

SUMMARY OF ACCOUNTING AND BUSINESS DATA

(I) REALIZED PROFIT OF THE COMPANY IN THE YEAR AND ITS BREAKDOWN

The realized profit of the Company and its subsidiaries (collectively the “Group”) in the year and its breakdown are as follows:

1. Prepared under PRC Accounting Standards and Systems

	RMB'000
Total profit	44,868
Net profit	43,052
Net profit (loss) after exclusion of exceptional items (Note A)	35,669
Profit from principal operations	84,376
Profit from other operations	17,451
Profit (loss) from operations	(79,152)
Investment income	3,344
Subsidy income	123,880
Including: subsidy income from domestic ocean-going vessels (Note B)	116,428
Subsidy income from non-domestic ocean-going vessels	7,452
Net non-operating income	11,199
Net non-operating expenditure	14,402
Net cash flow from operating activities	748,047
Net increase (decrease) of cash and cash equivalents	106,687

Note A: Nature and amount of exceptional items are as follows:

	RMB'000
(1) Balance amortization to equity investment	903
(2) Investment income for Rong Guang Co.	1,481
(3) Non-operating income	11,199
(4) Subsidy income from sale of Non-domestic ocean-going vessels	7,452
(5) Recall of several provisions made in previous years	750
(6) Non-operating expenditure	(14,402)
Total	7,383

Note B:

The subsidy income from sale of domestic ocean-going vessels is a special financial subsidy for given new shipbuilding project of given corporations issued from the State Financial Bureau to the shipbuilding constructor in accordance with the state industry policy and was regulated by relevant file issued by the State Financial Bureau and State General Taxation Bureau.

The subsidy income had been taken into consideration as a part of the price of new vessel when negotiating the new shipbuilding contract.

Accordingly, to the shipbuilding constructor, the subsidy income is actually part of ship construction income but reviewed and paid under the relevant policy by the State Financial Bureau. Such income has to be accounted as “subsidy income” in accordance with the relevant accounting policy. Details refer to Notes to the Financial Statement 5(2)(iv) and 5(30).

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2. Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong

RMB'000

Profit before taxation	26,473
Profit attributable to shareholders	24,555

(II) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF LAST FIVE YEARS

1. Prepared under PRC Accounting Standards and Systems

The results, assets and liabilities of the Group of the last five years are summarized as follows:

(Unit: RMB'000)

	2003	2002	2001		2000		1999	
			After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Principal operating income	2,840,446	2,413,101	2,076,603	2,076,603	2,222,270	2,222,270	2,281,357	2,281,357
Total profit (loss)	44,868	17,569	5,562	11,325	(728,278)	(729,783)	20,824	19,350
Net profit (loss)	43,052	15,917	3,215	8,978	(738,265)	(739,770)	2,575	1,101
Total assets	2,513,408	3,192,625	2,510,263	2,510,263	2,401,688	2,395,925	3,470,729	3,466,470
Total liabilities	1,777,085	2,498,299	1,830,445	1,830,445	1,732,595	1,732,595	2,057,312	2,057,312
Shareholders' equity (excluding minority interests)	676,590	633,538	617,730	617,730	614,427	608,663	1,356,124	1,351,865
Earnings (loss) per share (RMB) (Number of shares in issue at the end of year)	0.087	0.0322	0.0065	0.018	(1.4924)	(1.4955)	0.0052	0.00220
Earnings (loss) per share (RMB) (Weighted average number of shares in issue)	0.087	0.0322	0.0065	0.018	(1.4924)	(1.4955)	0.0052	0.00220
Net assets per share (RMB) (Number of shares in issue at the end of year)	1.37	1.28	1.25	1.25	1.24	1.23	2.74	2.73
Adjusted net assets per share (RMB) (Number of shares in issue at the end of year)	1.14	1.12	1.24	1.24	1.12	1.12	2.70	2.69
Net cash flow from operating activities per share (RMB) (Number of shares in issue at the end of the year)	1.51	(0.78)	0.6748	0.6748	0.0483	0.0483	0.0381	0.0381
Return (loss) on net assets (%) (Shareholders' equity at the end of year)	6.36	2.51	0.52	1.45	(120.16)	(121.54)	0.1899	0.0814
Return (loss) on net assets (%) (Average of shareholders' equity at the beginning and the end of year)	6.57	2.54	0.52	1.45	(74.93)	(75.47)	0.1901	0.0815
Return (loss) on net assets after deduction of exceptional items (%) (Average of shareholders' equity at the beginning and the end of year)	5.45	(8.42)	0.53	1.47	(0.21)	(1.82)	0.314	0.21
Ratio of shareholders' equity (%) (Shareholders' equity/Total assets X 100%)	26.92	19.84	24.61	24.61	25.58	25.39	39.07	39
Current Ratio (Current assets/Current liabilities)	0.99	0.91	0.96	0.96	0.85	0.85	1.38	1.38

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Note: The Company invested RMB18 million in national debts up to 16th January 2001, the principal and interest received amounted to RMB 23.29 million. The difference of RMB 5.29 million between the investment in 2001 and the final investment amount was accounted as investment income for the year of 2001.

Guangzhou Regional Office of China Securities Regulatory Commission (the "GRO") conducted a routine inspection on the Company in Aug. 2003, and issued "Notice for Rectification of Guangzhou Shipyard International Company Limited" (the "Notice") (GRO [2003] No. 447) on 8th Oct. 2003. In view of the fact that the national debts investment income consisted mainly of the dividends and guaranteed interests received each year (the dividends and guaranteed interests received each year were: 1998: RMB2,783,924.93, 1999: RMB1,474,493.81, 2000: RMB1,504,959.45), the Company was asked to carry out rectification of the accounting treatment of the investment income received from investment in national debts.

The Company held its eleventh meeting of the fourth term of the Board of Directors on 7th Nov. 2003 and approved to adjust the accounting treatment to the investment income. Guangzhou Yangcheng Certified Accountants Co. Ltd. re-audited the adjusted accounting statement for the year of 2001 and issued opinion of auditors with standard clean opinion. Details refer to Significant Events (11). The Company announced the details of the accounting adjustment on 19th April 2004.

2. In accordance with Accounting principles generally accepted in Hong Kong

The results, assets and liabilities of the Group for the last five years are summarized as follows:

(Unit: RMB'000)

	2003	2002	2001	2000	1999
Turnover	2,840,446	2,413,101	2,076,603	2,222,270	2,281,357
Operating (loss) / profit	66,175	(65,758)	47,002	(311,052)	178,412
Profit / (loss) before taxation	26,473	16,835	(2,651)	(721,762)	18,657
Profit / (loss) attributable to shareholders	24,555	15,020	(5,160)	(728,710)	956
Total assets	2,932,287	3,652,666	2,909,855	3,026,168	3,647,733
Total liabilities	2,214,985	2,958,864	2,229,773	2,347,951	2,238,576
Total shareholders' equity (excluding minority interests)	657,569	633,014	617,994	623,154	1,351,864
Earnings / (loss) per share (RMB) (Number of shares in issue at the end of the year)	0.0496	0.0304	(0.0104)	(1.4731)	0.0019
Earnings / (loss) per share (RMB) (Weighted average number of shares in issue)	0.0496	0.0304	(0.0104)	(1.4731)	0.0019
Net assets per share (RMB) (Number of shares in issue at the end of the year)	1.33	1.28	1.25	1.26	2.73
Return on net assets (%) (Shareholders' equity at the end of the year)	3.73	2.37	(0.83)	(116.94)	0.07
Return on net assets (%) (Average of shareholders' equity at the beginning and the end of year)	3.81	2.40	(0.83)	(73.79)	0.07
Ratio of shareholders' equity (%) (Shareholders' equity/ Total assets x 100%)	22.43	17.33	21.24	20.59	37.06
Current ratio (Current assets/Current liabilities)	0.98	0.92	0.93	0.84	1.20
Asset liability ratio (%)	75.54	81.01	76.63	77.59	61.37

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Notes:

- (1) Methods for calculating earnings / (loss) per share, net assets per share, return on net assets, adjusted net assets per share, net cash flow from operating activities per share and asset liability ratio are as follows:

- ① Based on balances at the end of the year:

Earnings / (loss) per share = net profit (loss) / total number of ordinary shares at the end of the year

Net assets per share = shareholders' equity at the end of the year / total number of ordinary shares at the end of the year

Return on net assets = net profit (loss) / shareholders' equity at the end of the year X 100%

Adjusted net assets per share = (shareholders' equity at the end of the year – accounts receivable aged over three years – deferred expenses – net loss on current / fixed assets to be written off – flotation expenses – long-term deferred expenses - negative balance of housing circulation fund) / total number of ordinary shares at the end of the year

Net cash flow from operating activities per share = net cash flow from operating activities / total number of ordinary shares at the end of the year

- ② Based on weighted average balances:

Earnings (loss) per share = net profit (loss) / weighted monthly average number of shares for the year

Return on net assets = net profit (loss) / (shareholders' equity at the beginning of the year + shareholders' equity at the end of the year / 2) X 100%

- ③ Gearing ratio = total liabilities / total assets X 100%

- (2) The difference in this year's net profit (profit attributable to shareholders) calculated on the basis of the PRC Accounting Standards and Systems and the accounting principles generally accepted in Hong Kong is as follow:

	(Unit: RMB'000)	
	Net assets	Net profit
Under PRC Accounting Standards and Systems	676,590	43,052
Realized gain on minority interest portion from inter-company transactions	502	–
Deficit on revaluation of investment properties	(854)	(66)
Obligation for early retirement scheme	(18,431)	(18,431)
Profit and loss items directly recorded in retained earning brought forward	(238)	–
Under accounting principles generally accepted in Hong Kong	657,569	24,555

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(III) SUPPLEMENTARY PROFIT STATEMENT PREPARED PURSUANT TO “REGULATIONS ON INFORMATION DISCLOSURE FOR COMPANIES WITH LISTED SECURITIES (NO.9)” PROMULGATED BY CHINA SECURITIES REGULATORY COMMITTEE

Profit (loss) during the period under review	Return on net assets ratio (%)		Earnings (loss) per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	12.47	12.88	0.17	0.17
Profit (loss) from operations	(11.70)	(12.08)	(0.16)	(0.16)
Net profit (loss)	6.36	6.57	0.087	0.087
Net profit (loss) after deduction of exceptional items	5.27	5.45	0.07	0.07

Methods for calculating fully diluted return on net assets and fully diluted earnings (loss) per share are as follows:

Fully diluted return on net assets = Profit (loss) during the period under review ÷ Net assets at period end × 100%

Fully diluted earnings (loss) per share = Profit (loss) during the period under review ÷ Total number of ordinary shares at period end

Method for calculating the weighted average return on net assets ratio and the weighted average income (loss) per share is as follows:

Weighted average return on net assets = the profit (loss) during the period under review ÷ [(net assets at beginning of the period + net assets at closing of the period) ÷ 2] × 100%

Weighted average income (loss) per share = profit (loss) during the period under review ÷ [(total number of shares at the beginning of the period + total number of shares at the closing of the period) ÷ 2]

(IV) CHANGE OF SHAREHOLDERS' EQUITY DURING THE PERIOD UNDER REVIEW

Item	Capital	Capital Reserve	Surplus reserve fund	Statutory public welfare fund	(RMB'000)	
					Retained profit (accumulated loss)	Total of Shareholders' equity
Opening balance	494,678	651,977	100,147	30,694	(613,264)	633,538
Additions	—	—	—	—	43,052	43,052
Deductions	—	—	—	101	—	—
Closing balance	494,678	651,977	100,147	30,593	(570,212)	676,590

Reasons for change:

1. Change in the retained profit was due to the amount transferred from the net profit for the year 2003.
2. Decrease in the statutory public welfare fund was due to the purchase of medical instruments for staff of the Company out of the fund.

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(V) PRINCIPAL ACTIVITIES SUMMARY

The turnover (note 1) and the results from the principal activities of the Group during the year under review are as follows:

Principal activities	Year ended 31st December, 2003			Year ended 31st December, 2002		
	Turnover		Gross profit (loss) before taxation	Turnover		Gross profit (loss) before taxation
	RMB'000	Percentage (%)	RMB'000	RMB'000	Percentage (%)	RMB'000
Shipbuilding	2,117,845	74.56	40,328	1,674,115	69.38	(29,285)
Container manufacturing	514,475	18.11	12,995	535,685	22.2	7,659
Shiprepairing	13,347	0.47	2,365	20,329	0.84	2,102
Steel structure	78,079	2.75	8,665	86,523	3.59	11,454
Other mechanical and electrical equipment	116,700	4.11	23,351	96,449	4	17,330
	2,840,446	100.00	87,704	2,413,101	100	9,260
Other activities profit			17,451			13,111
Operating expenses (note 2)			180,978			254,926
Business tax and surcharge			3,328			5,046
Investment income			3,344			2,010
Subsidy income			123,880			121,217
Net non-operating income			11,199			131,943
Net non-operating expenditure			14,402			—
Total profit (under PRC Enterprise Accounting System)			44,868			17,569
Reconciling items						
– Separate disclosure of share of associated companies' taxation			102			163
– The realized gain on minority interest portion from inter-company transaction			(66)			(788)
– Recognition of appropriation for staff award and welfare fund						(109)
– Loss on fixed assets			(18,431)			—
– Pre-operating expenses fully written off						—
Profit before taxation (under accounting principles generally accepted in Hong Kong)			26,473			16,835

Notes:

1. The definition of turnover, which represents the income from principal operations prepared in accordance with PRC Accounting Standards and Systems and the turnover in accordance with accounting principles generally accepted in Hong Kong, is set out in note 5 (24) on page 75 and note 2 on page 110 to the Financial Statements respectively.
2. Operating expenses, including selling, administrative and financial expenses, represent non-distinctive amounts incurred in the various principal activities. As operating expenses incurred did not have a direct correlation with the respective activities, it is impracticable to analyze these expenses by activities.