.48
Total	5,746,153.40		10,440,905.48	1,000,000.00	17,187,058.88

Investment income increased compared with the amount of last year because the Container Factory, a subsidiary of the Company, had turned the loss into profit in this year.

## (5) Principal operating incomes cost of sales and gross profit

Products category	Operating income (RMB)		Cost of sales (RMB)		Gross profit (RMB)	
	This year	Last year	This year	Last year	This year	Last year
Shipbuilding products	1,407,794,498.16	1,490,200,805.70	1,375,342,946.38	1,437,577,320.05	32,451,551.78	52,623,485.65
Steel structure	24,490,311.20	31,298,997.00	23,987,740.27	42,900,546.79	502,570.93	-11,601,549.79
Terrestrial machinery	164,401,373.15	32,201,334.21	148,351,074.12	27,972,465.78	16,050,299.03	4,228,868.43
Ship-repairing products	23,479,013.46	21,064,280.28	20,420,141.26	18,978,229.88	3,058,872.20	2,086,050.40
Others	–	7,867,509.07	–	6,131,120.58	–	1,736,388.49
Total	1,620,165,195.97	1,582,632,926.26	1,568,101,902.03	1,533,559,683.08	52,063,293.94	49,073,243.18

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## (VI) Connected party and transactions

(1) Connected parties under the control of the Company (included in the consolidated statements):

Name	Registered address	Principal Business	Relationship with the Company	Nature of the enterprise	Legal representative
CSSC	NO.1 pudong main road, shanghai	Ship anufacturing and sales	State shareholde	Company with limited liability	Chen xiaojin
Kwangchow Shipyard Container Factory	No. 118 GexinRoad, Gaungzhou	Container & steel structuremanufacturing, installationand repair	Subsidiary	Joint stock	Yin Xueming
Guangzhou Jinfan Advertisement Decoration Company Limited	40 Fangchunmain road Guangzhou	Design and make all kinds ofdomestic advertisement	Subsidiary	Company with limited liability	Guan Zhiquang
Guangzhou Xinsun Shipping Service Company Limited	40 Fangchunmain road Guangzhou	Installation, welding, fitting, coating, repair of hullstructure	Subsidiary	Company with limited liability	Dai Zhengting
Masterwood Company Limited	40 Fangchunmain road Guangzhou	Manufacture and sales of allkind of materia furnitureseries	Subsidiary	Sino-foreign Joint venture	Zhang Liangjing
Guangzhou Guanglian Container Transportation Company Limited	No. 118 GexinRoad, Gaungzhou	Container transportation	Subsidiary	Sino-foreign Joint venture	Zhong Yuquan
Xinhui City Nanyang Shipping Industrial Company	Gujin town,Xinhui City, Guangdong	Ship dismantling, shipbuilding and steel structure engineering	Subsidiary	Cooperative company	Li yizhen
Guangzhou Sanlong Industrial Trading Develop Company Limited	No. 126 GexinRoad, Gaungzhou	Business of steel structure and general ship component manufacturing	Subsidiary	Company with limited liability	Li Guanghui
Guangzhou HaizhuDistrict Guanghua Machinery Factory	No. 70 Xijixi,Lifu road, Guangzhou	Machine manufacturing, production design, motor andelectrical equipment.	Subsidiary	Cooperative company	Feng Ruilin
United SteelStructures Limited	40 Fangchunmain road Guangzhou	Manufacturing, sales and postsales service of steel structure	Subsidiary	Sino-foreignjoint venture	Ye Peihua
Guangdong GSI Elevator Limited	No. 118 GexinRoad, Gaungzhou	Design, manufacturing, sales, Installation, modification and repair of all kinds of elevator	Subsidiary	Company with limited liability	Ye Peihua

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Name	Registered address	Principal Business	Relationship with the Company	Nature of the enterprise	Legal representative
Guangzhou Hongfan Information Technique Co., Ltd	40 Fangchunmain road Guangzhou	Development of computer Software, system integrationand sales	Subsidiary	Cooperative company	Wang Yi
Guangzhou Shipyard Machinery Equipment Engineering Co., Ltd.	No. 138 GexinRoad, Gaungzhou	Manufacturing and installationof mechanical-electrical products	Subsidiary	Cooperative company	ZhongJian
Guangzhou Henghe Construction Co., Ltd	40 Fangchunmain road Guangzhou	Design,manufacruring and installation of building structure	Subsidiary	Cooperative company	Chen ji

## (2) The registered capital of connected parties under the control of the Company and their changes

Name	Opening Balance RMB	Additions in the period RMB	Disposal in the period RMB	Closing Balance RMB
CSSC	6,374,300,000	—	—	6,374,300,000
Kwangchow Shipyard Container Factory	44,924,640	—	—	44,924,640
Guangzhou Jinfan Advertisement Decoration Company Limited	1,400,000	—	—	1,400,000
Guangzhou Xinsun Shipping Service Company Limited	600,000	—	—	600,000
Masterwood Company Limited	3,315,180	—	—	3,315,180
Guangzhou Guanglian Container Transportation Company Limited	20,000,000	—	—	20,000,000
Xinhui City Nanyang Shipping Industrial Company	34,800,000	—	—	34,800,000
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,500,000	—	—	1,500,000
Guangzhou Haizhu District Guanghua Machinery Factory	1,438,062	—	—	1,438,062
United Steel Structures Limited	49,879,800	23,692,925.00	—	73,572,705
Guangdong GSI Elevator Limited	21,000,000	—	—	21,000,000
Guangzhou Hongfan Information Technique Co., Ltd	5,000,000	—	—	5,000,000
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	1,000,000	—	—	1,000,000
Dongguang Yuedong Industry & Commerce Development Co. Ltd.	10,000,000	—	—	10,000,000.000
Guangzhou Hehe Construction Co., Ltd.	10,000,000	17500000	—	27500000

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For the year ended 31st December, 2001

## (3) The equity interests in connected parties under the control of the Company and their changes.

Name	Opening Balance		Additions in the period	Disposal in the period	Closing Balance	
	RMB	%	RMB	RMB	RMB	%
CSSC	210,800,080	42.61	–	–	210,800,080	42.61
Kwangchow Shipyard						
Container Factory	44,925,000	100	–	–	44,925,000	100
Guangzhou Jinfan						
Advertisement Decoration						
Company Limited	1,260,000	90	–	–	1,260,000	90
Guangzhou Xinsun Shipping						
Service Company Limited	498,000	83	–	–	498,000	83
Masterwood Company Limited	2,486,000	75	–	–	2,486,000	75
Guangzhou Guanglian Container						
Transportation Company						
Limited	15,000,000	75	–	–	15,000,000	75
Xinhui City Nanyang Shipping						
Industrial Company	25,200,000	70	–	–	25,200,000	70
Guangzhou Sanlong Industrial						
Trading Develop Company						
Limited	1,005,000	67	–	–	1,005,000	67
Guangzhou Haizhu District						
Guanghua Machinery Factory	935,000	65	–	–	935,000	65
United Steel Structure Limited	25,438,698	51	12,083,381.55	–	37,522,079.55	51
Guangdong GIS Elevator						
Limited	19,950,000	95	–	–	19,950,000	95
Guangzhou Hongfan Information						
Technique Co.Ltd.	4,500,000	90	–	–	4,500,000	90
Guangzhou Shipyard Machinery						
Equipment Engineering Co.Ltd.	6,000,000	60	–	–	6,000,000	60
Dongguang Yuedong Industry &						
Commerce Co.Ltd.	19,782,000	90	–	19,782,000	–	–
Guangzhou Henghe Construction						
Co., Ltd	2,995,170.17	38	17,500,000	–	18,470,471.74	75.9

**(4) The connected transactions under the control of the Company had been counteracted in the Report.**

The condition of the connected parties uncontrolled by the Company

*1. The connected parties uncontrolled by the Company*

The connected transactions made between the Group and the associated enterprises under CSSC or associated enterprises under the Group during the year had been carried out in the ordinary course of business of the relevant companies and on normal commercial terms, and had been entered into in accordance with the terms of the agreement covering such transactions or (where there is no such agreement) on terms no less favorable than terms available to third parties. The Group did not receive any extraordinary benefit or suffer any extraordinary loss from such transactions, which are fair and reasonable as far as the shareholders are concerned.

<b>Name</b>	<b>Connection with the Company</b>
Huangpu Shipyard	Under CSSC
Guangzhou Wenchong Shipyard	Under CSSC
Guangzhou Shipyard	Under CSSC
Jiangxi Jiujiang Marine Machine Factory	Under CSSC
Hudong Shipyard	Under CSSC
Hualian Marine Company Limited	Under CSSC
Huanan Marine Machine Factory	Under CSSC
Jiangxi Chaoyang Machine Factory	Under CSSC
Jiangxi Jiujiang Marine Machine Factory	Under CSSC
Jiangxi Jiujiang instrument Factory	Under CSSC
Nanjing Liuzhou Machinery Factory	Under CSSC
Shanghai Marine Design Institution	Under CSSC
Shanghai Shipyard	Under CSSC
Zhengmao Group Company Limited	Under CSSC
CSSC Industrial Material Company	Under CSSC
Guangzhou Marine Material Company	Under CSSC
CSSC Material Company Huanan Branch	Under CSSC
Huanan Marine Mechanic and Electric Department	Under CSSC
Huanan Material Station	Under CSSC
Zhenjiang Marine Windstick Factory	Under CSSC
Zhenjiang Marine Diesel Factory	Under CSSC
Zhenjiang Marine Auxiliary Machine Factory	Under CSSC
South China Marine & Industrial sSpecial Coating Limited Company	Affiliated Company
Shunde Huanan Plactic Coated Steel Pipe Factory	Affiliated Company



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## 2. Selling Materials

Name of Company	2001	2000
Guangzhou Huangpu Shipyard	265,591.08	12,418.23
Guangzhou Shipyard	1,003,790.33	238,190.58
Guangzhou Wenchong Shipyard	1,190,755.71	196,513.58
South China Marine & Industrial Special Coating Limited Company	–	–
Guangzhou Marine Company	348,070.00	547,067.38
Shanghai Waigaoqiao Shipbuilding Company	3,961.23	41,884.00
		–

## 3. Purchasing Materials

The information of the Company purchasing materials from connected parties in 2000 and 2001 (RMB)

Name of Company	2001	2000
Guangzhou Huangpu Shipyard	895,502.34	844,885.30
Guangzhou Shipyard	20,793,629.65	1,119,471.39
Hudong Heavy Engineering Company Limited	14,814,730.68	
Hualian Marine Company Limited	64,278,294.20	2,275,237.89
Huanan Marine Machine Factory	6,512,100.00	4,816,300.00
Jiangxi Chaoyang Machine Factory	780,319.20	3,709,430.10
Jiangxi Jiujiang Marine Machine Factory	1,564,531.00	1,406,134.42
Nanjing Liuzhou Machinery Factory	2,032,970.00	43,044,410.00
Shunde Huanan Plastic Coated Steel Pipe Factory	–	–
Zhengmao Group Company Limited	816,988.00	1,319,465.52
CSSC Industrial Material Company	1,330,935.42	105,786.71
Zhenjiang Marine Windstick Factory	731,895.00	–
Zhenjiang Marine Diesel Factory	11,632,193.60	–
Zhenjiang Marine Auxiliary Machine Factory	1,745,300.40	–
Shanghai Marine Design Institution	1,325,000.00	–
CSSC Material Company Huanan Branch	–	1,273,649.66

## 4. The information of the Company selling materials to connected parties in 2000 and 2001 (RMB)

Name of Company	2001	2000
Guangzhou Shipyard	1104300.00	779813.44

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## 5. Account receivable and payable of connected parties (RMB)

Name	Balance in the end of the year	
	2001	2000
<b>1). Account receivable</b>		
Wenchong Shipyard	2,426,233.40	240275.50
Guangzhou Shipyard		567736.20
Guangzhou Marine Company	136,490.00	—
Total	2,562,723.40	808011.17
<b>2). Other receivable</b>		
Guangzhou Shipyard	1,995,947.14	25,000,000.00
Guangzhou Marine Design Institution	300,000.00	—
South China Marine & Industrial special Coating Limited Company	92,078.60	—
Total	2,388,025.74	25,000,000.00
<b>3). Advanced payment</b>		
Guangxi Huanan Machine Factory	718,000.00	1000,000.00
Hudong Heavy Machine Shanghai Shipyard Machine Manufacturing Company Limited	5,000,000.00	—
Jiangxi Jiujiang Marine Machine Factory	215,000.00	270,000.00
Hudong Heavy Machine Company Limited	4,240,000.00	—
Nanjing Liuzhou Machinery Factory	120,000.00	—
Total	10,293,000.00	1,270,000.00
<b>4). Account payable</b>		
Shanghai Shipyard	142,794.70	142794.7
Nanjing Liuzhou Machinery Factory	376,496.77	2526000.00
Zhengmao Group Company Limited	600,000.00	100000
Guangxi Huanan Machine Factory	1,127,000.00	—
Hudong Heavy Machine Company Limited	343,867.63	1032165.00
Zhenjiang Matine Diesel Factory	3,648,777.68	
Zhenjiang Matine Auxiliary Machine Factory	480,000	585000.00
Guangzhou Shipyard	766,185.85	56586.51
Jiangxi Jiujiang Marine Machine Factory	240,000.00	
Total	8,062,453.63	4,442,546.21
<b>5). Other payment</b>		
Guangzhou Shipyard	4,977,388.87	2,610,259.25

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## (VII) Contingencies and Commitments

As at the 31st December 2001, the Company (the Group) had no significant contingent items or commitments.

## (VIII) Other Notes

- As at the 31st December 2001, the Company (the Group) had not made any financial commitments and financial guarantee to other parties.
- The Company (The Group) has not prepared audited financial statements for a period subsequent to 31st December 2001.