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

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

(Stock Code: 00317)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
2013-2015 FRAMEWORK AGREEMENT
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. 2013-2015 FRAMEWORK AGREEMENT

The 2010-2012 Framework Agreement which governs the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2010 to 31 December 2012 will expire on 31 December 2012. The Company and CSSC entered into the 2013-2015 Framework Agreement on 30 October 2012 on substantially the same terms as the 2010-2012 Framework Agreement to govern the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2013 to 31 December 2015.

Under the Hong Kong Listing Rules, CSSC is a connected person of the Company while the transactions between the Company and any of the CSSC Group constitute connected transactions of the Company, subject to the compliance with the relevant disclosures and/or Independent Shareholders' approval requirements of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules for the annual caps of the Continuing Connected Transactions (save for the provision of the Loans and the guarantees or mortgages by the CSSC Group to the Group) under the 2013-2015 Framework Agreement are higher than 25% on an annual basis, the Continuing Connected Transactions (save for the provision of the Loans and the guarantees or mortgages by the CSSC Group to the Group) contemplated under the 2013-2015 Framework Agreement constitute non-exempt continuing connected transactions of the Company that are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

An independent board committee comprising of all the independent non-executive Directors will be constituted to advise the Independent Shareholders in respect of the resolution to approve the 2013-2015 Framework Agreement. An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders on the fairness and reasonableness of the terms in respect of each of the Continuing Connected Transactions and the respective annual caps (save for the provisions of the Loans and the guarantees or mortgages by the CSSC Group to the Group) contemplated under the 2013-2015 Framework Agreement and whether such transactions (save for the provisions of the Loans and the guarantees or mortgages by the CSSC Group to the Group) are in the interests of the Company and its Shareholders as a whole.

* *For identification purpose only*

2. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The proposed amendments to the Articles of Association of the Company are made to comply with the recent requirements of the China Securities Regulatory Commission and Guangdong Securities Regulatory Bureau to further enhance the profit distribution policy of the Company.

A circular containing, among other things, the advice of the independent financial adviser and the recommendations of the independent board committee, will be dispatched to the H Shareholders and posted on the website of Hong Kong Stock Exchange www.hkexnews.com.hk, the website of the Shanghai Stock Exchange www.sse.com.cn and the website of the Company www.chinagsi.com within 15 business days from date of this announcement.

1. 2013-2015 FRAMEWORK AGREEMENT

Introduction

The 2010-2012 Framework Agreement which governs the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2010 to 31 December 2012 will expire on 31 December 2012. The Company and CSSC entered into the 2013-2015 Framework Agreement on 30 October 2012 on substantially the same terms as the 2010-2012 Framework Agreement (save for the continuing connected transactions as disclosed herein) to govern the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2013 to 31 December 2015. To facilitate the management of all continuing connected transactions, the Company would like to align the terms of all the continuing connected transactions between CSSC Group and the Group under the 2013-2015 Framework Agreement. Accordingly, from 1 January 2013 onwards, provision of Comprehensive Services under the Comprehensive Services Contract (please refer to an announcement published by the Company on 23 November 2011 for details) will be re-grouped under the 2013-2015 Framework Agreement. For the avoidance of doubt, as from 1 January 2013, the Comprehensive Services Contract shall be treated as cancelled and of no legal effect.

Relationship between the parties

The principal business of the Group is ship-building, ship-repairing, and steel structure and other electrical and mechanical manufacturing. The business of the CSSC Group 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.

As at the date of the announcement, the Company is owned as to approximately 35.71% by CSSC which manages the state-owned shares of the Company under the authorization of SASAC.

CSSC Finance is a wholly-owned subsidiary of CSSC. The principal business of CSSC Finance includes deposit-taking and loans handling.

Under the Hong Kong Listing Rules, CSSC is a connected person of the Company while the transactions between the Company and any of the CSSC Group constitute connected transactions of the Company, subject to the compliance with the relevant disclosures and/or Independent Shareholders' approval requirements of the Hong Kong Listing Rules.

Principal terms of the 2013-2015 Framework Agreement

Scope: Products and services to be provided by the Group to the CSSC Group:

(a) electrical and mechanical engineering equipment, and metallic materials, primarily complete sets or accessories of electrical and mechanical engineering equipment, steel products, non-ferrous metal products etc., accessories and equipment for use on ships and sales of electrical and mechanical engineering equipment and waste-recycling through CSSC Group;

(b) utilities, primarily supply of wind, water and electrical power; and

(c) labour supply, and design and technology services, primarily providing human resources services such as training of technicians, services for ship-painting, internal fit-out, provision of softwares and hardwares of computer services, and supplying short-term labourers, ship-building, offshore-engineering and ship-repairing services in times of labour shortage of the CSSC Group while the Group has temporary excess labour supply, and providing design and related technology services to the CSSC Group relating to ship-building products and other projects.

Products and services to be provided by the CSSC Group to the Group:

(d) purchases mainly include electrical and mechanical engineering equipment, metallic materials, ship-building accessories, materials and equipment for use on ships, comprising primarily materials like steel products for use on ships, non-ferrous metals, cables, paint, welding materials, complete sets or accessories of electrical and mechanical engineering products; logistics and related services for marine outfitting (set and matching) and materials for use on ships, cable cutting services, etc;

(e) (i) leasing of the CSSC Group's production areas, equipment and facilities in Guangzhou; (ii) labour services primarily include providing ship-building, ship-repairing, offshore-engineering and steel engineering works services and labourers, cabin cleaning and technology services, primarily include supplying labourers and services to the Group during the Group's high production season, and the cabin cleaning services that the Group outsourced to CSSC Group for cost saving, and providing design and related technology services to the Group relating to ship-building products and other projects to satisfy the requirements of progress of production; and (iii) provision of Comprehensive Services;

(f) financial services in maintaining the Deposits with and the Loans from a finance company in the CSSC Group;

(g) guarantees or mortgages in respect of the Group's borrowings or operating activities when required; and

(h) agency services, primarily to take advantage of the CSSC Group's reputation and bargaining power in selling the Group's ships and purchasing imported materials for the Group.

(a) to (h) collectively referred to as the "Continuing Connected Transactions", and each a "Continuing Connected Transaction".

Pricing: The Continuing Connected Transactions are to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms (and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties) on the basis that they must be fair and reasonable so far as the Shareholders are concerned. Separate written agreement(s) setting out the detailed terms shall be, if required, entered into between relevant parties for each Continuing Connected Transaction.

In respect of (a) above, pricing will be based on market price.

In respect of (b) above, pricing will be based on utilities costs supplied to the CSSC Group plus a management fee ranging from 20% to 25% based on such costs.

In respect of (c) above, pricing will be based on terms not less favourable compared with independent third parties.

In respect of (d) above, pricing of electrical and mechanical engineering equipment, metallic materials, and ship-building accessories for use on ships will be based on market price and on terms no less favourable to the Group than available from independent third parties. Pricing of ship-building equipment for use on ships will be based on arm's length negotiations taking into account market price, supply lead-in time, qualifications and quality of services (where there are two or more suppliers from the CSSC Group), or on terms no less favourable to the Group than terms available from independent third party suppliers (where is only one supplier from the CSSC Group due to technical specification or supply terms restrictions) and pricing for purchases of materials and equipment and logistic related services shall be on terms no less favourable to the Group than terms available from independent third parties.

In respect of (e) above, pricing of leasing production areas, equipment and facilities and Comprehensive Services shall be on terms no less favourable to the Group than terms available from independent third parties, pricing of labour services will be based on costs plus a management fee of 10% on such costs, and pricing of cabin cleaning and ship design and related technology services will be based on market price.

In respect of (f) above, pricing of Deposits will be based on interest rate on deposits published by PBOC, and pricing of Loans will be at interest rate not higher than interest rate on loans published by PBOC or at an interest rate which will not be less favourable than that provided by independent third parties providing similar services in the PRC.

In respect of (g) above, pricing will be based on agreed fee for providing the guarantees at the rate not more than annual rate 0.6% of the maximum guaranteed amount, or at rate will which not be less favourable than that provided by independent third parties.

In respect of (h) above, pricing of sales agency fees will be based on not more than 1% of the contract price in accordance with international practice, and pricing of purchases agency fees will be based on agreed fee ranging from 1 to 2% of the contract price in accordance with international practice.

	Payment of each Continuing Connected Transaction will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into pursuant to the 2013-2015 Framework Agreement.
Term:	Conditional upon approval by the Independent Shareholders at the EGM, the term of the 2013-2015 Framework Agreement shall be three years from 1 January 2013 to 31 December 2015.

Historical Amounts and Proposed Caps

Historical Amounts

The table below sets out the amount of each category of the Continuing Connected Transactions for the two years ended 31 December 2010 and 2011 (audited), the nine months ended 30 September 2012 (unaudited) and the estimated amounts for the year ending 31 December 2012 and the comparison with their annual cap amounts pursuant to the 2010-2012 Framework Agreement.

Unit: RMB million

	Historical Caps			Historical Figures			
Transaction	**Annual cap for the year ended 31 Dec 2010**	**Annual cap for the year ended 31 Dec 2011**	**Annual cap for the year ending 31 Dec 2012**	**Actual annual amount for the year ended 31 Dec 2010**	**Actual annual amount for the year ended 31 Dec 2011**	**Actual amount for the period from 1 Jan to 30 Sep 2012**	**Estimated annual amount for the year ending 31 Dec 2012**
Products and services provided by the Group to CSSC Group:							
(a) (i) Electrical and mechanical engineering equipment and metallic materials	272.50	299.75	359.70	14.63	42.87	7.63	28.63
(ii) Waste-recycling	–	–	–	– *(Note 1)*	– *(Note 1)*	– *(Note 1)*	– *(Note 1)*
(b) Utilities	5.00	5.50	6.60	2.16	1.86	1.35	3.20
(c) Labour supply, design and technology services	237.26	260.98	313.18	176.04	176.04	127.71	231.93
Products and services provided by the CSSC Group to the Group:							
(d) Electrical and mechanical engineering equipment and metallic materials, ship-building accessories and equipment for use on ships	1,099.92	1,409.91	1,726.89	481.08	638.94	285.76	567.47
(e) (i) Leasing of production areas, equipment and facilities	–	–	–	– *(Note 2)*	– *(Note 2)*	– *(Note 2)*	– *(Note 2)*
(ii) Labour supply, design and technology services	240.01	294.01	352.81	104.62	121.02	93.96	138.61
(iii) Comprehensive Services *(Note 3)*	10.00	10.00	8.4	7.52	7.72	6.30	8.40
(f) (i) Aggregate interest on Deposits for the year *(Note 4)*	10.00	10.00	30.00	3.17	8.68	9.08	30.00
(ii) Aggregate interest on Loans for the year *(Note 4)*	30.00	30.00	42.00	Nil *(Note 6)*	Nil *(Note 6)*	5.42	42.00
(g) Guarantee fees *(Note 5)*	15.00	15.00	15.00	Nil *(Note 6)*	Nil *(Note 6)*	Nil	15.00
(h) (i) Sales agency fees	63.50	69.85	83.82	40.00	38.15	26.69	46.36
(ii) Purchases agency fees	16.00	17.60	21.12	3.77	3.77	1.05	11.00

Notes:

1. The 2010-2012 Framework Agreement did not provide for the waste-recycling. The Directors confirm and expect that there was and would be no transaction for each of the three years ended 31 December 2010, 2011 and 2012.

2. The 2010-2012 Framework Agreement did not provide for the leasing of production areas, equipment and facilities by the CSSC Group to the Group. The Directors confirm and expect that there was and would be no transaction for each of the three years ended 31 December 2010, 2011 and 2012.

3. Please refer to the announcement published by the Company on 29 October 2008 and 23 November 2011, respectively, for further details regarding the provision of Comprehensive Services.

4. Maximum outstanding balances on each of the Deposits and Loans not to exceed RMB600 million for the two years ended 31 December 2010 and 2011 and RMB600 million for the year ending 31 December 2012.

5. Maximum guaranteed amount not to exceed RMB2,500 million.

6. CSSC Group had not provided any loan or guarantee to the Company for the two years ended 31 December 2010 and 31 December 2011.

Proposed Caps

The table below sets out the proposed cap amounts of each category of the Continuing Connected Transactions for the three years ending 31 December 2013, 2014 and 2015 respectively.

Unit: RMB million

Transaction	**Annual cap for the year ending 31 Dec 2013**	**Annual cap for the year ending 31 Dec 2014**	**Annual cap for the year ending 31 Dec 2015**
Products and services provided by the Group to CSSC Group:			
(a) Electrical and mechanical engineering equipment, metallic materials and waste-recycling	306.10	356.10	356.10
(b) Utilities	5.00	6.00	7.20
(c) Labour supply, design and technology services	432.37	432.37	432.37
Products and services provided by the CSSC Group to the Group:			
(d) Purchases of electrical and mechanical engineering equipment and metallic materials, ship-building accessories, equipment for use on ships, and logistic-related services	2,349.71	3,239.21	4,397.97
(e) Leasing of production areas, equipment and facilities, labour supply, design and technology services and Comprehensive Services	521.20	921.72	1,183.24
(f) (i) Aggregate interest on Deposits for the year *(Note 1)*	30	30	30
(ii) Aggregate interest on Loans for the year *(Note 1)*	42	42	42
(g) Guarantee fees *(Note 2)*	15	15	15
(h) (i) Sales agency fees	73.50	95.55	124.22
(ii) Purchases agency fees	12	12	12

Notes:

1. Maximum outstanding balances on each of the Deposits and Loans not to exceed RMB600 million.

2. Maximum guaranteed amount not to exceed RMB2,500 million.

The annual caps are determined taking into account primarily the historical transaction amounts, production orders in hand, expected orders, material costs and anticipated total production value of the Group.

Reasons for entering into of the 2013-2015 Framework Agreement

The Continuing Connected Transactions allow the Group to leverage the reputation and bargaining power of the CSSC Group in the international ship-building industry, provide a reliable and cost effective source of materials, labour, design, technology and other services necessary for the Group to conduct its business, and allow flexibility for better allocation of resources between each other so as to meet the production schedules for ship-building in the next three years.

In addition, the Directors have taken into consideration the following regarding each of the Continuing Connected Transactions contemplated under the 2013-2015 Framework Agreement:

(a) The CSSC Group has the need to purchase production equipment while the Group has the capability of designing and manufacturing electrical and mechanical engineering products and could provide complete sets or accessories of electrical and mechanical engineering equipment to it; or when the CSSC Group in face of ordering insufficient materials or equipment such as steel products, a delivery delay by suppliers or when it is under temporary urgent needs in its production, the Group would provide various electrical and mechanical engineering equipment and metallic materials to the CSSC Group to meet its routine and urgent production needs, on terms to be determined based on market comparable prices.

(b) When the former Guangzhou Shipyard (now renamed as "Guangzhou Shipyard Company Limited"), which is under control of CSSC Group, underwent restructuring and went public in 1993, its main production and operation vehicle, including utilities facilities of wind, water and electricity, was included in the Group, and Guangzhou Shipyard Company Limited also needs such utilities in the course of its operations. The fees for provision of utilities (primarily supply of wind, water and electrical power) by the Group to the CSSC Group is based on the utilities' costs of the Group supplied to the CSSC Group plus a management fee ranging from 20% to 25% above the cost of the relevant type of utilities.

(c) The Group will provide to the CSSC Group labour supply services, primarily providing human resources services such as training of technicians services for ship-painting, internal fit-out, provision of technological services, and supplying short-term labourers, ship-building, offshore engineering and ship-repairing services in times of labour shortage of the CSSC Group while the Group has temporary excess labour supply. As the production cycles of both the Group and the CSSC Group are cyclical, such arrangements allow the Group the flexibility to supply excess labour to the CSSC Group. Besides, the Group will provide design and technology services relating to ship-building products and other projects, which the Group is specialised in, to the CSSC Group from time to time. The Directors are of the view that the provision of such services to the CSSC Group enables the Group to capitalise on its excess production capacity and existing shipbuilding-related techniques to earn additional revenue for the Group.

(d) Purchases that the Group would source from the CSSC Group primarily include electrical and mechanical engineering equipment, metallic materials, ship-building accessories, materials and equipment for use on ships, comprising primarily materials like steel products for use on ships, non-ferrous metals, cables, paint, welding materials, complete sets or accessories of electrical and mechanical engineering products; logistics and related services for marine outfitting (set and matching) and materials for use on ships, cable cutting services, etc. The Group sources these types of equipment and services from the CSSC Group and also from other independent suppliers so as to meet its routine and urgent needs. The CSSC Group is specialised in manufacturing some of such equipment and, as the case may be, has a centralised system for purchase or provision of such services. Accordingly, the Directors are of the view that the CSSC Group has the capacity to supply various ship-building materials or services when the Group has the production needs. Likewise, the Directors are of the view that it is more cost-effective for purchases of materials and equipment through bulk purchase by the CSSC Group.

(e) The CSSC Group has ability to offer the Group with production areas, equipment and facilities in Guangzhou in a timely and reliable manner. Leasing of such production areas, equipment and facilities will benefit the Group from solving the production areas bottlenecks and business expansion problems. Labour services in relation to ship-building, ship-repairing, offshore-engineering and steel engineering works services and labourers primarily include supplying labourers and labour services to the Group during the Group's high production season, and the cabin cleaning services that the Group outsourced to CSSC Group for cost saving, and providing design and related technology services to the Group relating to ship-building products and other projects. Such labour services from the CSSC Group will depend on the future labour supply and the production needs of the Group. Design and technology services will also be provided by the CSSC Group to the Group to satisfy the requirements of differences in the progress of production as the CSSC Group is more specialised in certain types of designs when compared with the Group.

(f) (i) The Group maintains the Deposits with CSSC Finance from time to time. Such Deposits are on short-term basis and are maintained with CSSC Finance during the transition period for funds to the Group from the PRC Government authorities in support of the development of the ship-building industry for administration needs. Interests on the Deposits are based on rates on deposits published by the POBC from time to time. The Directors are of the view that there are practical needs for the Group to continue to maintain the Deposits with CSSC Finance to enable an effective transmission of Government funds via CSSC Finance to the Group.

(ii) Apart from maintaining the Deposits with CSSC Finance, the Group also seeks the provision of Loans from CSSC Finance for standby purpose in support of the operational and production needs and to maintain the liquidity of the Group from time to time. The Loans will be charged at an interest rate not higher than interest rate on loans published by PBOC.

The Directors consider that the provision of the Loans from CSSC Finance is more efficient than the loans from other general domestic commercial banks that provide similar services for the Group. As such, the Directors are of the view that the provision of Loans by CSSC Finance will benefit the Group by increasing the operation efficiency in the use of fund.

Given that the Loans are provided by CSSC Finance for the benefit of the Group and on normal commercial terms that are comparable to or more favourable than those offered by independent third parties for similar services in the PRC and that no security over the assets of the Group is granted in respect of the Loans, the Loans which constitute financial assistance by a connected person are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.65(4) of the Hong Kong Listing Rules.

(g) The provision of guarantee services or mortgages in respect of the Group's borrowings or operating activities by the CSSC Group constitutes financial assistance by a connected person for the benefit of the Group. Given that the provision of the guarantee is to be provided by the CSSC Group for the benefit of the Group and on normal commercial terms that are comparable to or more favourable than those offered by independent third parties for similar services in the PRC and that no security over the assets of the Group is granted in respect of such service, the provision of guarantee services or mortgages in respect of the Group's borrowings or operating activities by the CSSC Group is exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.65(4) of the Hong Kong Listing Rules.

(h) The Group uses to leverage the CSSC Group's reputation in the international ship-building market, its long established relationships with ship owners and its bargaining power to sell the Group's products. Therefore, the Directors are of the view that it is in the interest of the Company and its Shareholders as a whole to continue to use the agency services provided by the CSSC Group.

On basis summarized above and given that (i) the Continuing Connected Transactions are entered into under the usual and ordinary course of business of the Group and the CSSC Group; (ii) there are practical needs for the Group to continue its business relationship with the CSSC Group in accordance with the Group's current business plan and production needs; and (iii) the Group will be benefited from better allocation of resources with the CSSC Group and hence enjoy competitive cost advantages, the Directors are of the view that the terms of the 2013-2015 Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Risks control relating to the deposit under the 2013-2015 Framework Agreement

In view of the significant amount of the Deposits placed or to be placed with CSSC Finance from time to time, CSSC Finance has provided an undertaking for, among other things, ensuring the safety of the Deposits. Pursuant to the Undertaking provided by CSSC on 9 March 2012, CSSC Finance undertakes to the Company that it will:

(i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to CSSC or members of the CSSC Group; and those of the comparable financial services the Company may obtain from other financial institutions;

(ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings, etc. have been lawfully obtained by CSSC Finance and will remain valid and effective;

(iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposits and will satisfy the requirements for the payment of the Deposits;

(iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations; and

(v) report its business conditions and financial positions to the Company regularly, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfil the requirements of the Hong Kong Listing Rules.

In order to safeguard the interests of the Shareholders, the Group will adopt certain guidelines and principles in monitoring, amongst other things, the Deposits arrangements. This includes an assessment of the fund operation and control of risk exposure of CSSC Finance, evaluation of its services provided through its reports to be obtained regularly as mentioned above. Given SASAC's requirement of centralization of funds held by state-owned enterprises, the undertakings provided by CSSC Finance on risk control on the financial services (including the Deposits) to be provided to the Group and that the Deposits will be subject to annual review conducted by the independent non-executive Directors, the auditors of the Company and strict compliance of risk monitoring by the CBRC on CSSC Finance, the Directors are of the view that the arrangements for, amongst other things, the Deposits are in the interests of the Company and the Shareholders as a whole.

Implications under the Hong Kong Listing Rules

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules for the annual caps of the Continuing Connected Transactions (save for the provision of the Loans and the guarantees or mortgages by the CSSC Group to the Group) under the 2013-2015 Framework Agreement are higher than 25% on an annual basis, the Continuing Connected Transactions (save for the provision of the Loans and the guarantees or mortgages by the CSSC Group to the Group) contemplated under the 2013-2015 Framework Agreement constitute non-exempt continuing connected transactions of the Company that are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company will comply with all relevant reporting and independent non-executive Directors' review requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the Continuing Connected Transactions (save for the provision of the Loans and the guarantees or mortgages by the CSSC Group to the Group).

An independent board committee comprising of all the independent non-executive Directors will be constituted to advise the Independent Shareholders in respect of the resolution to approve the 2013-2015 Framework Agreement. An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders on the fairness and reasonableness of the terms in respect of each of the Continuing Connected Transactions and the respective annual caps (save for the provisions of the Loans and the guarantees or mortgages by the CSSC Group to the Group) contemplated under the 2013-2015 Framework Agreement and whether such transactions (save for the provisions of the Loans and the guarantees or mortgages by the CSSC Group to the Group) are in the interests of the Company and its Shareholders as a whole.

2. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The proposed amendments to the Articles of Association of the Company are made to comply with the recent requirements of China Securities Regulatory Commission and Guangdong Securities Regulatory Bureau to further enhance the profit distribution policy of the Company.

According to the Articles of Association and the relevant laws and regulations, the proposed amendments are subject to the approval of the Shareholders of the Company by way of special resolution at the EGM. Further, the proposed amendments will become effective after the relevant procedures for the approval and/or registration or filing in the PRC have been completed.

The proposed amendments to the Articles of Association are set out as follows:—

The original Article 215 is as follows:

"It is the Company's profit distribution policy that importance shall be attached to reasonable return for investors; dividends may be distributed in form of cash or shares; and sustainability and stability shall be maintained.

Subject to the annual profit and cash flow of the Company being able to satisfy normal operation and development of the Company, accumulated profits distributed in last three years in cash shall be no less than 30% of average annual distributable profits in the last three years."

The original Article 215 shall be amended as follows:

"The Company's profit distribution policy is that:

(1) Profit distribution principle

The company implements a continuous and stable profit distribution policy and the profit distribution of the Company is in accordance with the statutory sequence of distribution. It attaches importance to reasonable and stable investment return for its shareholders and bases on the Company's long-term and sustainable development.

(2) Ways of profit distribution

The Company distributes its dividend by ways of cash and shares or the combination of both, with dividend distribution in cash taking priority. In principle, the Company shall distribute its distributable profit on a yearly basis and it can also declare interim dividend.

(3) Conditions of profit distribution and the minimum proportion of dividend distribution

In the premise that the Company can ensure its funding requirement of normal operation and base on the Company's long-term and sustainable development, the Company shall declare dividend in cash if there is no material investment plans or large amount of cash expenditures incurred. The cumulative profit distribution in cash in every three years consecutively shall not be less than 30% of the average distributable profit in that period. If the Company achieves growth in profit in the last three years, it can increase the proportion of the cash dividend, so as to improve the return of investors.

Material investment plan or large amount of cash expenditures refer to one of the following situations:

1. The Company intends to make external investment, acquire assets or purchase equipments in the following 12 months with a cumulative expenditure reaching or over 50% of its latest audited net assets of and exceeding RMB 50,000,000;

2. The Company intends to make external investment, acquire assets or purchase equipments in the following 12 months with a cumulative expenditure reaching or over 30% of its latest audited total assets.

(4) Decision making procedures of the Company's profit distribution

The Company's profit distribution proposals shall be formulated, reviewed and passed by the Board based on the Company's specific situations such as its profitability, funding requirements and development and shall be subject to approval in the general meeting. Independent directors shall express independent opinion on the rationality of the profit distribution proposals before it is reviewed by the Board.

The Board, independent directors and eligible shareholders shall solicit voting rights of the Company's shareholders in respect of the general meeting.

The proposal that the Company distribute its dividend by ways of shares or the combination of cash and shares shall be passed by special resolutions in the general meeting.

(5) Enhancing the monitoring and control mechanism of the Company's dividend distribution policy:

1. The Company shall root in protecting the interests of its shareholders and shall make extensive arguments and explain its reason when adjusting the profit distribution policy based on the external operating environment or its own operating conditions. The profit distribution policy adjusted shall not violate applicable regulations of the CSRC and stock exchanges in both regions. The proposal of adjusting the profit distribution policy shall be agreed by the Company's independent directors who also shall express clear independent opinion on it and then be subject to approval in the general meeting after it is reviewed by the Board;

2. If the Board of the Company does not propose to distribute profit in cash in the year when the Company is profitable, it shall state the reason why the profit is not distributed in its annual report for the year and the use and plan of use in respect of the capital reserved that does not used for dividend distribution. Independent directors shall express independent opinions on it and disclose it to the public. If the Company does not propose to distribute profit in cash when it is profitable during the reporting period, it shall provide online voting platforms to its shareholders other than on-site meeting when it holds general meetings.

3. The supervisory committee shall monitor the situation and decision making procedure of the Company implemented by the Board and the management."

A circular containing, among other things, the advice of the independent financial adviser and the recommendations of the independent board committee, will be dispatched to the H-Shareholders and posted on the website of Hong Kong Stock Exchange www.hkexnews.com.hk, the website of the Shanghai Stock Exchange www.sse.com.cn and the website of the Company www.chinagsi.com within 15 business days from date of this announcement.

DEFINITIONS

"A Shares"	domestic listed shares of the Company with nominal value of RMB1.00 each and are listed on the Shanghai Stock Exchange;
"2010-2012 Framework Agreement"	the framework agreement for the continuing connected transactions for the period from 1 January 2010 to 31 December 2012 entered into between the Company and CSSC on 27 October 2009 and approved by the Independent Shareholders on 29 December 2009, as amended by the Supplemental Agreement and approved by Independent Shareholders on 8 June 2012;
"2013-2015 Framework Agreement"	framework agreement for the continuing connected transactions for the period from 1 January 2013 to 31 December 2015 entered into between the Company and CSSC on 30 October 2012 and conditional on approval by Independent Shareholders at the EGM;
"Articles of Association"	the articles of association of the Company;
"Board" or "Board of Directors"	the board of Directors;
"CBRC"	China Banking Regulatory Commission;

"Company"	Guangzhou Shipyard International Company Limited, a joint stock company established in the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange;
"Company Law"	the Company Law of the PRC;
"Comprehensive Services"	medical services, catering services, infant care and nursery, training programs for skilled labour and management of staff quarters to the Group, the staff of the Group and their family members by the CSSC Group;
"Comprehensive Services Agreement"	the comprehensive services contract entered into between the Company and CSSC on 23 November 2011 for a term of three years from 1 January 2012 to 31 December 2014;
"connected persons"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"Continuing Connected Transactions"	(i) the products and services provided by the Group to the CSSC Group; and (ii) the products and services provided by the CSSC Group to the Group as further described in the section headed "Principal Terms of the 2013-2015 Framework Agreement" in this announcement;
"CSSC"	China State Shipbuilding Corporation, a state-owned enterprise and a state-authorized investment institution directly supervised and administered by the SASAC;
"CSSC Finance"	CSSC Finance Company Limited (中船財務有限責任公司), a wholly-owned subsidiary of CSSC;
"CSSC Group"	CSSC and its subsidiaries and associates;
"Deposits"	the deposits maintained by the Company from time to time with a finance company in the CSSC Group under the financial services provided by the CSSC Group to the Group pursuant to the 2013-2015 Framework Agreement;
"Directors"	the directors of the Company;
"EGM"	the first extraordinary general meeting of 2012 of the Company to be convened to consider, amongst other things, the amendments to the Articles of Association and the 2013-2015 Framework Agreement and the annual caps thereunder;
"Group"	the Company and its subsidiaries;
"H Shareholders"	holders of the H Shares;
"H Shares"	overseas listed foreign shares of the Company with nominal value of RMB1.00 each and are listed on the Hong Kong Stock Exchange;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Independent Shareholders"	Shareholders other than CSSC and its associates (as defined under the Hong Kong Listing Rules);
"Loans"	loans from a finance company in the CSSC Group to the Company from time to time under the financial services provided by the CSSC Group to the Group pursuant to the 2013-2015 Framework Agreement;
"PBOC"	the People's Bank of China;
"PRC"	the People's Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"RMB"	Renminbi, the lawful currency of the PRC;
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"Shareholders"	the shareholders of the Company;
"Supervisors"	supervisors of the Company;
"Supervisory Committee"	the Supervisory Committee of the Company;
"Supplemental Agreement"	the supplemental agreement in relation to the 2010-2012 Framework Agreement dated 30 March 2012 entered into between the Company and CSSC; and
"%"	means percentage.

Guangzhou Shipyard International Company Limited
Board of Directors

Guangzhou, October 30, 2012

As at the date of this announcement, the Board of the Company is composed of eleven directors, namely executive directors Messrs. Yu Baoshan, Han Guangde, Chen Jingqi, and Chen Ji, non-executive directors Messrs. Pan Zunxian, Gao Feng and Zhou Dusheng, and independent non-executive directors Messrs. Fu Zhengping and Qiu Jiachen, Ms. De Lihua and Mr. Poon Chiu Kwok.