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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(Financial Highlights)

Turnover:	**RMB 9,530,740,881.74**
Profit attributable to equity holders of the Company:	**RMB 151,496,768.77**
Earnings per share attributable to equity holders of the Company:	**RMB 0.1470**

The board of directors (the "Board") of Guangzhou Shipyard International Company Limited (the "Company") hereby announces the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Reporting Period") which was prepared in accordance with the PRC Accounting Standards for Business Enterprises and Regulations ("PRC Accounting Standards and Regulations"), together with the comparative figures for the same period in 2013.

FINANCIAL STATEMENTS PREPARED IN CONFORMITY WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

(Reporting currency is RMB, except special indication)

CONSOLIDATED BALANCE SHEET

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited *Unit: RMB*

Item	Ending balance	Beginning balance
Current assets:		
Cash and cash equivalents	**8,168,932,666.56**	7,772,989,828.07
Transaction settlement funds		
Loans to other banks		
Financial assets at fair value through profit and loss	**13,007,994.71**	69,210,083.75
Derivative financial assets		
Notes receivable	**10,678,923.83**	21,607,944.72
Accounts receivable	**501,638,302.39**	657,499,439.90
Prepayments	**1,476,460,562.44**	1,070,938,867.43
Insurance premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Interests receivable	**142,335,847.07**	125,169,671.54
Dividends receivable	**721,976.56**	–
Other receivables	**297,586,125.55**	75,790,266.06
Financial assets purchased with agreement to re-sale		
Inventories	**4,243,869,651.14**	2,988,934,033.42
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	**14,855,232,050.25**	12,782,140,134.89

Item	Ending balance	Beginning balance
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	**6,900,000.00**	35,970,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	**47,869,587.37**	42,956,414.09
Investment properties	**24,137,500.16**	29,567,897.29
Fixed assets	**6,472,492,114.67**	6,858,741,724.45
Construction in progress	**424,477,179.97**	91,957,146.55
Construction materials		
Disposal of fixed assets	–	29,376.32
Productive biological assets		
Oil and gas assets		
Intangible assets	**1,247,572,298.74**	1,302,974,158.88
Research and development expenses		
Goodwill		
Long-term deferred expenses	**14,019,405.47**	11,924,491.37
Deferred tax assets	**577,393,228.99**	402,599,880.10
Other non-current assets		
Total non-current assets	**8,814,861,315.37**	8,776,721,089.05
Total assets	**23,670,093,365.62**	21,558,861,223.94

Item	**Ending balance**	Beginning balance
Current liabilities:		
Short-term loans	**4,042,518,219.57**	2,740,220,723.02
Borrowings from central bank		
Receipt of deposits and deposits from other banks		
Loans from other banks		
Financial liabilities at fair value through profit and loss	**56,475,710.29**	–
Derivative financial liabilities		
Notes payable	**1,316,585,489.50**	889,353,412.06
Accounts payable	**2,404,465,685.59**	1,754,934,382.86
Advance from customers	**682,877,577.43**	535,392,138.97
Funds from selling out and repurchasing financial assets		
Fee and commission payable		
Employee benefits	**35,262,506.61**	33,779,208.99
Taxes payable	**-292,285,242.99**	-139,946,711.34
Interests payable	**20,919,000.53**	68,778,979.01
Dividends payable	**177,721.77**	437,160.43
Other payables	**47,010,552.66**	30,953,655.67
Liabilities classified as held for sale		
Non-current liabilities due within one year	**1,276,705,757.83**	1,769,219,805.15
Other current liabilities	**4,681,683,042.76**	3,153,645,678.93
Total current liabilities	**14,272,396,021.55**	10,836,768,433.75

Item	Ending balance	Beginning balance
Non-current liabilities:		
Long-term loans	**3,256,071,388.68**	5,943,404,473.16
Bonds payable		
Among which: Preferred shares		
Perpetual bond		
Long-term payables		
Long-term employee salary payable	**57,581,358.19**	60,735,157.49
Special Payables	**24,570,000.00**	24,570,000.00
Estimated Liabilities	**269,050,764.55**	657,847,075.11
Deferred income	**116,340,125.92**	95,980,132.15
Deferred tax liabilities	**1,951,199.21**	11,330,087.60
Other non-current liabilities		
Total non-current liabilities	**3,725,564,836.55**	6,793,866,925.51
Total liabilities	**17,997,960,858.10**	17,630,635,359.26
The owner's equity		
Share capital	**1,030,534,651.00**	643,080,854.00
Other equity instruments		
Among which: Preferred shares		
Perpetual bond		
Capital reserves	**3,319,815,828.93**	2,138,063,611.56
Less: Treasury shares		
Other comprehensive income	–	-8,830,870.15
Specific reserves	**1,439,966.32**	956,026.41
Surplus reserves	**455,070,078.47**	444,648,093.25
Reserve for ordinary risk		
Retained earnings	**822,415,499.44**	691,646,062.40
Total equity attributable to shareholders of the parent company	**5,629,276,024.16**	3,909,563,777.47
Non-controlling interest	**42,856,483.36**	18,662,087.21
Total shareholder's equity	**5,672,132,507.52**	3,928,225,864.68
Total liabilities and shareholder's equity	**23,670,093,365.62**	21,558,861,223.94

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

BALANCE SHEET OF PARENT

As at December 31, 2014

Prepared by: Guangzhou Shipyard International Company Limited *Unit: RMB*

Item	Ending balance	Beginning balance
Current assets:		
Cash and cash equivalents	**6,703,553,411.25**	5,957,846,121.43
Financial assets at fair value through profit and loss	**13,007,994.71**	69,210,083.75
Derivative financial assets		
Notes receivable	**2,700,000.00**	–
Accounts receivable	**414,520,890.74**	596,326,002.81
Prepayments	**2,627,312,549.15**	1,715,229,398.49
Interest receivables	**123,613,565.69**	108,337,980.19
Dividend receivables	**48,321,976.56**	67,594,936.63
Other receivables	**4,209,059,240.56**	796,040,374.31
Inventories	**2,617,308,654.45**	1,364,603,227.69
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	**16,759,398,283.11**	10,675,188,125.30

Item	Ending balance	Beginning balance
Non-current assets:		
Available-for-sale financial assets	**1,000,000.00**	30,070,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	**1,128,688,760.61**	482,913,980.35
Investment properties	**24,137,500.16**	29,567,897.29
Fixed assets	**428,676,105.26**	979,384,072.24
Construction in progress	**45,899,768.25**	20,209,436.77
Construction materials		
Disposal of fixed assets	**–**	29,376.32
Productive biological assets		
Oil and gas assets		
Intangible assets	**23,620,918.69**	63,384,775.32
Research and development expenses		
Goodwill		
Long-term deferred expenses	**6,772,678.20**	3,476,413.96
Deferred tax assets	**163,953,069.82**	104,333,935.14
Other non-current assets		
Total non-current assets	**1,822,748,800.99**	1,713,369,887.39
Total assets	**18,582,147,084.10**	12,388,558,012.69
Current liabilities:		
Short-term loans	**1,133,653,446.88**	30,484,500.00
Financial liabilities at fair value through profit and loss	**55,734,758.74**	–
Derivative financial liabilities		
Notes payable	**795,965,835.62**	616,401,532.69
Accounts payable	**1,669,628,703.59**	1,332,871,693.45
Advance from customers	**447,659,099.74**	407,461,536.38
Employee salary payable	**19,605,868.71**	18,920,841.86
Taxes payable	**-127,782,393.39**	-65,037,991.47
Interests payable	**15,106,945.53**	10,762,776.07
Dividends payables	**177,721.77**	177,160.43
Other payables	**95,778,432.58**	17,069,938.74
Liabilities classified as held for sale		
Non-current liabilities repayable within one year	**1,276,705,757.83**	789,219,805.15
Other current liabilities	**4,859,792,979.07**	2,770,524,429.55
Total current liabilities	**10,242,027,156.67**	5,928,856,222.85

Item	Ending balance	Beginning balance
Non-current liabilities:		
Long-term loans	**1,868,071,388.68**	1,888,404,473.16
Bonds payable		
Among which: Preferred shares		
Perpetual bond		
Long-term payables		
Long-term employee salary payable	**57,581,358.19**	60,735,157.49
Special payables	**24,570,000.00**	24,570,000.00
Estimated liabilities	**389,086,110.62**	436,954,202.59
Deferred income	**111,087,296.17**	90,141,707.60
Deferred tax liabilities	**1,951,199.21**	10,395,123.72
Other non-current liabilities		
Total non-current liabilities	**2,452,347,352.87**	2,511,200,664.56
Total liabilities	**12,694,374,509.54**	8,440,056,887.41
The owner's equity:		
Share capital	**1,030,534,651.00**	643,080,854.00
Other equity instruments		
Among which: Preferred shares		
Perpetual bond		
Capital reserves	**1,952,637,215.67**	503,564,939.20
Less: Treasury shares		
Other comprehensive income	–	-8,830,870.15
Specific reserves		
Surplus reserves	**453,894,266.30**	443,472,281.08
Retained earnings	**2,450,706,441.59**	2,367,213,921.15
Total shareholder's equity	**5,887,772,574.56**	3,948,501,125.28
Total liabilities and shareholder's equity	**18,582,147,084.10**	12,388,558,012.69

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

CONSOLIDATED INCOME STATEMENT
For the Year of 2014

Prepared by: Guangzhou Shipyard International Company Limited *Unit: RMB*

Item	Current Year	Last Year
1. Total operating revenue	**9,530,740,881.74**	5,838,268,514.19
Including: Operating revenue	**9,530,740,881.74**	5,838,268,514.19
Interest income		
Earned insurance premiums		
Fees and commission income		
2. Total cost of operation	**10,566,038,394.41**	6,718,484,153.30
Including: Cost of operation	**9,630,980,417.48**	5,584,894,832.93
Interest expenses		
Fees and commission expenses		
Refunded premiums		
Net amount of compensation payout		
Net amount of reserves for reinsurance contract		
Policy dividend payment		
Reinsured expenses		
Business taxes and surcharges	**21,945,028.77**	21,584,334.65
Selling and distribution expenses	**33,547,079.26**	5,684,005.42
Administrative expenses	**739,731,840.56**	701,902,453.20
Financial expenses	**127,889,582.84**	136,684,050.21
Loss on impairment of assets	**11,944,445.50**	267,734,476.89
Add: Gain arising from the changes in fair value (loss listed with"-")	**-112,677,799.33**	46,571,580.25
Investment income (Loss listed with "-")	**395,363,838.64**	202,672,876.30
Including: income from investments in associates and joint ventures (Loss listed with "-")	**6,349,039.29**	5,957,954.88
Exchange gain (Loss listed with "-")		
3. Operating profit (Loss listed with "-")	**-752,611,473.36**	-630,971,182.56
Add: Non-operating income	**813,325,483.25**	180,557,982.31
Including: Gain from disposal of non-current assets	**2,014.97**	42,357.34
Less: Non-operating expenses	**1,383,817.02**	1,708,102.15
Including: Loss on disposal of non-current assets	**218,858.94**	413,459.28
4. Total profit (Loss listed with "-")	**59,330,192.87**	-452,121,302.40
Less: Income tax expenses	**-91,096,293.74**	-73,425,320.19

Item	Current Year	Last Year
5. Net profit (Net loss listed with "-")	**150,426,486.61**	-378,695,982.21
Net profit attributable to shareholders of the parent Company	**151,496,768.77**	-218,566,980.38
Non-controlling interest	**-1,070,282.16**	-160,129,001.83
6. Net other comprehensive income after tax	**8,830,870.15**	-181,399,847.22
Net other comprehensive income after tax attributable to owners of the parent company	**8,830,870.15**	-181,399,847.22
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods		
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		
(2) Other comprehensive income that will be subsequently reclassified to profit and loss	**8,830,870.15**	-181,399,847.22
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets	**8,830,870.15**	-181,399,847.22
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		
4. Effective part of hedging gains and losses from cash flows		
5. Exchange differences from retranslation of financial statements		
6. Others		
Net other comprehensive income after tax attributable to minority interests		
7. Total comprehensive income	**159,257,356.76**	-560,095,829.43
Total comprehensive income attributable to shareholders of the parent company	**160,327,638.92**	-399,966,827.60
Total comprehensive income attributable to minority interests	**-1,070,282.16**	-160,129,001.83
8. Earnings per share:		
(I) Basic earnings per share	**0.1470**	-0.2121
(II) Diluted earnings per share	**0.1470**	-0.2121

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

INCOME STATEMENT OF PARENT
For the Year of 2014

Prepared by: Guangzhou Shipyard International Company Limited *Unit: RMB*

Item	Current Year	Last Year
1. Revenue from operations	**6,882,684,077.92**	3,311,023,987.86
Less: Cost of operations	**7,117,611,604.67**	3,140,431,028.04
Business tax and surcharges	**4,150,595.36**	6,635,725.26
Selling expenses	**36,009,954.24**	-746,219.68
Administrative expenses	**400,031,391.87**	357,190,782.05
Financial expenses	**-78,390,808.01**	-133,414,789.99
Loss on impairment of assets	**333,910,861.74**	215,392,429.31
Add: Gain arising from the changes in fair value (Loss listed with "-")	**-111,936,847.78**	46,709,107.24
Investment gain (Loss listed with "-")	**387,732,474.15**	268,622,136.37
Including: income from investments in associates and joint ventures (Loss listed with "-")	**896,322.83**	946,282.45
2. Operating profit (Loss listed with "-")	**-654,843,895.58**	40,866,276.48
Add: Non-operating income	**774,029,072.43**	90,867,559.35
Including: Gain from disposal of non-current assets	**594.97**	1,740.65
Less: Non-operating expenses	**130,498.07**	1,032,308.20
Including: Loss from disposal of non-current assets	**120,498.07**	155,395.90
3. Total profit (Total loss listed with "-")	**119,054,678.78**	130,701,527.63
Less: Income tax expenses	**14,834,826.61**	4,692,532.83
4. Net profit (Net loss listed with "-")	**104,219,852.17**	126,008,994.80
5. Net other comprehensive income after tax	**8,830,870.15**	-181,399,847.22
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods	–	–
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	–	–
2. Share of other comprehensive income of investee that can not be subsequently reclassified to profit and loss under equity method	–	–
(2) Other comprehensive income that will be subsequently reclassified to profit and loss	**8,830,870.15**	-181,399,847.22
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method	–	–
2. Gains and losses from changes in fair value of available-for-sale financial assets	**8,830,870.15**	-181,399,847.22
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets	–	–
4. Effective part of hedging gains and losses from cash flows	–	–
5. Exchange differences from retranslation of financial statements	–	–
6. Others		
6. Total comprehensive income	**113,050,722.32**	-55,390,852.42
7. Earnings per share:	–	–
(I) Basic earnings per share	–	–
(II) Diluted earnings per share	–	–

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

CONSOLIDATED CASH FLOW STATEMENT

For the Year of 2014

Prepared by: Guangzhou Shipyard International Company Limited *Unit: RMB*

Item	Current Year	Last Year
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**10,303,489,937.45**	7,215,884,739.99
Net increase in deposits from customers and deposits from other banks		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Cash receipts of premium of direct insurance contracts		
Net cash received from reinsurance contracts		
Net increase in deposits from insurance policy holders and investment		
Net increase in disposal of financial assets at fair value through profit and loss		
Cash receipts of interest, fees and commission		
Net increase in placement from banks and other financial institution		
Net increase in sales and repurchase operations		
Cash received from taxes refund	**433,704,043.16**	245,139,945.79
Cash received relating to other operating activities	**786,977,810.68**	472,287,787.41
Sub-total of cash inflows from operating activities	**11,524,171,791.29**	7,933,312,473.19
Cash paid for goods and services	**9,103,661,887.58**	5,956,814,623.93
Net increase in loans and disbursement to customers		
Net increase in deposit with central bank and inter-banks		
Cash paid for claims of direct insurance contracts		
Cash paid for interest, fee and commission		
Cash paid for dividends of insurance policies		
Cash paid to and on behalf of employees	**1,201,051,493.93**	1,215,818,133.15
Payments of taxes and surcharges	**211,564,525.39**	228,559,711.38
Cash paid relating to other operating activities	**152,669,532.66**	554,094,605.16
Sub-total of cash outflows from operating activities	**10,668,947,439.56**	7,955,287,073.62
Net cash flows from operating activities	**855,224,351.73**	-21,974,600.43

Item	Current Year	Last Year
2. Cash flows from investment activities:		
Cash received from disposal of investment	**37,100,000.00**	55,622,371.53
Cash received from investments income	**62,369,410.36**	210,133,823.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**10,108,696.42**	224,466.34
Net cash received from disposal of subsidiaries and other business units	**447,591,300.00**	–
Cash received relating to other investing activities	**3,450,342,490.02**	4,004,883,514.00
Sub-total of cash inflows from investing activities	**4,007,511,896.80**	4,270,864,174.89
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**443,218,970.45**	285,783,522.45
Cash paid for investments	**599,843,453.82**	71,340,955.70
Net increase in pledged deposits		
Net cash paid to acquire subsidiaries and other business units		
Cash paid relating to other investing activities	**3,126,875,378.88**	3,558,813,970.82
Sub-total of cash outflow from investing activities	**4,169,937,803.15**	3,915,938,448.97
Net cash flows from investing activities	**-162,425,906.35**	354,925,725.92
3. Cash flows from financing activities		
Cash received from investment absorption	**2,201,959,673.24**	–
Including: Cash received by subsidiaries from investment absorption of non-controlling interest		
Cash received from loans granted	**7,715,755,186.31**	12,712,985,999.84
Cash received from issue of bonds		
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	**9,917,714,859.55**	12,712,985,999.84
Cash paid for settlement of borrowings	**9,611,613,904.13**	13,239,540,876.89
Cash paid for dividends, profits appropriation or payments of interest	**509,984,543.13**	465,181,634.45
Including: Dividends and profits paid to non-controlling interest		
Cash paid relating to other financing activities		
Sub-total of cash outflows from financing activities	**10,121,598,447.26**	13,704,722,511.34
Net cash flows from financing activities	**-203,883,587.71**	-991,736,511.50
4. Effect of changes in foreign exchange rate on cash and cash equivalents	**27,957,283.90**	-62,700,032.30
5. Net increase in cash and cash equivalents	**516,872,141.57**	-721,485,418.31
Add: Cash and cash equivalents at the beginning of the year	**4,221,502,128.98**	4,942,987,547.29
6. Cash and cash equivalents at the end of the year	**4,738,374,270.55**	4,221,502,128.98

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

CASH FLOW STATEMENT OF PARENT

For the Year of 2014

Prepared by: Guangzhou Shipyard International Company Limited *Unit: RMB*

Item	Current Year	Last Year
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**7,823,353,729.93**	4,939,135,021.64
Cash received from taxes refund	**274,516,384.77**	112,574,797.12
Cash received relating to other operating activities	**717,967,815.55**	242,160,529.58
Sub-total of cash inflows from operating activities	**8,815,837,930.25**	5,293,870,348.34
Cash paid for goods and services	**8,100,809,981.01**	4,994,525,436.35
Cash paid to and on behalf of employee	**355,780,595.85**	309,416,750.85
Payments of taxes and surcharges	**78,409,116.68**	124,006,943.01
Cash paid relating to other operating activities	**3,230,031,877.26**	157,809,305.84
Sub-total of cash outflows from operating activities	**11,765,031,570.80**	5,585,758,436.05
Net cash flows from operating activities	**-2,949,193,640.55**	-291,888,087.71
2. Cash flows from investing activities:		
Cash received from with drawing investment capital	**37,100,000.00**	55,622,371.53
Cash received from investments income	**82,477,236.44**	209,893,461.15
Cash received from disposal of fixed assets, intangible assets and other long-terms assets	**10,101,992.66**	183,228.60
Net cash received from disposal of subsidiaries and other business units	**447,591,300.00**	–
Cash received relating to other investing activities	**1,621,315,496.92**	1,908,271,674.81
Sub-total of cash inflows from investing activities	**2,198,586,026.02**	2,173,970,736.09
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**56,824,544.56**	45,694,439.82
Cash paid for investments	**600,912,916.82**	31,738,768.99
Net cash paid to acquire subsidiaries or other business units	–	–
Cash paid relating to other investing activities	**2,125,318,328.75**	1,637,253,070.82
Sub-total of cash outflows from investing activities	**2,783,055,790.13**	1,714,686,279.63
Net cash flows from investing activities	**-584,469,764.11**	459,284,456.46

Item	Current Year	Last Year
3. Cash flows from financing activities		
Cash received from investment absorption	**2,201,832,410.24**	–
Cash received from loans granted	**4,102,149,040.51**	1,920,114,546.40
Cash received from issue of bonds	–	–
Cash received relating to other financing activities	–	–
Sub-total of cash inflows from financing activities	**6,303,981,450.75**	1,920,114,546.40
Cash paid for settlement of borrowings	**2,531,630,400.74**	1,706,530,063.75
Cash paid for dividends, profits appropriation or payments of interests	**199,511,177.37**	167,195,185.40
Cash paid relating to other financing activities		
Sub-total of cash outflows from financing activities	**2,731,141,578.11**	1,873,725,249.15
Net cash flows from financing activities	**3,572,839,872.64**	46,389,297.25
4. Effect of changes in foreign exchange rate on cash and cash equivalents	**20,995,630.66**	-32,899,348.23
5. Net increase in cash and cash equivalents	**60,172,098.64**	180,886,317.77
Add: Cash and cash equivalents at the beginning of the year	**3,642,373,050.61**	3,461,486,732.84
6. Cash and cash equivalents at the end of the year	**3,702,545,149.25**	3,642,373,050.61

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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

II. ANNOUNCEMENT ON COMPLYING WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared by the Company and the Group in accordance with the accounting standards for business enterprises, and reflect a true and fair view of the Group and the Company as of December 31, 2014 and of the operating results and cash flows for the period then ended.

(1) Changes in critical accounting policies

Since 26 January 2014, the Ministry of Finance successively released and revised seven new accounting standards. No. 9 of Accounting Standards for Business Enterprises – Employee Compensation, No. 30 of Accounting Standards for Business Enterprises – Presentation of Financial Statements, No. 33 of Accounting Standards for Business Enterprises – Consolidated Financial Statements, No. 39 of Accounting Standards for Business Enterprises – Fair Value Measurements, No. 40 of Accounting Standards for Business Enterprises – Arrangement for Joint Venture, No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments and No. 37 of Accounting Standard for Business Enterprises – Presentation of Financial Instruments. The Group, since 1 January 2013, started to adopt the first five new accounting standards; since 1 January 2014, started to adopt No. 2 of Accounting Standard for Enterprises – Long-term equity investment; since the 2014 annual report, started to adopt No. 37 of Accounting Standard for Business Enterprises – Presentation of Financial Instruments. In respect of 2014 financial statements, the adoption of No. 2 of Accounting Standard for Enterprises – Long-term equity investment and No. 37 of Accounting Standard for Business Enterprises – Presentation of Financial Instruments belong to change in accounting policy, and adopts retrospective adjustment method, and financial statements have been restated.

The adoption of No. 2 of Accounting Standard for Enterprises – Long-term equity investment and No. 37 of Accounting Standard for Business Enterprises – Presentation of Financial Instruments have the impacts on the Group's consolidated financial statements as follows:

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

(2) Changes in critical accounting estimates

Shipbuilding products are accounted for by the Company according to the standards for construction contracts. As required by the standards for construction contracts, the three methods below can be chosen in determining the percentage of completion: (1) the proportion of the actual accumulated contract cost in the total estimated contract costs; (2) proportion of the completed contractual workload in the estimated total workload of the contract; (3) surveys of completed work. The Company originally adopted method no. (2), which is determining the completion of shipbuilding by the proportion of the completed contractual workload in the estimated total workload of the contract. Adopting this method in determining the percentage of completion requires the estimation of total workload. Shipbuilding consists of numerous works which are complicated and have long duration, causing great difficult and uncertainty in estimating total workload and difficulty in operation. Currently, the shipbuilding industry has widely adopted method no. (1) to determine the percentage of completion. The adoption of this method in determining contract revenue and fees reflects the shipbuilding operation more accurately and allows information users to better understand the method to estimate and determine income and cost of the Company. As approved in the 10th meeting of the 8th session of the Board of the Company held on 28 October 2014, the method to determine the percentage of completion in shipbuilding has changed into method no. (1), which is determination of the proportion of the actual accumulated contract cost in the total estimated contract costs, since 1 October 2014. These changes in accounting estimates are adopted on a prospective basis. The affected amount to the total profit from October to December 2014 was RMB-27,010,814.64.

Affected items in statements	**Affected amount**
Operating revenue	-106,246,896.00
Cost of operation	-79,236,081.36
Total profit	-27,010,814.64

III. MAIN NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following disclosed financial statement data, unless specifically noted, “Beginning Balance” refers to 1 January, 2014; and “Ending Balance” refers to 31 December, 2014. “Current Year” refers to the period from 1 January, 2014 to 31 December, 2014; and “Last Year” refers to the period from 1 January, 2013 to 31 December, 2013. The currency is in RMB.

1. Accounts Receivable

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

(1) Terms of sales on credit

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

(2) Aging analysis of accounts receivables

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

(3) Classification by risks

	Ending Balance					Beginning Balance				
	Book value		Bad debt			Book value		Bad debt		
Items	Amount	%	Amount	%	Net value	Amount	%	Amount	%	Net value
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	10,389,253.44	2.02	10,389,253.44	100.00	0.00	9,395,984.41	1.40	9,395,984.41	100.00	0.00
Accounts receivable accrued bad debt provision by a certain percentage of the balance	504,159,101.09	97.98	2,520,798.70	0.50	501,638,302.39	660,803,457.19	98.60	3,304,017.29	0.50	657,499,439.90
Total	**514,548,354.53**	–	**12,910,052.14**	–	**501,638,302.39**	**670,199,441.60**	–	**12,700,001.70**	–	**657,499,439.90**

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

Company Name	Book value	Bad debts	%	Reasons
Guangzhou Huayu Electrical and Mechanical Equipment Company Limited	4,000,411.67	4,000,411.67	100.00	Unable to repay due to its financial difficulty
WHL-FONKWANG	2,547,011.44	2,547,011.44	100.00	Unable to repay due to its financial difficulty
Chongqing Far East Fuji Electrical Company	894,670.00	894,670.00	100.00	Unable to repay due to its financial difficulty
Zhanjiang Ankang Real Estate Company	604,790.38	604,790.38	100.00	Long outstanding period, with operational going concern
Fuzhou Jujijia Electronics Technology Co., Ltd.	370,000.00	370,000.00	100.00	Long outstanding period, with operational going concern
Guilin Fortune Elevator Company	398,250.00	398,250.00	100.00	Long outstanding period, with operational going concern
Chongqing South Group Company	263,698.87	263,698.87	100.00	Long outstanding period, with operational going concern
Other 23 customers	1,310,421.08	1,310,421.08	100.00	Long outstanding period, with operational going concern
Total	**10,389,253.44**	**10,389,253.44**	–	–

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

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

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

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

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

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

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

2. Accounts Payable

(1) Accounts Payable

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

(2) Aging analysis of accounts payable

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

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

(3) Significant accounts payable aged more than 1 year

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

3. Retained Earnings

Current Year

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

Last Year

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

4. Net Current Assets

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

5. Total Assets Less Current Liabilities

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

6. Operating Income and Operating Cost

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

Gross margin

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

Revenue from building contracts

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

(1) Main operation income – classified by products

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

(2) Main operation income – classified by regions

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

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

(3) Other operation Income and Other operation Cost

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

(4) Contract Revenue

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

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

(5) Operating income from top 5 clients

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

(6) Purchase amounts of top five suppliers

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

7. Financial Expenses

(1) Financial Expenses Category

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

(2) Interest expenditure category

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

(3) Interest income category

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

8. Gain or loss on changes in fair value

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

9. Investment income

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

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

10. Non-Operating Income

(1) Non-Operating Income

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

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

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

(2) Government grants category

Items	Current Year	Last Year	Source and basis	Related with assets/income
Product subsidy	**191,678,814.59**	123,965,422.56	National Funding	Related to income
Research and Development of technology of classical cabin layout and decoration luxury cruise ship design	**17,000,000.00**	12,000,000.00	National Funding	Related to income
Shipbuilding technology research	**10,891,834.34**	8,022,033.38	National Funding	Related to income
76000 tons of semi submerged ship design and construction technology R&D and industrialization	**10,000,000.00**		National Funding	Related to income
Research funding for optimized green coating process	**3,637,144.78**		National Funding	Related to income
Emulation of precise shipbuilding techniques	**2,600,000.00**		National Funding	Related to income
Tax refund of selling self-produced software	**2,457,654.83**	1,306,831.80	Tax refund from National Tax Bureau	Related to income
Ship construction projects	**2,258,916.14**	3,323,578.30	National Funding	Related to assets
Research and Development of technology of Complex component modeling	**1,600,000.00**	2,700,000.00	National Funding	Related to income
Research on ship builders' energy evaluation and surveillance management system	**1,292,010.67**		National Funding	Related to income
Research & manufacturing of testing and analyzing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle	**1,200,000.00**		National Funding	Related to income
Subsidies for service trade in provinces, municipality and districts	**1,000,000.00**	2,910,000.00	National Funding	Related to income
Special fund for export credit insurance	**868,800.00**	148,771.19	Liwan District national treasury payment center	Related to income
Upfront fees for construction of fundamental condition of quality department measurement station project	**624,897.12**	1,063,571.92	National Funding	Related to assets
Support the development of foreign trade and economic cooperation	**500,000.00**		Liwan District national treasury payment center	Related to assets
Special funds for service trade development	**500,000.00**		Special funds for service trade development of Guangzhou	Related to income
The innovative enterprise special research in Guangzhou	**484,436.38**	1,589,725.06	National Funding	Related to income
Research on archives of shipbuilding by International Maritime Organization	**400,000.00**		National Funding	Related to income
Research and development and application of energy management systems for shipbuilding industry	**380,000.00**		National Funding	Related to income
Enterprise Technology Center innovative capacity-building projects	**300,000.00**	300,000.00	Central government subsidies	Related to assets
Economic incentive subsidies	**200,000.00**		Guangzhou City Bureau of Finance Treasury Branch	Related to income
High-tech personnel subsidies		1,500,000.00	High-tech personnel subsidies	Related to income
Interest Subsidy		2,286,410.00	Interest subsidy on financial exporting in Liwan District	Related to income

Items	Current Year	Last Year	Source and basis	Related with assets/income
The employment of university graduates trainee subsidies		81,834.72	Guangzhou financial bureau	Related to income
Appropriation for scientific research projects		4,176,445.75	National Funding	Related to income
Import discount interest		257,641.50	National Funding	Related to income
Others	**1,041,038.53**	2,652,693.95	National Funding	Related to income
Total	**250,915,547.38**	168,284,960.13		

11. Income Tax Expenses

(1) Income tax expenses

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

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

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

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

(3) Income tax rate

Company name	Tax rate	Note
The Company	15%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
United Steel Structures Ltd.	15%	
Glory Group Developing Co., Ltd.	16.5%	Registered in Hong Kong
Fanguang Development Co., Ltd.	16.5%	Registered in Hong Kong
Fanguang (Macau) Development Co., Ltd.	12%	Registered in Macau
Other subsidiaries	25%	

(4) Tax incentives

The Company and its subsidiaries Guangzhou Hongfan Technology Co., Ltd. and United Steel Structures Ltd. (USSL) are approved to be Hi-tech Enterprises, The Company and Guangzhou Hongfan Technology Co., Ltd. are taxed at 15% since January 1, 2011 to December 31, 2013; USSL is taxed at 15% since January 1, 2012 to December 31, 2014. Currently, the application of Hi-tech Enterprise certificates by the Company and USSL, a subsidiary of the Company, is under progress. The listing of provincial Department of Science and Technology has been passed and is subject to the approval of the Department of Science and Technology. Thus, the corporate income tax for current Period is provisionally calculated at 15%.

12. Earnings per share

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

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

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

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

Basic EPS and Diluted EPS are calculated as followed:

Items	No.	Current Year	Last Year
Net profit attributable to shareholders of Parent Company	1	**151,496,768.77**	-218,566,980.38
Non-operating profit and loss attributable to shareholders of Parent Company	2	**756,307,974.49**	-55,175,655.84
Net profit after deducting non-operating profit and loss attributable to shareholders of Parent Company	3=1-2	**-604,811,205.72**	-163,391,324.54
Total number of shares at the beginning of the year	4	**643,080,854.00**	643,080,854.00
The number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
The number of shares increased due to issuance of new shares or debt for equity swap (II)	6	**387,453,797.00**	
The number of months from next month to the year end regarding the number of shares (II)	7	**10.00**	
The number of shares decreased due to stock repurchase	8		
The number of months from the next month to the year end regarding the decrease of shares	9		
Shares decreased due to share shrinkages	10		
Duration of the period in terms of month	11	**12**	12
Weighted average number of ordinary shares issued out	12=4+5+6×7÷11-8×9÷11-10	**1,030,534,651.00**	1,030,534,651.00
Weighted average number of ordinary shares adjustments because of merger under common control	13	**965,959,018.17**	643,080,854.00
Basic EPS (I)	14=1÷12	**0.1470**	-0.2121
Basic EPS (II)	15=3÷13	**-0.6261**	-0.2541
Potential diluted interests of ordinary shares recognized as expense	16		
Transfer fee	17		
Income tax rate	18	**0.15**	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted EPS (I)	20=[1+(16-18)×(1-17)]÷(12+19)	**0.1470**	-0.2121
Diluted EPS (II)	21=[3+(16-18)×(1-17)]÷(13+19)	**-0.6261**	-0.2541

Note: According to Article No. 8 – For business combination under common control during the reporting period, the acquirer issues new shares on the date of combination and uses it as consideration under No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies — Calculation and Disclosure of Return on Net Assets and EPS (2010 Revised), when calculating basic earnings per share as at the end of the reporting period, the shares shall be treated as outstanding ordinary shares at the beginning of the combination (to calculate the weighted average using weighting as 1). When calculating basic earnings per share at the comparative period, shares shall be treated as outstanding ordinary shares at the beginning of the comparative period. When calculating earnings per share as at the end of the reporting period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall be weighted staring from the next month. When calculating earnings per share as at the end of the comparative period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall not be weighted (weighting is zero).

13. Dividends

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

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

14. Depreciation and amortization

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

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

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

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

(2) Disposal of property

On 27 March 2014, the general manager office of the Company approved and agreed to list and transfer five real estates, (located in Hua Yuan Mansion, No. 496 Xin Cheng Road, Sha Ping Town, He Shan City), in Beijing property right transaction center. The net profit was RMB 4,398,956.39, after deducting the net book value and related taxes, when the Company completed the property transfer procedures with the buyers in June, 2014.

IV. SEGMENT INFORMATION

According to the Group's internal organizational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 categories based on the different types of main products. The management evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into 3 segments in shipbuilding, steel structure projects and others.

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

The segment information for 2014

Item	Shipbuilding	Steel Structure Engineering	Others	Write-off	Total
Operating income	10,312,366,483.87	439,403,416.06	2,017,715,709.55	3,238,744,727.74	9,530,740,881.74
Including: External transaction revenue	8,508,089,999.55	439,403,416.06	583,247,466.13	0.00	9,530,740,881.74
Revenue between segments	1,804,276,484.32	0.00	1,434,468,243.42	3,238,744,727.74	0.00
Operating cost	10,562,548,931.31	401,591,572.26	1,977,268,669.32	3,310,428,755.41	9,630,980,417.48
Period charge	573,014,185.04	27,994,343.30	325,464,794.88	3,359,791.79	923,113,531.43
Segment total profit (total loss)	159,177,500.49	11,864,487.74	–253,310,964.29	-141,599,168.93	59,330,192.87
Total assets	28,934,401,853.16	412,643,698.36	3,268,554,370.47	8,945,506,556.37	23,670,093,365.62
In which: amounts of individual asset on which significant impairment loss incurred					
Total liabilities	23,005,096,747.86	269,109,082.22	1,714,360,646.22	6,990,605,618.20	17,997,960,858.10
Supplementary information					
Capitalized expense	409,882,676.43	5,388,034.87	28,592,020.11	–	443,862,731.41
Recognized loss of impairment	56,886,334.55	358,570.71	19,801,565.60	65,102,025.36	11,944,445.50
Including: Goodwill amortization					
Depreciation and amortization expense	378,528,431.32	1,164,930.28	46,393,427.44	6,099,787.35	419,987,001.69
Non-cash expenses other than loss of impairment, depreciation and amortization					

The segment information for 2013

Item	Shipbuilding	Steel Structure Engineering	Others	Write-off	Total
Operating income	5,114,415,792.95	438,553,119.66	1,661,340,352.27	1,376,040,750.69	5,838,268,514.19
Including: External transaction revenue	4,756,215,061.05	438,553,119.66	643,500,333.48		5,838,268,514.19
Revenue between segments	358,200,731.90		1,017,840,018.79	1,376,040,750.69	
Operating cost	5,037,526,639.49	379,788,834.02	1,534,202,326.27	1,366,622,966.85	5,584,894,832.93
Period charge	693,207,934.48	29,328,684.42	112,638,106.39	-9,095,783.54	844,270,508.83
Segment total profit (total loss)	-433,041,144.73	16,594,547.03	26,495,081.46	62,169,786.16	-452,121,302.40
Total assets	22,150,630,480.05	804,967,420.88	1,531,176,558.32	2,927,913,235.31	21,558,861,223.94
Total liabilities	18,228,477,767.03	621,765,206.44	1,227,212,343.71	2,446,819,957.92	17,630,635,359.26
Supplementary information					
Capitalized expense	120,934,099.85	4,137,624.09	54,546,945.62		179,618,669.56
Recognized loss of impairment	271,548,021.85	-44,654.20	3,636,344.82	7,405,235.58	267,734,476.89
Including: Goodwill amortization					
Depreciation and amortization expense	395,468,648.95	1,467,290.60	44,401,750.77		441,337,690.32
Non-cash expenses other than loss of impairment, depreciation and amortization					

The total external transaction revenue from local and other countries or regions of the Group; and other non-current assets other than financial assets and deferred income tax assets from local and other countries or regions of the Group are listed below:

Revenue from external customers	Current year	Last year
Inside China (except Hong Kong)	**9,476,792,900.06**	5,786,134,920.19
Hong Kong	**53,947,981.68**	52,133,594.00
Total	**9,530,740,881.74**	5,838,268,514.19

Total non-current assets	Ending Balance	Beginning Balance
Inside China (except Hong Kong)	**8,755,843,921.27**	8,723,708,722.11
Hong Kong	**59,017,394.10**	53,012,366.94
Total	**8,814,861,315.37**	8,723,708,722.11

Note: Total non-current assets exclude financial assets and total deferred tax assets.

DIVIDEND

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

In 2014, the Company achieved gross industrial output value of RMB9.121 billion, representing an increase of 63.75% as compared with that of RMB5.57 billion in 2013, achieving 95.93% of the target gross industrial output value of RMB9.508 billion. The Company achieved gross industrial output value of RMB7.481 billion in shipbuilding business, which accounted for 97.27% of the annual target of RMB7.691 billion; achieved gross industrial output value of RMB948 million in offshore engineering business, which accounted for 109.34% of the annual target of RMB867 million; achieved gross industrial output value of RMB692 million, which accounted for 72.85% of the annual target of RMB950 million.

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

In 2014, the Company totally undertook 18 ships/2,598,200 DWT of shipbuilding and off-shore engineering products, which accounted for 106% and 100.10% of the targets for the year, respectively. The Company, according to the product positioning in two factories (Liwan Factory and Nansha Factory), first, the Company continued to take MR tankers as the main products in Liwan Factory, constantly optimized the original design, upgraded the types of ships, expand the market share of eco-friendly 50,000-tonnes chemical/product oil tankers and formed batches of orders; second, the Company, according to the features of the facilities in Nansha Factory, mainly undertook orders for ships in large tons and took mature ship types such as ultra-large/large crude (product) oil tankers, super large ore carriers, LR2 product oil tankers as the main products to maximize the utilization of facilities and production efficiencies. In respect of the non-ship business, the orders undertook during the year 2014 was RMB158.1 million, and the plans for the year was completed, and representing an increase of 64.70% as compared with the same period of last year, mainly attributable to orders undertaken complete-set mechanicals such as stacker-reclaimers and items like steel structures, Hydraulic shearing, elevator, axle steering system for processing, among which, Macau City of Dreams Project was undertaken by steel structure, and the record which total number of orders undertaken by non-ship single orders was broken, and also laid a foundation for the transformation of non-ship projects. Contracts undertaken by information and control sector and modern service sector were over-fulfilled the year's planning, which provided a strong support for the production development of the Company.

FINANCIAL REVIEW

As at 31 December 2014, the operating income of the Group prepared under the Accounting Standards for Business Enterprises of the PRC amounted to RMB9.531 billion, representing an increase of 63.25% as compared with last year; the audited net profit attributable to shareholders of the Company for the year amounted to RMB151 million, turning losses into gains as compared with last year; the earnings per shares amounted to RMB0.1470 and the earnings per share net of non-recurring profit and loss amounted to RMB-0.6261.

ANALYTICAL STATEMENT ON CHANGES OF RELATED ITEMS IN INCOME STATEMENT AND CASH FLOW STATEMENT

Unit: RMB

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

CHANGES OF INCOME STATEMENT AND EXPLANATION

Unit: RMB

Profit and loss	Current year	Last year	Changes	Change (%)	Description
Operating income	**9,530,740,881.74**	5,838,268,514.19	3,692,472,367.55	63.25	Production volume increased, 66 ships were arranged for construction this year (2013: 49 ships);
Operating costs	**9,630,980,417.48**	5,584,894,832.93	4,046,085,584.55	72.45	Production volume increased, income increased as compared with the same period of the last year;
Selling expenses	**33,547,079.26**	5,684,005.42	27,863,073.84	490.20	Shipbuilding income increased and provision for maintenance was made according to progress, and the reversal of maintenance fee which has past due and due during the last year;
Asset impairment loss	**11,944,445.50**	267,734,476.89	-255,790,031.39	-95.54	Appreciation in forward US dollar, contract estimated total income increased, contract estimated loss decreased;
Gains on changes in fair value	**-112,677,799.33**	46,571,580.25	-159,249,379.58	-341.95	Appreciation in forward US dollar, resulting in income from change in forward exchange settlement fair value decreased

Profit and loss	Current year	Last year	Changes	Change (%)	Description
Investment income	**395,363,838.64**	202,672,876.30	192,690,962.34	95.07	Income arising from disposal of subsidiary, stocks and forward exchange settlement increased;
Non-operating income	**813,325,483.25**	180,557,982.31	632,767,500.94	350.45	Production loss compensation increased;
Other comprehensive income	**8,830,870.15**	-181,399,847.22	190,230,717.37	Not applicable	Attributable to the disposal of available-for-sale financial assets

CHANGES OF CASH FLOW STATEMENT AND EXPLANATION

Unit: RMB

Item	Current year	Last year	Change (%)	Main reasons for the change
Net cash flows from operating activities	**855,224,351.73**	-21,974,600.43	Not applicable	Mainly attributable to the increase in shipbuilding material, the increase in engineering projects and compensation fee of RMB560 million received upon disposal of subsidiary
Net cash flows from investing activities	**-162,425,906.35**	354,925,725.92	Not applicable	Mainly attributable to the payment for acquisition of equity interest in Longxue Shipbuilding
Net cash flows from financing activities	**-203,883,587.71**	-991,736,511.50	Not applicable	Mainly attributable to the payment increase during the year

ANALYTICAL STATEMENT OF ASSETS AND LIABILITIES

Unit: RMB

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Proportion among total assets at the end of current period (%)	Description
Financial assets at fair value through profit or loss	13,007,994.71	0.05	69,210,083.75	0.32	-81.21	Increases in foreign exchange contracts held for the period and fluctuations in the forward foreign exchange rates
Notes receivables	10,678,923.83	0.05	21,607,944.72	0.10	-50.58	An increase in bank drafts received during the period
Prepayments	1,476,460,562.44	6.24	1,070,938,867.43	4.97	37.87	Increase in production capacity resulting in prepayments of purchase increase
Other receivables	297,586,125.55	1.26	75,790,266.06	0.35	292.64	Increase in product subsidies and export tax refund at the end of the year
Inventories	4,243,869,651.14	17.93	2,988,934,033.42	13.86	41.99	Increase in new orders resulting in increases in materials and work in progress
Financial assets available for sales	6,900,000.00	0.03	35,970,000.00	0.17	-80.82	Sales of shares of China Merchants Energy Shipping
Construction in progress	424,477,179.97	1.79	91,957,146.55	0.43	361.60	Increases in construction in progress of the subsidiary, Longxue Shipbuilding
Deferred income tax assets	577,393,228.99	2.44	402,599,880.10	1.87	43.42	The subsidiary, Longxue Shipbuilding recognizes part of the deductible loses as the deferred income tax assets

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Proportion among total assets at the end of current period (%)	Description
Short-term loans	4,042,518,219.57	17.08	2,740,220,723.02	12.71	47.53	Increases in loans
Financial liabilities at fair value through profit or loss	56,475,710.29	0.24	-			Attributable to changes in the fair value of forward foreign exchange contracts
Notes payable	1,316,585,489.50	5.56	889,353,412.06	4.13	48.04	Purchase of materials increased
Accounts payable	2,404,465,685.59	10.16	1,754,934,382.86	8.14	37.01	Purchase of materials increased
Tax payables	-292,285,242.99	-1.23	-139,946,711.34	-0.65	108.85	Attributable to increases in the input tax
Interests payable	20,919,000.53	0.09	68,778,979.01	0.32	-69.59	Attributable to repayment of loans and payment of interests
Other payables	47,010,552.66	0.20	30,953,655.67	0.14	51.87	Increase in the tender deposit of the Subsidiary
Other current liabilities maturing	4,681,683,042.76	19.78	3,153,645,678.93	14.63	48.45	Vessel engineering projects increased
Long-term loans	3,256,071,388.68	13.76	5,943,404,473.16	27.57	-45.22	Loan repayment
Deferred income tax liabilities	1,951,199.21	0.01	11,330,087.60	0.05	-82.78	Reduction of changes in fair value gain
Estimated liabilities	269,050,764.55	1.14	657,847,075.11	3.05	-59.10	Decreases in contractual losses
Share capital	1,030,534,651.00	4.35	643,080,854.00	2.98	60.25	Attributable to placement of shares
Capital reserve	3,319,815,828.93	14.03	2,129,232,741.41	9.88	55.92	Attributable to increases in share premium due to placement of shares
Special reserves	1,439,966.32	0.01	956,026.41	0.00	50.62	Increases in the difference between the withholding special safety funds and amount of funds actually utilized
Non-controlling interest	42,856,483.36	0.18	18,662,087.21	0.09	129.64	Attributable to changes in the non-controlling interests of subsidiaries

INFORMATION OF MAIN BUSINESSES BY PRODUCT

(II) Analysis on Products or Regional Operation

1. Information of principal businesses by industry and by product

Unit: RMB

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

Explanation on principal businesses by industry and by product

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

1. Shipbuilding and offshore engineering business

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

2. Steel structure

Total income was RMB 406 million, representing a decrease of 7.51% as compared with the same period of last year. Among which, due to product structure adjustment, and the requirement of producing steel structure at present is high, which led to difficulty in production and the extension of production cycle, resulting in steel structure income from Yonglian Company, a subsidiary, decreased by RMB46.78 million.

3. Electromechanical products and other businesses

Total income for the period was RMB595 million, representing an increase of 5.6% as compared with the same period of last year. Among which, income from electromechanical products increased RMB210.34 million, mainly due to sales of host machines of 3# and 4# shield tunneling machines during the period, resulting an increase of RMB104 million as compared with the same period of last year; total gross profit for the period was RMB 19.49 million, representing a decrease of RMB30.31 million as compared with the same period of last year, mainly due to gross profit loss in electromechanical business.

2. Information of principal businesses by region

Unit: RMB

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

COST ANALYSIS BY PRODUCT

Unit: RMB'0,000

Product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount in the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding business (including offshore engineering)	Direct material	579,103.01	61.38	286,360.49	52.97	102.23	Increase in production volume
	Processing cost	362,601.35	38.46	224,346.68	41.50	61.76	Increase in production volume
	Depreciation loss	-89,054.89	-9.44	-60,861.66	-11.26		Writing off of impairment provision made
Steel structure engineering	Direct material	15,823.97	1.68	14,687.41	2.72	7.74	Increase in products
	Processing cost	21,175,84	2.24	24,838.51	4.59	-14.75	Increase in products
	Depreciation loss	–	–	-138.54	-0.03		Writing off of impairment provision made
Electromechanical products and others	Direct material	32,903.97	3.49	14,795.01	2.74	122.40	Increase in products
	Processing cost	21,861.42	2.32	36,597.10	6.77	-40.26	Increase in products
	Depreciation loss	-1,191.58	-0.13	-3.26	-0.00		Writing off of impairment provision made
Total		943,523.11	100.00	540,621.73	100.00	74.53	

INFORMATION OF NON-RAISED CAPITAL INVESTMENT PROJECTS

Unit: RMB

Item	Project amount	Progress (%)	Amount invested this year	Actual amount invested accumulatively	Project benefit
General Contracting for Design and Construction of Workers' Dormitory Project (Phase I) CSSC Longxue Base	627,700,000.00	Under construction	288,381,985.29	292,062,565.29	No revenue generated
Development the construction of security conditions	14,020,000.00	Under construction	10,479,102.96	14,729,102.96	No revenue generated
1#3# Slipway Extension Project	4,100,000.00	Under construction	2,041,714.01	2,041,714.01	No revenue generated
1 set of 500HP tugboat for the shipbuilding division	4,800,000.00	Under construction	3,385,711.39	3,385,711.39	No revenue generated
Assembly shipbuilding platform (Heavy Block Stock Yard and platform project)	253,830,000.00	Under construction	19,233,590.41	19,233,590.41	No revenue generated
Stage 1 of Zhongshan Base Project (Phase I)	793,140,000.00	Under construction	5,419,561.24	5,611,749.65	No revenue generated
Residential Project for Workers	277,450,000.00	Under construction	1,814,349.74	35,687,284.96	No revenue generated
Relocation of asset from Sanjiao Town, Zhongshan	8,874,020.10	Under construction	1,317,303.73	9,535.161.33	No revenue generated
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting	4,310,000.00	Under construction	2,646,306.46	2,646,306.46	No revenue generated
Hardening Project for Fields of Block Stock Yard and Advanced Outfitting on the West Side	4,410,000.00	Under construction	2,638,814.04	2,638,814.04	No revenue generated
Engineering and Design Fees for Base Civil Ship Phase I	3,800,000.00	Under construction	2,585,500.00	2,585,500.00	No revenue generated
Steel structure construction for work team in dock	11,286,564.62	Completed	1,660,332.82	10,339,650.43	Revenue generated
Others			102,258,459.32	102,258,459.32	
Total			443,862,731.41	502,755,610.25	

Information of investment projects with no external funding	During the Reporting Period, the Company's total investment in non raising fund was RMB444 million

RESEARCH AND DEVELOPMENT EXPENDITURE

Unit: RMB

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

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

EXTERNAL EQUITY INVESTMENT

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

(1) The Company completed the acquisition of 100% equity in Guangzhou CSSC Longxue Shipbuilding Co., Ltd., ("Longxue Shipbuilding") as at 14 March 2014. Therefore, Longxue Shipbuilding, as a wholly-owned subsidiary of the Company, was included in the consolidated statement of the Company during the Reporting Period.

(2) It was passed upon the consideration in the fifth meeting of the eighth session of the Board that, the Company contributed part of the land and buildings in the new factory zone of Liwan Factory of the Company as investment in kinds for a consideration for RMB113,008,800 and cash of RMB991,200 to establish Guangzhou Shipyard Industrial Co., Ltd. ("Guangzhou Shipyard Industrial") with a registered capital of RMB 114 million. For the facilitation of continuous development in the future, it was approved in the eighth meeting of the eighth session of the Board that, the assets of the remaining land and buildings as well as structures in the new factory zone of the Company Liwan Factory totaling RMB298,173,400 was injected into Guangzhou Shipyard Industrial as capital increase. Upon the completion of capital increases, the registered capital of Guangzhou Shipyard Industrial became RMB412,173,400. Guangzhou Shipyard Industrial's 100% equity was held by the Company.

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

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

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

SIGNIFICANT ISSUES

1. MATERIAL CONTRACTS

(1) Entrustment, contracting and leasing matters

(1) Related party lease

1) Leasing

Unit: RMB

Lessor name	Lessee name	Type of leasing assets	Amount of assets leasing	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Connected transaction or not	Connected relation
Guangzhou Shipyard Industrial Co., Ltd.	The Company	lands and properties		1 October 2014	1 December 2017	0	–	Nil	No	Wholly-owned subsidiary

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

(2) Guarantee

Unit: RMB

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

2. SIGNIFICANT CONNECTED TRANSACTIONS

(1) The Company and the seller entered into equity transfer agreement on 30 September 2013 in respect of the acquisition of Longxue Shipbuilding, pursuant to which, the Company agreed to acquire equity interest in Longxue Shipbuilding for a consideration of RMB955,964,900, of which, RMB573,578,940, RMB286,789,470 and RMB95,596,490 were paid to CSSC, Baosteel Group Corporation and China Shipping Group Company, respectively. Before acquisition by the Company, Longxue Shipbuilding was held by CSSC, the holding shareholder of the Company, holding 60% equity interest, and Baosteel Group and China Shipping holding 30% and 10%, respectively. As such, CSSC is the connected person of the Company, and therefore the acquisition constituted a major connected transaction of the Company. As at 16 June 2014, the acquisition is completed.

(2) Since after completion of acquisition, Longxue Shipbuilding became the wholly-owned subsidiary of the Company, as such, the Company entered into "2014-2016 Framework Agreement" with China State Shipbuilding Corporation ("CSSC"), to define the annual caps in respect of the connected related transaction related to normal operation. The agreement was considered and approved on the first EGM of the Company held on 13 February 2014.

(3) Transfer of 100% equity in Guangzhou Shipyard Industrial. As at 10 December 2014, Shanghai Lingxiang Equity Investment Co., Ltd. ("Shanghai Lingxiang"), as the sole transferee, accepted the transfer of 100% equity in Guangzhou Shipyard Industrial at a price of RMB973,791,300 for production loss. 50% enquiry of Shanghai Lingxiang was indirectly held by CSSC, and thus a connected person of the Company, and the transaction constituted a connected transaction. The Company was approved in advance by the independent shareholders for this transaction in the third extraordinary shareholders' meeting of 2014 held as at 11 November 2014. Please see the announcement on the listing results of Guangzhou Shipyard Industrial dated 15 December 2014 for the details of this connected transaction.

(4) Transfer of 100% equity in Guangzhou Jinzhou. As at 10 December 2014, Guangzhou Marine Engineering Corporation, as the sole transferee, accepted the transfer of 100% equity in Guangzhou Jinzhou at a price of RMB 33.80 million. As at 23 December 2014, the Company and Guangzhou Marine Engineering Corporation signed the property right transfer contract. At present, 100% enquiry of Guangzhou Marine Engineering Corporation is held by CSSC, thus a connected person of the Company, and the transaction constituted a connected transaction. The Company was approved in advance by the independent shareholders for this transaction in the third extraordinary shareholders' meeting of 2014 held as at 11 November 2014. Please see the announcement on the listing results of Guangzhou Jinzhou dated 29 December 2014 for the details of this connected transaction.

3. EFFECTS ON ADOPTION OF NEW ACCOUNTING STANDARDS ON CONSOLIDATED FINANCIAL STATEMENTS

Change in Significant Accounting Policies

Since 26 January 2014, the Ministry of Finance successively released and revised seven new accounting standards: No. 9 of Accounting Standards for Business Enterprises – Employee Compensation, No. 30 of Accounting Standards for Business Enterprises – Presentation of Financial Statements, No. 33 of Accounting Standards for Business Enterprises Consolidated Financial Statements, No. 39 of Accounting Standards for Business Enterprises – Fair Value Measurements, No. 40 of Accounting Standards for Business Enterprises – Arrangement for Joint Venture, No.2 of Accounting Standards for Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments. The Company, since 1 January 2013, started to adopt the first five new standards; since 1 January 2014, started to adopt No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments; and started to adopt No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments since the annual reporting period of 2014. Adoption of No.2 of Accounting Standards for Business Enterprises – Long-term Equity Investments and No. 37 of Accounting Standards for Business Enterprises – Presentation of Financial Instruments was a change in the accounting policies and the retrospective adjustment method was adopted.

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

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

Change in Significant Accounting Estimates

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

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

CAPITAL LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group had long-term borrowings of RMB3,256,000,000, and cash and cash equivalents prepared under the Accounting Standards for Business Enterprises of the PRC amounted to RMB4,738,000,000.

CHARGES ON GROUP ASSETS

As at 31 December 2014, the Group had no fixed asset pledged for bank financing.

CONTINGENT LIABILITIES

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

GEARING RATIO

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

The formula of the gearing ratio: total liabilities ÷ total assets × 100%.

EMPLOYEES, REMUNERATION AND TRAINING

The remuneration of the Company's employees includes salary, reward, and other welfare programs regulated by the PRC government. Subject to the relevant PRC laws and regulations, the Group implements salary system according to employees' position and performance, etc. Every year, the Company organizes training activities for new employees and periodical training activities for professionals according to the demands of the employees and business of all departments to promote the learning, cultivation and healthy development of employees.

CHANGES IN SHARE CAPITAL

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

SHARE STRUCTURE

Unit: Share

Item	**Quantity**	**Proportion (%)**
1. PRC listed domestic shares	438,463,454	42.55
(1) State-owned shares	229,645,800	22.28
(2) RMB ordinary shares	208,817,654	20.26
2. Overseas listed foreign shares	592,071,197	57.45
Total	1,030,534,651.00	100.00

(1) During the Reporting Period, the Company did not have any arrangement for bonus issue, share allotment or transfer and increasing of share capital, etc. At the end of the Reporting Period, the Company has no internal staff shares.

(2) As at 11 February 2014, the Company has completed the private issue of totally 387,453,797 H shares to CSSC (Hong Kong) Shipping Company Limited, Baosteel Resources International Company Limited and China Shipping (Hong Kong) Holding Co., Ltd, resulting in movements of the equity structure of the Company. The proportion of state-owned shares held by CSSC was changed from 35.71% to 22.28%.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

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

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

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and confirmed the annual financial reports for the year 2014 of the Company.

PROSPECT

In 2015, it is expected that the world economy will remain in profound adjustment. Although the accumulated turnover of new ships in the international ship market in 2014 remained in a high position, the general downward trend is obvious. The downward pressure of the ship market keeps increasing and the shipping market fluctuate in a low position, and the ship market recovers slowly. The Company brings a new look. The Company is new in four aspects which are "new start, new trend, new requirements and new leap". The Company must insist on reform and innovation; make its best efforts to promote the centralized production of high technology ships and special ships; centralized improvement of facilities in Nansha Factory; start the product transfer of Liwan Factory, and relocation, construction and transfer of non-ship products; realize a distinct growth in production volume and shorter shipbuilding cycle; smooth the production process and deepen the management and reform; complete the annual tasks and complete the goals for the "Twelfth Five-Year" Plan; complete formulating development goals for the "Thirteenth Five-year" Plan; enhance the construction of a harmonious enterprise and promote the sustainable and healthy development of the Company.

BUSINESS PLAN FOR 2015

The Company plans to undertake contracts with amount of RMB10.0 billion; to complete the construction of ships (including offshore engineering ships) with 2,170,800 DWT, 6 sets of complete equipment, 45,000 tonnes of steel structure, 600 sets of shearing press and 800 elevators; further smooth the fundamental management, enhance innovation in production management and intensify the arrangement of production tasks; improve the production planning system for shipbuilding in two factories; enhance planning management by departments and layers; make strict assessment to ensure completion of plans on schedules; promptly carry out the subsequent work for the "Set Sail" project, further optimize the industrial structure and finally form a multi-industrial distribution covering ships for military and domestic use, ocean engineering equipment and ship repair. For future development, the Company will continue to follow the operating strategies of "transferring model and adjusting structure" to increasingly rationalize the structure of shipbuilding products; fully utilize the brands and technical advantages of the Company; make full use of the production capacity of Nansha Factory and the hardware advantages to stabilize existing orders, enhance sales, focus on core clients and regions, make breakthroughs in size and selection of ship models and realize the strategic transformation of shipbuilding business of the Company.

CAPITAL DEMANDS REQUIRED BY THE COMPANY FOR SUSTAINING EXISTING BUSINESSES AND COMPLETING INVESTMENT PROJECTS UNDER CONSTRUCTION

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement has been published on the Hong Kong Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.chinagsi.com). The Company's annual report for the year ended 31 December 2014 containing all the information required by the Listing Rules will be dispatched to the shareholders and will be published on the websites above.

ACKNOWLEDGEMENT

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

By order of the Board
Guangzhou Shipyard International Company Limited
Han Guangde
Chairman

Guangzhou, 16 February 2015

As at the date of this announcement, the Board of Directors of the Company is composed of eleven directors, namely executive directors Mr. Han Guangde, Mr. Zhou Dusheng, Mr. Chen Ji and Mr. Chen Liping, non-executive directors Mr. Yang Li, Mr. Wang Jun and Mr. Chen Zhongqian, independent non-executive directors Ms. Li Junping, Mr. Zhu Zhenyu, Mr. Zhu Mingyou and Mr. Song Dejin.