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

(H-Shares Stock Code: 00317)

## **Connected Transaction in relation to Selling Real Estate**

On December 20, 2009, the Company entered into the Contract with the No. 605 Institute for selling the Real Estate to the No. 605 Institute at the consideration amounting to RMB 8,509,000. CSSC is the representative holder of the State-owned shares of the Company, holding approximately 35.71% of the issued share capital of the Company. The No. 605 Institute is a wholly-owned subsidiary of CSSC. The No. 605 Institute is therefore a connected person of the Company.

Each of the percentage ratios (other than the profits ratio) is less 2.5%, the Contract therefore constitutes a connected transaction under rule 14A.32 (1) of the Hong Kong Listing Rules, and is subject only to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Contract also constitutes a connected transaction pursuant to section 10.1.1 of Shanghai Stock Exchange's Listing Rules, and should be disclosed as an announcement and in relevant annual report and financial statements.

The sale of the Real Estate does not have any material impact on the accounts for the 2009 financial year.

### **Introduction**

The principal businesses of Guangzhou Shipyard International Company Limited (the "Company") and its subsidiaries (together the "Group") are shipbuilding, ship repairing, steel structure and other electrical and mechanical manufacturing. The businesses of China State Shipbuilding Corporation No. 605 Institute (the "No. 605 Institute") include marine and oceanic engineering design, research, development and relevant consultation.

On December 20, 2009, the Company entered into a Real Estate Sale and Purchase Contract (the "Contract") with the No. 605 Institute for selling the sixth and seventh floors with a gross floor area of 1,265.0782 square meters (the "Real Estate") of the office building located at 126 Gexin Road, Haizhu District, Guangzhou Municipality (the "Office Building") to the No. 605 Institute. The original cost and net book value of the Real Estate were RMB 2,298,700 and RMB1,623,200 respectively.

The Office Building was constructed in 1993 and has nine floors, and it was the office building of the Mechanical Division of the Company. Since the relocation of the Mechanical Division in 2003, the Real Estate has been unused, and accordingly, no profits were attributable to it for the two financial years ended December 31, 2008. Approved by the fifth meeting of the fifth term of the Board of the Directors, the

Company sold the fourth and fifth floors with a gross floor area of 1,208.14 square meters of the Office Building to the No. 605 Institute at the price of RMB 5,580,000 on 13th January 2006. For reasons such as lack of office space, the No. 605 Institute now proposed to purchase the Real Estate for use as additional office space.

At the sixteenth meeting of the sixth term of the Board of Directors of the Company, the Board of the Company approved to sell the Real Estate to The No. 605 Institute at price not less than an evaluation value to be assessed by a professional evaluating agency.

### **Major Terms of the Contract**

<b>Parties:</b>	The Company as vendor and the No. 605 Institute as purchaser
<b>Signing Date:</b>	December 20, 2009
<b>Processing Date:</b>	Within 7 days of the effective date of the Contract, the Company and the No. 605 Institute will jointly apply for processing transfer registration in respect of the Real Estate.
<b>Property to be transferred:</b>	All rights and interests in the Real Estate.
<b>Consideration:</b>	RMB 8,509,000, to be paid in cash in two instalments. The first instalment amounting to 50% of the total consideration will be paid within one month of the effective date of the Contract. The second instalment amounting to the remaining 50% of the total consideration will be paid within one month of the date that the transfer registration documents for the Real Estate are accepted for processing by the real estate management department of Guangzhou Municipality.
<b>Supplemental term:</b>	The Real Estate should comply with basic fire safety requirements for offices before transfer.

### **Connected Transaction**

China State Shipbuilding Corporation (“CSSC”) is the representative holder of the State owned shares of the Company holding approximately 35.71% of the share capital of the Company. The No. 605 Institute is a wholly owned subsidiary of CSSC. The No. 605 Institute is therefore a connected person of the Company.

Each of the percentage ratios (other than the profits ratio) is less than 2.5%, the Contract therefore constitutes a connected transaction under rule 14A.32(1) of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange Limited (the “Hong Kong Listing Rules”), and is subject only to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Contract also constitutes a connected transaction pursuant to section 10.1.1 of Shanghai Stock Exchange’s Listing Rules, and should be disclosed as an announcement and in the relevant annual report and financial statements.

The Company had engaged China United Assets Appraisal Co., Ltd, which is not a connected person as defined under the Hong Kong Listing Rules, as the professional evaluating agency, to appraise the value of the Real Estate. The Real Estate has been appraised at RMB 8,009,000 on the basis of the actual situation of the Real Estate, relevant market transaction cases and current market price. In light of the basic fire safety expenses and taxes associated, after friendly consultation on arm's-length terms, the No. 605 Institute agreed to buy the Real Estate at the price of RMB 8,509,000. Sale of the Real Estate will reduce the daily administration expenses of the Company, which will in turn improve assets utilization and income of the Company. The Board of the Company, including the four independent non-executive directors, is of the opinion that the sale of the Real Estate at the price not less than the evaluation of the Real Estate and the terms for the sale of the Real Estate are fair and reasonable and in the interests of the shareholders as a whole.

The net gain from disposal of the Real Estate is expected to be about RMB5,534,900 being the consideration less net book value of the Real Estate amounting to RMB1,623,200, the basic fire safety expense amounting to RMB500,000 and taxes associated with the sale of the Company, and the proceeds will be used to supplement general working capital. The accounting treatment of the sale of the Real Estate will be reflected in the financial statements in the 2009 annual report of the Company in accordance with Hong Kong Financial Reporting Standards and PRC Accounting Standards for Business Enterprises, and does not have any material impact on the accounts for the 2009 financial year.

By order of the Board  
Guangzhou Shipyard International Company Limited  
Li Zhidong  
Company Secretary

Guangzhou, December 21, 2009

*As at the date of this announcement, the Board of Directors of the Company is composed of eleven directors, namely executive directors Messrs. Li Zhushi, Han Guangde, Chen Jingqi, Zhong Jian, non-executive directors Messrs. Yu Baoshan, Pan Zunxian, Miao Jian, and independent non-executive directors Messrs. Wang Xiaojun, Lee Su-nleung, Sunny, Peng Xiaolei and Fu Zhengping.*