



廣州廣船國際股份有限公司
GUANGZHOU SHIPYARD INTERNATIONAL COMPANY LIMITED

(A JOINT-STOCK COMPANY WITH LIMITED LIABILITY INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2002



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Important Notice

The Company's Board of Directors declares that there are no false statements, seriously misleading information or material omissions in this report. The Directors are jointly and severally responsible for the authenticity, accuracy and integrity of its contents as well as the consequences involved.

The finance reports in the interim report are unaudited.

Guangzhou Shipyard International Company Limited

I. OVERVIEW OF THE COMPANY

1. REGISTERED CHINESE NAME OF THE COMPANY

廣州廣船國際股份有限公司

REGISTERED ENGLISH NAME OF THE COMPANY

Guangzhou Shipyard International Company Limited

ABBREVIATION OF ENGLISH NAME: GSI

2. SECURITIES EXCHANGE WHERE THE COMPANY'S SHARES ARE LISTED

A Shares — Shanghai Securities Exchange

Abbreviated Name: Guangzhou Shipyard International

Share Code: 600685

H Shares — The Stock Exchange of Hong Kong Limited

Abbreviated Name: Guangzhou Shipyard International

Share Code: 317

3. REGISTERED ADDRESS OF THE COMPANY

40 South Fangcun Main Road, Guangzhou,

The People's Republic of China

Postcode: 510382

URL OF THE COMPANY: www.chinagsi.com

E-MAIL ADDRESS: gsi@chinagsi.com

4. LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Hu Guoliang

5. COMPANY SECRETARY

Mr. Li Zhidong

Contact Address: 40 South Fangcun Main Road, Guangzhou, P.R.C

Tel: (020) 8189 6411

Fax: (020) 8189 1575

E-mail address: lzd@chinagsi.com

6. OFFICIAL PRESS OF CHINA SECURITIES REGULATORY COMMISSION USED FOR DISCLOSING INFORMATION

Shanghai Securities News

Hong Kong Commercial Daily

The Standard

OFFICIAL URL OF CHINA SECURITIES REGULATORY COMMISSION: www.see.com.cn

PLACE FOR INSPECTION OF THE INTERIM REPORT: Office of the Company Secretary

7. MAJOR FINANCIAL DATA AND INDICATORS

(1) Prepared under the PRC accounting standards and systems

Financial indicators	Unaudited		Audited
	For six months ended 30th June		At the end of
	2002	2001	2001
	(Consolidated)	(Consolidated)	(Consolidated)
Net profit (RMB'000)	-67,974	6,535	8,978
Net profit after deduction of exceptional items (RMB'000)	-67,740	6,494	9,033
Fully diluted earnings per share (RMB)	-0.14	0.0132	0.018
Net cash flow from operating activities per share (RMB)	-0.56	0.29	0.67
Fully diluted return on net assets (%)	-12.36	1.06	1.45
Weighted average return on net assets ratio after deduction of exceptional items (%)	-11.60	1.05	1.47
Note:			
The nature and amount of exceptional items deducted are as follows:			
Non-operating income	RMB221,000		
Non-operating expenses	RMB455,000		
Financial indicators	Unaudited		Audited
	As at 30th June, 2002		As at 31st December, 2001
Shareholders' equity (RMB'000)	549,756		617,730
(Excluding minority interests)			
Net assets per share (RMB)	1.11		1.25
Adjusted net assets per share (RMB)	1.11		1.24

(2) Prepared under accounting principles generally accepted in Hong Kong

Financial indicators	Unaudited		2001
	For six months ended 30th June		
	2002		
	(Consolidated)	(Consolidated)	(Consolidated)
Loss attributable to shareholders (RMB'000)	-67,974		-7,589
Loss per share (RMB)	-0.1374		-0.0153
Return on net assets (%)	-12.36		-1.23
Financial indicators	Unaudited		Audited
	As at 30th June, 2002		As at 31st December, 2001
Shareholders' equity (RMB'000)	550,020		617,994
(Excluding minority interests)			
Net assets per share (RMB)	1.11		1.25
Gearing ratio (%)	77.55		74.38

(3) Statement of the difference due to prepared under different accounting principles

- There is no difference in this period's net loss calculated on the basis of the PRC accounting standards and systems and the accounting principles generally accepted in Hong Kong.
- The difference in net assets as of 30th June 2002 calculated on the basis of the PRC accounting standards and systems and the accounting principles generally accepted in Hong Kong respectively is as follows:

	Amount (RMB'000)
Net assets (under PRC accounting standards and systems)	549,756
Reconciliation items	
– Realized gain on minority interest portion from inter-company transactions	502
– Profit and loss items directly recorded in accumulated losses brought forward	(238)
Net assets (under accounting principles generally accepted in Hong Kong)	550,020

II. CHANGES OF SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDINGS

- There has not been any change in the structure of share capital of the Company during the period covered in this report.
- The total number of shareholders of the Company is 71,929 during the period covered in this report.
- Interests of the top 10 shareholders in share capital

Ranking	Name	Share class	Opening number of shares	Closing number of shares	Percentage (%)	Nature
1	CHINA STATE SHIPBUILDING CORPORATION ("CSSC")	State-owned shares	210,800,080	210,800,080	42.61	Promoter's share
2	HKSCC NOMINEES LIMITED	H shares	145,016,999	145,086,999	29.33	Listed share
3	HSBC NOMINEES (HONG KONG) LIMITED	H shares	4,714,000	4,714,000	0.95	Listed share
4	CHAN CHEUK SANG	H Shares	1,500,000	1,500,000	0.30	Listed share
5	TIAN HUA FUND	A shares	-	1,252,000	0.25	Listed share
6	XIN KE FUND	A Shares	-	790,000	0.16	Listed share
7	CHANG CHENG SECURITY	A Shares	-	600,000	0.12	Listed share
8	TONG QIAN FUND	A shares	-	450,000	0.09	Listed share
9	GU HE FU	A shares	475,600	448,000	0.09	Listed share
10	CHEUNG YEE MEI ELIZABETH	H shares	364,000	364,000	0.07	Listed share

Notes:

- Apart from the top 10 shareholders disclosed above, as at 30th June, 2001 the Company had not received any notice from H-share holders whose shareholdings of the Company reached the level, which is required to be disclosed under "SDI Ordinance".
- None of the shares of the Company held by CSSC during the period under review were either pledged or frozen.
- The Company does not know whether there has any connected relation or not among the top 10 shareholders listed above.

III. INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Interests of Directors, Supervisors and Senior Management in share capital and debt securities

As at 30th June 2002, the respective shareholdings of the Directors, Supervisors and Senior Management of the Company and their respective spouses and children under the age of 18 ("family members concerned") were as follows:

Directors	Number of shares held by self and family members concerned		Among which shares held by individual	
	Share class	Number	Share class	Number
Hu Guoliang	A Shares	5,000	A Shares	5,000
Yu Baoshan		None		
Ye Peihua	A Shares	4,000	A Shares	4,000
Xu Guoqing	A Shares	6,000	A Shares	1,000
Li Junfeng		None		
Huang Gang		None		
Yu Mingsheng		None		
Bo Miaojin		None		
Wu Fabo		None		
David Hon To, Yu		None		
Philip Pat Yiu, Yuen		None		
Supervisors				
Fu Dexiang		None		
Han Zineng	A Shares	2,500	A Shares	2,500
Chen Jinqi	A Shares	10,500	A Shares	2,000
Chen Xiongyi		None		
Zhang Zhenya		None		
Senior Management				
Zhong Jian		None		
Wang Yi		None		
Han Guangde		None		
Yin Xueming		None		
Xia Suijia		None		
Li Zhidong		None		

Apart from the above, as at 30th June 2002, pursuant to the provisions of the SDI Ordinance, none of the Directors, Supervisors and Senior Management of the Company or their family members concerned had notified the Company of any other interests in the equity or debt securities of the Company or any of its associated companies. No rights to subscribe for equity or debt securities of the Company had been granted or exercised by any Director, Supervisor or Senior Management of the Company.

(II) Change of Directors, Supervisors and Senior Management

1. At the Company's 2001 Annual General Meeting of the Company which was held on 14th June 2002, Mr. Hu Guoliang, Mr. Yu Baoshan, Mr. Ye Peihua, Mr. Xu Guoqing, Mr. Huang Gang, Mr. Li Junfeng, Mr. Yu Mingsheng, Mr. Philip Pat Yiu, Yuen, Mr. David Hon To, Yu, Mr. Bo Miaojin and Mr. Wu Fabo were elected as members of the fourth term of the Board of Directors, and Mr. Fu Dexiang, Mr. Han Zineng, Mr. Chen Jingqi, Mr. Chen Xiongyi and Ms. Zhang Zhenya were elected as members of the fourth term of the Supervisory Committee.
2. At the first meeting of the fourth term of the Board of Directors of the Company which was held on 14th June 2002, Mr. Hu Guoliang was elected as chairman of the fourth Board, Mr. Yu Baoshan was appointed as the new general manager, each of Mr. Ye Peihua, Mr. Zhong Jian, Mr. Wang Yi, Mr. Han Guangde, Mr. Yin Xueming and Mr. Xia Suijia as deputy general manager, and Mr. Li Zhidong as company secretary.
3. At the first meeting of the fourth term of the Supervisory Committee of the Company which was held on 14th June 2002, Mr. Fu Dexiang was elected as chairman of the fourth Supervisory Committee.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Brief analysis of business results and financial statements

1. Prepared under PRC accounting standards and systems

- (1) The same period movements of principal operating income, principal operating profit, net profit, the net decrease of cash and cash equivalent:

Item	Notes	Unaudited		The change percent (%)
		Amount (RMB'000)		
		This period	The same period of last year	
Principal operating income	①	1,162,637	779,177	49.21
Principal operating profit	②	-10,554	65,991	-115.99
Net profit	②	-67,974	6,535	-1,140.15
The net decrease/(increase) of cash and cash equivalents	③	-128,818	180,209	-171.48

Including:

- ① The principal operating income has increased compared with that of the same period of last year, mainly due to the increase of shipbuilding production and container sales;
- ② The principal operating profit and net profit have significantly decreased compared with that of the same period of last year, and the loss has occurred, mainly due to the increasing workload in technical amendment for the ships built in the period, which slowed down the manufacturing process and increased the cost greatly, as well as due to the material price increase for containers.
- ③ The balance of the cash and cash equivalent has decreased, mainly due to the expenditure about purchasing the material of shipbuilding production and repayment of the bank loans.

- (2) The movements of all assets, the shareholders' equity compared with the beginning of the period

Item	Amount (RMB'000)		The change percent (%)
	This period	The beginning of the period	
Total assets	2,635,896	2,510,263	5
Shareholders' equity	549,756	617,730	-11

Including: the increase of total assets is mainly due to the increase of inventories, the decrease of shareholders' equity is mainly due to the loss of this period.

2. Prepared under accounting principles generally accepted in Hong Kong

(1) The same period movements of turnover, gross loss, loss attributable to shareholders, the net decrease of cash and cash equivalent:

Item	Notes	Amount (RMB'000)		The change percent (%)
		This period	The same period of last year	
Turnover	(i)	1,162,637	779,177	49.21
Gross (loss)/profit	(ii)	-9,210	66,938	-113.76
Loss attributable to shareholders	(ii)	-67,974	-7,589	795.69
The net decrease/(increase) of cash and cash equivalents	(iii)	-128,818	180,209	-171.48

(i) The reason of fluctuation refers to above "Prepared under PRC accounting standards and systems" note 1.(1)—①

(ii) The reason of fluctuation refers to above "Prepared under PRC accounting standards and systems" note 1.(1)—②

(iii) The reason of fluctuation refers to above "Prepared under PRC accounting standards and systems" note 1.(1)—③

(2) The movements of total assets, the shareholders' equity compared with the beginning of the period

Item	Amount (RMB'000)		The change percent (%)
	This period	The beginning of the period	
Total assets	2,727,259	2,654,227	3
Shareholders' equity	550,020	617,994	-11

The reasons of fluctuation of the financial indicators refer to those "Prepared under PRC accounting standards and systems".

(II) Major business operations for the period under review

During the first half of 2002, the principal operating income of the Company and its subsidiaries (collectively the "Group") has significantly increased compared with that of the same period of last year. This was mainly due to the significant increase of income in shipbuilding and container manufacturing businesses of the Group. During the first half of the year, the shipbuilding operating income of the Group was RMB852,170,000, representing an increase of 72.68% compared with that of the same period of last year. One 38000dwt product oil tankers for Malta customer completed and delivered and among all shipbuilding products produced by the Group this year, five vessels of them are first built, five vessels are built on the berth and four are launched. The container manufacturing has increased greatly during second quarter, the sales of the first half of this year were 27,145TEU and operating income was approximately RMB230,650,000, representing an increase of 32.85% compared with the same period of last year. The income in steel structure operating has increased compared with the same period of last year, in which the Group completed Macau electric plant, Hong Kong west railway and Tulu harbor road shield for separating sound and so on. The income in steel structure was RMB23,980,000, representing an increase of 16.13% compared with the same period of last year. Influenced by the market, the shiprepairing operating income was approximately RMB6,110,000 and mechanical and electric equipment operating income was RMB49,740,000, representing a decrease compared with the same period of last year.

The technical modification in building the newly developed RO/RO passenger ships and semi-submarine vessel has caused the slow construction process and the great increase in the production costs. Especially the costs of two RO/RO passenger ships for Sweden customers, based on the loss provision for a long contract prepared in 2000, will continue to increase due to the extension of building period. According to the cost forecast, the Group made a provision of long term contracts amounted to RMB33,048,000 for above-mentioned two ships, which has caused the operating losses. At the same time, the price rise in raw materials of container products has caused the increase of costs and decrease of income. Based on the above-mentioned causes, the Group has a loss of RMB67,974,000 during the first half of this year. The Group expects the business will be better in the third quarter, but the loss will be continued.

During the first half of this year, the Group has secured new contracts with total value of approximately RMB283 million. Up to the end of June 2002, the Group's total value of contracts on hand amounted to RMB3,045 million.

(III) Investments

During the first half of this year, investments in upgrading and transforming the technology used in the principal businesses of the Group amounted to RMB33,970,000. Apart from this, there was no other significant development programs.

(IV) Details of the charges on group assets

Fixed assets with net book value of RMB234 million have been pledged to secure the bank loans of the Group.

(V) Prospects for the second half of the year

During the second half of this year, the Group would focus on increasing profits, cutting down loss, and improving core competence of the Company. The major measures the Group will take including:

- (1) Strengthen the technical management of shipbuilding manufacturing, enhance the work in manufacturing organization and correspondence, mainly advance the process of the first-built RO/RO passenger ships and semi-submarine vessel and ensure the accomplishment of products in plan.
- (2) Increase the business work, enhance the contact with the customers, improve the operating quoted price system of the Company, and strive for more product order.
- (3) Strengthen the cost controlling, including the analysis, forecast and controlling about operating cost.
- (4) Continue to carry out the environmental movement of container division and mechanic division.
- (5) Improve the management rules of the Company, advance the standardization and modernization of management.

V. SIGNIFICANT EVENTS

1. During the period under review, the Company had no execution of profit distribution scheme, shares transferred from accumulation fund scheme or scheme for issuing new shares adopted in the period before and carried out in the period under review.
2. During the period under review, the Company had no significant litigation and arbitration.
3. The 18th meeting of the third term of the Board of the Directors of the Company held on April 19th, 2002, passed a resolution to authorize the management of the Company to withdraw all investments in Guangzhou Yongda International Container Engineering Limited (the Company holding 35% of the total issued shares), Contech International Container Engineering Company Limited (the Company holding 25% of the total issued shares), Guangzhou GSI Mechanic Equipment Company Limited (the Company holding 60% of the total issued shares), Guangzhou Jinfan Advertisement Decoration Company (the Company holding 90% of the total issued shares) and Dongguan Yuedong Industrial and Commerce Development Company Limited (the Company holding 100% of the total issued shares) according to the relevant procedures. During the period under review, the Company had withdrawn its investment from Dongguan Yuedong Industrial Company Limited and was in the progress of withdrawing its investment from other companies. Except the above, during the period under review, there was no any transition, sale or disposition of significant assets.
4. During the period under review, the connected transactions between the Group and the associated enterprises under the control of CSSC and associated companies of the Group included sales of goods amounting to RMB1,098,000 and purchases of raw materials and other expenses amounting to RMB45,076,000. Those connected transactions were carried out in the ordinary course of business and had been entered in accordance with the terms of the agreement covering such transactions or (where there is no such agreement) on terms no less favorable than terms available to third parties. The Group did not receive any extra-ordinary benefit from such transactions, which are considered as reasonable to the Group's shareholders. Details of such transactions are set out in note VI to the financial statements prepared under PRC accounting standards and systems.
5. The Company had not managed by trust, by contract or leased the assets of other companies and the other companies had not managed by trust, by contract or leased the assets of the Company, which occurred during the period under review or occurred before but continued to the period under review.
6. The Company did not provide any guarantee of a significant nature which occurred during the period under review or before but continued to the period under review.
7. As at 30th June 2002, trust deposits with non-banking financial institutions amounted to RMB448,450,000. These comprised trust deposits receivable from Guangzhou International Trust and Investment Company (GZITIC) amounted to RMB397,070,000 with non-recovery provision of RMB325,370,000, Guangzhou Economic and Technology Development Zone International Trust and Investment Company (GETDZITIC) amounted to RMB51,380,000 with full non-recovery provision. Except the above, the Company had no trust deposits occurred during the period under review or before but continued to the period under review.
8. During the period under review, the Company or the shareholders who hold over 5% (including 5%) shares of the Company did not give any undertaking that might have a great impact on the business results or financial condition of the Company during the period under review or occurred before but continued to the period under review.
9. Because two RO/PAX ships built for Sweden customer were first one built domestically, their costs on study, design and manufacturing exceeded the original expectation. The Company had forecasted this contract would probably cause losses (including financial impact of delay delivery) amounted to RMB261,887,800 in 2000 and made a provision for all those losses in accordance with accounting principals in that year. As at 2001 annual report, the Company forecasted the two ships would be delivered in the second quarter of 2002. However, the complexity of the manufacturing technique of this type of ships has delayed the delivery of the ships to the end of 2002 and the first half of 2003 and this caused the manufacturing costs to rise. It was expected that an additional loss of RMB33,048,000 would arise. In accordance with the accounting principles, the management of the Company has made a provision for the additional foreseeable losses with this contract in the period.
10. The Government of Guangzhou City has issued "Measures Concerning Employee Medical Insurance in Guangzhou" on 1st November, 2001 and stipulated that any enterprise or corporation, department or organization, enterprise run by the local people and their workers on-the-job or retired workers should participate in the basic medicare insurance administered by Working Safeguard Administration. This insurance fund is carried out by combining social plan as a whole with personal account and paid by enterprise and individual separately with definite percent. That measure has been carried out step by step from 1st December 2001. The Company is evaluating the influence that the insurance burdened by relevant enterprise will have on the financial statements of the Company.
11. The Board of the Directors have not established an audit committee (the "Audit Committee") to review and supervise the Company's financial reporting procedures and internal controls pursuant to paragraph 14 of Code of Best Practice set out in Appendix 14 of the Listing Rules (the "Code of Best Practice") issued by Stock Exchange of Hong Kong Limited. However, the Company's organizational structure includes a supervisory committee (the "Supervisory Committee") which carries out functions similar to that of an Audit Committee. The differences being that the representatives of the Supervisory Committee (one of which shall be the representative of the Company's employees) are elected and removed by shareholders in general meeting, and the Supervisory Committee is responsible to report to shareholders in general meeting of shareholders instead of the Board of Directors, whereas the Listing Rules require the Audit Committee to comprise of independent non-executive Directors of the listed company. Apart from this, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the year, in accordance with the Code of Best Practice.
12. There had been no purchase, sale or redemption of the Company securities by the Company or any of its subsidiaries during the six-month period ended 30th June 2002.

VI. FINANCIAL REPORT (UNAUDITED)

The accounting policies adopted in the preparation of the following financial data and indicators are either under PRC accounting standards and systems or accounting principles generally accepted in Hong Kong

● Prepared Under PRC Accounting Standards

A. Financial Statements

Balance Sheets

Unit: RMB
As at 30th June, 2002

Assets	Remarks	Consolidated		Parent Company	
		At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Current Assets:					
Cash and bank balances	(V)1	143,895,668.80	272,713,762.79	112,959,471.30	242,762,188.52
Short-term investments		-	-	-	-
Bills receivable		-	-	-	-
Interests receivable		-	-	-	-
Dividends receivable		520,764.44	389,301.80	520,764.44	389,301.80
Accounts receivable	(V)2(1)	525,071,879.53	458,400,505.98	342,780,574.56	401,901,762.08
Other receivables	(V)2(2)	100,791,097.06	97,081,717.95	100,497,410.86	99,087,250.23
Prepayments to suppliers	(V)2(3)	197,198,381.39	181,384,991.05	191,854,188.72	181,319,105.75
Subsidy receivables	(V)2(4)	112,540,672.63	77,224,651.67	102,223,181.38	64,817,332.69
Inventories	(V)3	405,199,127.52	264,327,612.08	305,073,574.22	137,470,553.54
Deferred expenses	(V)4	681,163.49	827,737.78	312,165.50	557,050.00
Long-term bonds mature within one year		-	-	-	-
Other current assets		-	-	-	-
Total current assets		1,485,898,754.86	1,352,350,281.10	1,156,221,330.98	1,128,304,544.61
Long-term investments:					
Long-term investments in equity	(V)5(1)	15,289,707.98	15,146,318.40	209,586,850.88	204,732,399.40
Long-term investments in bonds		-	-	-	-
Total long-term investments		15,289,707.98	15,146,318.40	209,586,850.88	204,732,399.40
Consolidated price difference	(V)5(2)	-2,774,339.18	-2,654,487.56	-	-
Fixed assets					
Fixed assets-cost	(V)6	1,542,164,115.81	1,489,722,511.38	1,262,342,876.01	1,208,594,629.91
Less: accumulated depreciation		535,499,936.58	496,828,378.31	396,416,799.64	365,885,090.78
Fixed assets-net book value		1,006,664,179.23	992,894,133.07	865,926,076.37	842,709,539.13
Less: fixed assets diminution provision		-	-	-	-
Fixed assets net value		1,006,664,179.23	992,894,133.07	865,926,076.37	842,709,539.13
Construction materials	(V)7	107,543.20	119,648.70	107,543.20	119,648.70
Construction in progress	(V)8	51,954,460.19	71,991,156.66	43,004,724.38	63,743,945.69
Disposal of fixed assets	(V)9	341,545.19	-	-	-
Total fixed assets		1,059,067,727.81	1,065,004,938.43	909,038,343.95	906,573,133.52
Intangible and other assets					
Intangible assets	(V)10	75,794,665.83	78,987,846.58	56,793,164.13	58,098,084.31
Long-term deferred expenses	(V)11	1,897,098.25	1,427,637.53	514,097.30	474,509.80
Other long-term assets		722,306.62	-	-	-
Total intangible and other assets		78,414,070.70	80,415,484.11	57,307,261.43	58,572,594.11
Deferred taxation					
Deferred taxation-assets		-	-	-	-
Total assets		2,635,895,922.17	2,510,262,534.48	2,332,153,787.24	2,298,182,671.64

Liabilities and shareholders' equity	Remarks	At the end of the period	At the beginning of the period	An the end of the period	At the beginning of the period
Current liabilities:					
Short-term loans	(V)12(1)	439,202,616.14	187,768,000.00	400,710,700.00	187,768,000.00
Bills payable	(V)13(1)	143,602,975.28	106,000,000.00	115,300,000.00	106,000,000.00
Accounts payable	(V)13(2)	344,588,911.91	258,168,573.02	303,807,389.55	249,484,604.76
Receipts in advance	(V)13(3)	50,665,275.21	33,566,068.56	43,724,520.21	30,281,878.83
Salaries payable		-	-	-	-
Staff welfare payable		3,837,871.81	2,731,840.13	1,713,166.12	779,203.45
Dividends payable	(V)14	322,669.09	487,355.45	13,449.38	13,449.38
Taxes payable	(V)15	-3,429,902.58	-17,723,386.23	5,936,616.54	-14,563,544.63
Other unpaid items		1,954,425.46	1,588,625.23	1,871,627.41	1,411,592.54
Other payables	(V)13(4)	26,186,533.06	46,611,272.89	-71,574,239.99	-52,807,369.91
Accrued expenses	(V)16	100,456,033.09	107,199,527.34	64,272,020.82	68,057,921.16
Estimated expenses		-	-	-	-
Long-term liabilities due within one year	(V)12(2)	162,234,182.68	374,468,365.36	162,234,182.68	374,468,365.36
Other current liabilities	(V)17	167,199,089.80	310,872,951.77	167,199,089.80	310,852,951.77
Total current liabilities		1,436,820,680.95	1,411,739,193.52	1,195,208,522.52	1,261,747,052.71
Long-term loans:					
Long-term loans	(V)18	561,553,905.00	410,700,000.00	561,553,905.00	410,700,000.00
Bonds payable		-	-	-	-
Long-term accounts payable		-	-	-	-
Special accounts payable	(V)20	17,629,561.37	-	17,629,561.37	-
Other long-term liabilities	(V)19	8,005,820.86	8,005,820.86	8,005,820.86	8,005,820.86
Total long-term liabilities		587,189,287.23	418,705,820.86	587,189,287.23	418,705,820.86
Deferred taxation					
Deferred taxation-liabilities					
Total liabilities		2,024,009,968.18	1,830,445,014.38	1,782,397,809.75	1,680,452,873.57
Minority interests		62,129,976.50	62,087,722.03	-	-
Shareholders' equity:					
Share capital	(V)21	494,677,580.00	494,677,580.00	494,677,580.00	494,677,580.00
Capital reserve	(V)22	651,977,481.72	651,977,481.72	651,977,481.72	651,977,481.72
Surplus reserves	(V)23	100,147,511.34	100,147,511.34	99,527,585.23	99,527,585.23
Including: statutory public welfare fund		32,825,687.58	31,471,502.41	32,825,687.58	31,471,502.41
Retained earnings	(V)24	-697,046,595.57	-629,072,774.99	-696,426,669.46	-628,452,848.88
Total shareholders' equity		549,755,977.49	617,729,798.07	549,755,977.49	617,729,798.07
Total liabilities and shareholders' equity		2,635,895,922.17	2,510,262,534.48	2,332,153,787.24	2,298,182,671.64

Profit and Loss Statement

Unit: RMB
As at 30th June, 2002

Item	Remarks	Consolidated		Parent Company	
		This period	The same period of last year	This period	The same period of last year
(i) Principal operating income	(V)25	1,162,636,917.53	779,177,108.35	885,128,022.86	565,113,108.58
Less: principal operating costs	(V)25	1,171,847,045.49	712,238,796.22	915,726,053.37	522,513,911.11
Tax and surcharges		1,343,945.41	947,083.67	386,324.58	238,234.81
(ii) Principal operating profit		-10,554,073.37	65,991,228.46	-30,984,355.09	42,360,962.66
Add: profit from other operations ("-" representing loss)	(V)27	6,367,256.16	6,163,245.81	7,785,579.26	7,099,332.49
Less: Selling expenses		1,679,785.41	947,146.31	1,511,269.08	371,122.09
Administrative expenses		88,240,604.78	56,692,298.96	76,687,773.76	44,477,865.68
Financial expenses	(V)26	20,286,133.36	26,279,543.47	18,548,180.29	23,581,400.09
(iii) Operating profit		-114,393,340.76	-11,764,514.47	-119,945,998.96	-18,970,092.71
Add: investment income	(V)28	838,480.05	5,813,816.31	5,385,914.12	13,292,480.18
Subsidy income	(V)29	46,656,456.65	12,171,914.62	46,656,456.65	12,171,914.62
Non-operating income	(V)30(1)	221,307.24	309,271.04	150,039.51	228,724.76
Less: non-operating expenses	(V)30(2)	454,708.84	267,572.65	220,231.90	188,226.80
(iv) Total profit		-67,131,805.66	6,262,914.85	-67,973,820.58	6,534,800.05
Less: income tax		619,786.88	581,122.48	-	-
Less: minority interests		222,228.04	-853,007.68	-	-
(v) Net profit		-67,973,820.58	6,534,800.05	-67,973,820.58	6,534,800.05

Profit and Loss and Distribution Statement

June, 2002

Assets	Remarks	Consolidated		Parent Company	
		June, 2002	June, 2001	June, 2002	June, 2001
(i) Net profit		-67,973,820.58	6,534,800.05	-67,973,820.58	6,534,800.05
Add: retained earnings at the beginning of the period		-629,072,774.99	-637,684,882.64	-628,452,848.88	-637,064,956.53
Other profit transfer in		-	-	-	-
(ii) Distributable profit		-697,046,595.57	-631,150,082.59	-696,426,669.46	-630,530,156.48
Appropriation to statutory surplus reserve		-	-	-	-
Appropriation to statutory public welfare fund		-	-	-	-
Appropriation to staff bonus and welfare fund		-	-	-	-
Appropriation to reserve fund		-	-	-	-
Appropriation to enterprise development fund		-	-	-	-
Profit return to investment		-	-	-	-
(iii) Profit distributable to Shareholders		-697,046,595.57	-631,150,082.59	-696,426,669.46	-630,530,156.48
Less: preference shares dividends		-	-	-	-
Appropriation to discretionary surplus reserve		-	-	-	-
Ordinary shares dividends		-	-	-	-
Ordinary shares dividends transferred to capital stock		-	-	-	-
(iv) Retained earnings		-697,046,595.57	-631,150,082.59	-696,426,669.46	-630,530,156.48

Statement of Cash Flow

Unit: RMB

June, 2002

Item of Cash Flow	Remarks	The period	
		Parent Company	Consolidated
1. Cash flow from operating activities			
Cash received from sales of goods or rendering of services		739,400,698.19	940,607,554.74
Refund of tax paid		30,910,852.73	33,348,575.77
Other cash received relating to operating activities		41,839,619.42	47,684,731.91
Sub-total of cash inflows		812,151,170.34	1,021,640,862.42
Cash paid for goods and services		900,931,001.06	1,075,220,866.64
Cash paid to and on behalf of employees		89,450,788.40	111,299,765.38
Tax paid		13,213,876.23	24,954,624.95
Other cash paid relating to operating activities	(V)31	61,219,408.84	85,376,634.88
Sub-total of cash outflows		1,064,815,074.53	1,296,851,891.85
Net cash flow from operating activities		-252,663,904.19	-275,211,029.43
2. Cash flows from investing activities:			
Cash received from return of investments		-	30,000.00
Cash received from bond interest income received		-	38,643.73
Cash received from disposal of fixed asset, intangible assets and other long-term assets		47,035.81	48,535.81
Other cash received relating to investing activities		-	10,972.20
Subtotal of cash inflows		47,035.81	128,151.74
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,399,401.04	27,579,908.32
Cash paid to investments		-	65,000.00
Other cash paid relating to investing activities		-	-
Sub-total of cash outflows		25,399,401.04	27,644,908.32
Net cash flow from investment activities		-25,352,365.23	-27,516,756.58

3. Cash flows from financing activities		
Proceeds from investment	–	–
Proceeds from borrowings	525,836,200.00	564,327,996.77
Other proceeds relating to financing activities	27,653,699.64	27,687,956.41
Sub-total of cash inflows	553,489,899.64	592,015,953.18
Cash repayment of amounts borrowed	372,923,900.00	373,923,900.00
Cash payments for distribution of dividends or profits	20,209,448.65	20,362,832.65
Other cash payments relating to financing activities	12,032,272.52	23,668,977.60
Sub-total of cash outflows	405,165,621.17	417,955,710.25
Net cash flows from financing activities	148,324,278.47	174,060,242.93
4. Effect of foreign exchange rate changes on cash and bank balances	-110,726.27	-150,550.91
5. Net increase in cash and cash equivalents	-129,802,717.22	-128,818,093.99

Additional information:

Item

1. Reconciliation of net profit to cash flows from operating activities		
Net profit	-67,973,820.58	-67,973,820.58
Add: Minorities interests	–	222,228.04
Diminution provision for assets	–	4,436.54
Depreciation of fixed assets	25,704,678.38	36,083,938.67
Amortization of intangible assets	1,145,002.84	1,210,445.50
Amortization of long term deferred expenses	–	237,194.62
Deferred expenses decreased (deduct: increase)	1,283,218.28	1,342,069.22
Advanced appropriation expenses (deduct: decrease)	–	-83,791.02
Losses on disposal of fixed assets, intangible assets and other long-term assets	–	115.21
Losses on write off of fixed assets	149,156.47	358,931.15
Financial expenses	18,548,959.55	20,381,383.43
Losses from investments (deduct: income)	-5,385,914.12	-838,480.05
Deferred tax credit (deduct: assets)	–	–
Decrease in inventories (deduct: increase)	-628,100,273.55	-601,371,152.43
Decrease in operating receivables (deduct: increase)	-4,736,754.23	-140,972,058.58
Decrease in operating payables (deduct: decrease)	-135,681,925.52	-87,532,276.19
Others	542,383,768.29	563,719,807.04
Net cash flows from operating activities	-252,663,904.19	-275,211,029.43
2. Investing and financing activities not involving cash flows		
Debts transfer to principal	–	–
Transferable bonds matured with one year	–	–
Financing or leasing fixed assets	–	–
3. Net increase in cash and cash equivalents		
Cash and bank balances at the end of the period	112,959,471.30	147,152,430.24
Less: cash and bank at the beginning of the period	242,762,188.52	275,970,524.23
Add: Cash equivalents at the end of the period	–	–
Less: cash equivalents at the beginning of the period	–	–
Net increase in cash and cash equivalents	–	–
Net increase in cash and cash equivalents	-129,802,717.22	-128,818,093.99

B. Notes to the Financial Statements

(I) Overview of the Company

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

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

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

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

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

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

1. Accounting System

The Company adopted “Accounting System of Enterprises” and “Accounting Standard of Enterprises” issued by the PRC Financial Department since 1st January 2001. The important accounting policies are consistent with that of last year.

2. Accounting Period

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

3. Currency Adopted in Accounting Records

Accounting records are maintained in Renminbi.

4. Basis of Recording and Valuation

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

5. Foreign Currency Translation

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

6. Cash Equivalents

Cash equivalents, according to *Accounting Standards for Enterprise – Cash Flow Statement* issued by Finance Ministry, are defined as investments that are short-term (within three months), highly liquid, and readily convertible to cash and are subject to low risk of changes in value.

7. Short-term Investments

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

8. Provisions for Doubtful Debts

- (1) Basis of recognition of doubtful debts lost: If cases where debtors to bankrupt or is dead, doubtful debts unpaid represent balance after settlement out of liquidation or estate; The debtor do not pay back debt overdue, and certify it is impossible to get back after litigation process.
- (2) Accounting basis of doubtful debts lost: provision way.
- (3) Provision and applicable rate: For the account receivable which there is no bad information of in-receivable, 0.5% of its left will be draw out as provision; For the account receivable which there is special disadvantageous information for the bad debts, the provision will draw in accordance with the difference between the returnable amounts of debts and its book account.

9. Inventories

Inventories of the Company, including raw materials, low-value consumables, and products under manufacture and store products, are stated at acquisition cost.

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

Methods of making provision for diminution of value on inventories:

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

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

10. Long-term Investments

- (1) Long-term equity investments

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

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

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

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

The Company’s investments other than the above are stated as the investment cost.

- (2) Long-term bond investments: Bonds invested by the Company are stated as investment cost except where the investment cost is inclusive of accrued interest which will be deducted.

Provision for diminution in long-term investments value represents the difference between the carrying value of investment and the share of investee’s net assets.

11. Fixed Assets and Depreciation

Fixed assets refer to the house, building, machinery and the equipment of transportation that have been used for one year or more, including other equipment relevant to the production and business. The Fixed assets include articles that do not involve the Company's business and production, and the value and the useful lives of which does not exceed RMB2000 and 2 years respectively. The Fixed assets are stated at cost.

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

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

Provision for diminution should be made if the Company's fixed assets had devaluation. Provision for diminution is made when the fixed assets comply with one of the items in the following.

- (1) The fixed assets, remained unused for a long time, or be unuseful in the foreseeable future and not any transference value.
- (2) The fixed assets remained unused for the sake of the technical advance.
- (3) The fixed assets produced a great number of rejects, although the fixed assets can be used.
- (4) The fixed assets, not use and transference value due to damage.
- (5) The fixed assets, actually not economic interest to the Company.

12. Construction-in-progress

Construction-in-progress of the Company is stated as cost. The cost of fixed assets includes the interest relevant to fixed assets before the fixed assets reach the scheduled workable condition.

When the construction-in-progress in the Company has not been finished, the construction-in-progress can be recognized as fixed asset according to the actual cost, and the provision for the fixed asset depreciation is be made.

13. Loan Expenses

When the following requirements are met simultaneously, the expenses of loan for a fixed asset is capitalized and covered by the cost of the asset.

- (1) The payout has occurred (only includes the cash, transference of non-cash assets and other payouts owing to the liabilities in order to buy or construct a fixed asset).
- (2) The expenses of loan have occurred.
- (3) The action of buy and construction, which are indispensable in order to reach the scheduled workable condition, has begun.

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

The capitalized interest in an accounting period: weighted average amount at the end of the term for buying of constructing a fixed asset × capitalized ratio.

14. Intangible Assets and Its Amortization

Intangible assets are stated at cost. Amortization is provided to write off the cost evenly over the legal or contractual lives or, in the absence of legal or contractual lives, evenly over the useful lives. Where the useful lives of intangible assets cannot be ascertained, amortization is provided evenly over a period of not less than 10 years.

15. Long-term Deferred Expenses And Amortization

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

16. Recognition of Income

Income in respect of sales of goods is recognized when the title to the goods and its major risks and rewards are passed to customers, while the Company will not execute the right of supervision and the practical mastery for the goods, and either proceeds are received or that the entitlement of proceeds is evidenced, and the cost of sale of goods could be estimated reliably.

Income in respect of service rendered is recognized on completion of contracts and either contracted fees are received or that the entitlement of fees is evidenced.

Income in respect of construction contracts (long-term contracts) is recognized when there is reasonable certainty as to the contract outcome at a percentage based on the completion of the contract. Provision is made against total impact of foreseeable loss.

17. Income Tax

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

18. Basis of Preparation of Consolidated Financial Statements

In accordance with the "Tentative Regulations for Consolidated Financial Statements" issued by Finance Ministry, enterprises that the Company holds over 50% of total equity, or even less than that, but get the actual holding rights, are consolidated into the accounting statements.

(III) Taxation

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

Activity Category	Tax category	Tax rate
Shipbuilding, Ship-repairing, Container, Steel Structures & mechanical and electrical equipment Manufacturing, other products and sales materials	Value-added tax	17%
Transportation and installation	Sales tax	3%
Other services	Sales tax	5%

2. The Company's income tax is calculated at 15% on the assessable profit. Deductions in excess of these allowed by the relevant tax regulations will be subject to tax adjustments. Tax adjustments are also required for investment income from enterprises with applicable income tax rate below 15%.

(IV) Principal Subsidiaries and Affiliates**(1) Principal Subsidiaries**

Name	Registered Capital ('000)	Principal Business	Investment Capital ('000)	Interest Attributable to the Company
Kwangchow Shipyard Container Factory	RMB44,925	Container & steel structure Manufacturing, installation and repairing	RMB56,157	100%
Guangzhou Jinfan Advertisement Decoration Company Limited	RMB1,400	Design and manufacture all kinds of domestic advertisement	RMB1,260	90%
Masterwood Company Limited kind of material furniture series	USD600	Manufacture and sales of all	RMB2,486	75%
Guangzhou Guanglian Container Transportation Company Limited	RMB20,000	Container transportation	RMB15,000	75%
Xinhui City Guangzhou Shipyard Nanyang Shipping Industrial Company	RMB34,200	Ship dismantling, Shipbuilding and steel structure engineering	RMB25,200	70%
Guangzhou Haizhu District Guanghua Machinery Factory	RMB1,438	Machine manufacturing, Production design, motor and electrical equipment.	RMB935	65%
Guangzhou Sanlong Industrial Trading Development Company Limited	RMB1,000	Business of steel structure and general ship component manufacturing	RMB1,005	67%
Guangzhou Xinsun Shipping Service Company Limited	RMB600	Installation, welding, fitting, coating, repairing of hull structure	RMB498	83%
United Steel Structures Limited	USD6,000	Manufacturing, sales and post sales service of steel structure	RMB25,439	51%
Guangdong GSI Elevator Limited	RMB21,000	Design, manufacturing, sales, installation, modification and repairing of all kinds of elevator	RMB19,950	95%
Guangzhou Hongfan Information Technique Co., Ltd.	RMB5,000	Developing of computer software, system integration and sales	RMB4,500	90%
Guangzhou Shipyard Machinery Equipment Engineering Co., Ltd.	RMB1,000	Mechanical & electrical Product manufacturing and equipment maintenance	RMB600	60%
Guangzhou Henghe Construction Company Limited	RMB27,500	Steel structure design, construction and installment	RMB208,807	75.93%

The above-mentioned principal subsidiaries are all registered and operated in PRC.

In the period, Guangzhou Jinfan Advertisement Decoration Company Limited consulted with Kwangchow Shipyard Container Factory and Masterwood Company Limited that the 49% equity held by the Guangzhou Jinfan Advertisement Decoration Company Limited was transferred to Kwangchow Shipyard Container Factory with 29% and to Masterwood Company Limited with 20%.

(2) Affiliates

Name	Registered Capital ('000)	Principal Business	Investment Capital ('000)	Interest Attributable to the Company
Guangzhou Yongda International Container/Engineering Co. Ltd.	USD130	Container repairing	RMB263	35%
South China/Marine and Industrial Special Coating Limited	USD1,200	Production & sales of all kinds of special coating and post service	RMB1,722	25%
Contech International Container Engineering Company Limited	RMB650	Manufacturing and repair of container	RMB163	25%
Shenzhen Yuanzhou Science & Technology Industry Co. Ltd.	RMB13,500	Development and transferring of science production	RMB1,000	7.41%
China Merchants Banking Corporation	RMB4,200,000	RMB, foreign currency deposit, loan and settle accounts	RMB10,010	0.23%
CSSC Information Tech. Co., Ltd.	RMB6,000	Network consultation	RMB900	15%

(V) Notes to Items in the Financial Statements**1. Cash and Bank Balances**

Item	Consolidated			
	Closing Balance		Opening Balance	
	Foreign currency	Equivalent RMB	Foreign currency	Equivalent RMB
Cash in hand				
– RMB Account	–	164,483.05	–	240,434.51
– HKD Account	10,111.81	10,730.65	2,372.81	2,517.79
– USD Account	6,066.59	50,213.78	2,495.44	20,654.26
– YEN Account	500.00	–	500.00	36.21
Sub-total		225,427.48		263,642.77
Cash at bank				
– RMB Account	–	114,857,503.31	–	179,596,960.57
– HKD Account	2,742,023.85	2,909,835.70	3,415,223.80	3,623,893.97
– USD Account	3,103,017.60	25,683,691.13	10,731,349.92	88,821,237.02
– EUR Account	–	–	–	–
Sub-total		143,451,030.14		272,042,091.56
Others	–	219,211.18	–	408,028.46
Total		143,895,668.80		272,713,762.79

Cash and bank balances decreased by 47.24% compared with the opening balances. This is mainly due to return of the loan and purchase of production materials.

2. Accounts Receivable**(1) Accounts Receivable**

Bond Age	Consolidated					
	Closing Balance (RMB)			Opening Balance (RMB)		
	Amount	Percentage	Provision for doubtful debts	Amount	Percentage	Provision for doubtful debts
Within 1 year	389,091,453.67	73.48%	1,245,812.30	291,831,368.98	63.05%	1,245,812.30
1-2 years	12,932,674.03	2.44%	118,819.83	28,712,895.35	6.20%	118,819.83
2-3 years	45,224,602.26	8.54%	106,489.15	39,379,120.51	8.51%	106,489.15
Over 3 years	82,262,002.82	15.54%	2,967,731.97	102,915,974.39	22.24%	2,967,731.97
Total	529,510,732.78	100.00%	4,438,853.25	462,839,359.23	100.00%	4,438,853.25

The amounts of the five highest companies of account receivable are RMB281,607,549.66 that accounts for 53.18% of the account receivable of the Company.

(2) Other receivables

Bond Age	Consolidated					
	Closing Balance (RMB)			Opening Balance (RMB)		
	Amount	Percentage	Provision for doubtful debts	Amount	Percentage	Provision for doubtful debts
Within 1 year	4,260,661.41	0.88%	419,946.65	1,577,463.15	0.33%	427,461.57
1-2 years	8,054,381.13	1.66%	1,015,478.89	6,782,070.64	1.40%	2,461.44
2-3 years	7,870,644.99	1.63%	1,353,870.49	1,000,000.00	0.21%	1,004,913.79
Over 3 years	460,232,150.29	95.13%	376,873,444.73	473,805,678.93	98.06%	384,648,657.97
Total	480,417,837.82	100%	379,626,740.76	483,165,212.72	100%	386,083,494.77

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

The amount of the five highest companies of other receivables is RMB 460,159,334.01, which is accounted for 95.11% of other receivables.

(3) Prepayment from customers

	Consolidated			
	Closing Balance (RMB)		Opening Balance (RMB)	
	Amount	Percentage	Amount	Percentage
Within 1 year	196,344,356.65	99.56%	180,196,516.66	99.34%
1-2 years	232,122.72	0.12%	95,200.00	0.05%
2-3 years	–	–	40,893.11	0.02%
Over 3 years	621,902.02	0.32%	1,052,381.28	0.58%
Total	197,198,381.39	100%	181,384,991.05	100%

Prepayment from customers increased by 79.27% compared with the opening prepayment. This is mainly due to the purchase of main engine and other materials for RO/PAX vessel, 18000t vessel and the great auxiliary ship.

The amount of the five highest companies of prepayments is RMB209,957,835.06, which is accounted for 64.56% of prepayment from customers.

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

(4) Subsidy receivable

Items	Consolidated	
	Closing Balance RMB	Opening Balance RMB
Subsidy for domestic cross ocean liners	78,946,386.73	33,789,930.08
Value-added tax refund for exports	33,594,285.90	43,434,721.59
Total	112,540,672.63	77,224,651.67

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

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

3. Inventories and provision for diminution in value

Items	Consolidated			
	Closing Balance (RMB)		Opening Balance (RMB)	
	Amount	Provision for diminution in value	Amount	Provision for diminution in value
Raw material	348,281,786.21	1,034,477.21	230,870,384.52	1,034,477.21
Low-value Consumables	1,676,186.41	-	1,383,305.76	-
Work-in-progress	98,022,362.80	78,600,303.97	62,639,821.38	103,611,460.81
Finished goods	37,851,845.57	998,272.29	75,098,579.77	1,018,541.33
Total	485,832,180.99	80,633,053.47	369,992,091.43	105,664,479.35

The raw material increased by 43% compared with the opening balances and the work-in-progress increased by 56% compared with the opening balances. This is due to the enlargement of production scale. The finished goods decreased by 49.59% compared with the opening balances. This is due to the increase of the import of containers.

4. Deferred Expenses

Category	Consolidated			
	Opening balance in RMB	Addition the period RMB	Amortization in the period RMB	Closing balance RMB
Maintaining charge and insurance premium for vehicles	827,737.78	328,557.11	475,131.40	681,163.49
Total	827,737.78	328,557.11	475,131.40	681,163.49

5. Long-term Investment

	Opening Balance (RMB)			Closing Balance (RMB)		
	Amount	Provision for diminution	Addition in the period	Deduction in the period	Amount	Provision for diminution
Long-term equity investments	15,146,318.40	-	243,844.41	100,454.83	15,289,707.98	-
Long-term debt investments	-	-	-	-	-	-
Total	15,146,318.40	-	243,844.41	100,454.83	15,289,707.98	-

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

Name of investees	Consolidated					
	Total investment RMB	Percentage holding of investees' capital	Closing balance RMB	Equity method		note
				Change in the period RMB	Accumulated change RMB	
Guangzhou Yongda International Container Engineering Company Limited	263,299.40	35.00%	359,965.13	-42,063.00	96,665.73	
South China/Marine And Industrial Special Coating Limited	1,722,060.00	25.00%	2,528,034.52	156,134.86	805,974.52	
Contech International Container Engineering Company Limited	162,500.00	20.00%	491,708.33	-4,414.33	329,208.33	
Shenzhen Yuanzhou Science & Technology Industry Company Limited	1,000,000.00	7.41%	1,000,000.00	-	-	
China Merchants Banking Corporation	10,010,000.00	0.23%	10,010,000.00	-	-	
Information and Technology Company Limited of CSSC	900,000.00	15.00%	900,000.00	-	-	
Machinery and Electric Equipment Company	30,000.00	10.00%	-	-	-	
Total	14,087,859.40	-	15,289,707.98	109,657.53	-	

(2) Consolidated Balance

Unit: RMB

Name of investees	Opening balance	Amortization period	Amortization in the period	Value after amortization
Guangzhou Henghe Construction Company Limited	2,157,150.21	10 years	125,833.75	2,031,316.46
Guangdong GSI Elevator Company	515,313.60	10 years	-175,682.43	690,996.03
Guangzhou Hong Fan Hotel	52,026.69	10 years	-	52,026.69
Total	2,724,490.50	-	-49,848.68	2,774,339.18

6. Fixed assets and depreciation**(1) Fixed assets cost****Items**

	Consolidated			
	Opening balance RMB	Addition RMB	Diminution RMB	Closing balance RMB
Buildings	441,601,888.74	4,747,964.19	1,108,369.80	445,241,483.13
Structures	212,362,489.20	34,229,861.93	-	246,592,351.13
Vehicles	23,682,065.51	448,240.57	174,818.00	23,955,488.08
Instruments and meters	5,777,148.10	49,490.79	-	5,826,638.89
Transmission system	40,238,328.32	80,000.00	-	40,318,328.32
Machinery and equipment	766,060,591.51	17,721,968.93	3,552,734.18	780,229,826.26
Total	1,489,722,511.38	57,277,526.41	4,835,921.98	1,542,164,115.81

(2) Accumulated depreciation of fixed assets**Items**

	Consolidated			
	Opening balance	Addition	Diminution	Closing balance
Buildings	80,217,717.50	6,373,573.38	18,957.54	86,572,333.34
Structures	66,943,251.29	4,672,872.03	-	71,616,123.32
Vehicles	12,649,904.33	1,059,557.10	66,310.67	13,643,150.76
Instruments and meters	3,758,234.67	297,914.09	-	4,056,148.76
Transmission system	13,073,207.70	1,054,567.09	-	14,127,774.79
Machinery and equipment	320,186,062.82	27,596,062.30	2,297,719.51	345,484,405.61
Total	496,828,378.31	41,054,545.99	2,382,987.72	535,499,936.58
Net value of fixed assets	992,894,133.07	16,222,980.42	2,452,934.26	1,006,664,179.23

7. Construction Materials**Category**

	Consolidated	
	Closing balance (RMB)	Opening balance (RMB)
Steels	97,998.20	110,103.70
Nonmetallic materials	9,545.00	9,545.00
Total	107,543.20	119,648.70

8. Construction-in-process**Category**

	Consolidated				
	Opening balance (including: interest) RMB	Addition in the period (including: interest) RMB	Transference to fixed assets (including: interest) RMB	Other reductions (including: interest) RMB	Closing balance (including: interest) RMB
1. Facilities improvements					
(1) Capital construction:					
Technical improvement with national debt	13,742,755.99	10,736,450.15	700,000.00	-	23,779,206.14
Including: capitalized interests	-	176,254.61	-	-	176,254.61
(2) Others	50,001,189.70	23,233,227.18	54,008,898.64	-	19,225,518.24
2. Projects of subsidiary Companies	8,247,210.97	702,524.84	-	-	8,949,735.81
Total	71,991,156.66	34,672,202.17	54,708,898.64	-	51,954,460.19
Including: capitalized interests	1,018,143.80	176,254.61	-	-	176,254.61

The technical improvement with national debt refers to the technical improvement for RO/PAX, a ship with high added value. The capitalized rate in the period is 5.94%.

9. Liquidation of fixed assets

The balance of liquidation of fixed assets is RMB341,545.19.

10. Intangible assets

Category	Initial cost	Consolidated				
		Opening balance	Addition	Transfer out	Amortization	Closing balance
		RMB	RMB	RMB	RMB	RMB
Land use right	106,862,000.00	73,137,887.95	-	1,200,000.00	1,467,982.45	70,469,905.50
Know-how	10,332,076.00	5,849,958.63	-	-	525,198.30	5,324,760.33
Total	117,194,076.00	78,987,846.58	-	1,200,000.00	1,993,180.75	75,794,665.83

Land use right is amortized evenly over the useful lives of 50 years. Know-how is amortized evenly over a period of 10 years.

Xinhui City Guangzhou Shipyard Nanyang Shipping Industrial Company entered into agreement with Xinhui Gujin Industrial corporation that the land use right of Nanyang Shipping Industrial Company was taken back and there was not need to pay the charge for buying the land use right.

11. Long-term deferred expenses

Category	Consolidated			
	Opening balance	Addition	Amortization	Closing balance
	RMB	RMB	RMB	RMB
Long-term deferred expenses	-	-	-	-
Modification expenses of fixed assets	440,816.77	1,201,998.02	135,596.82	1,507,217.97
Others	986,820.76	-	596,940.48	389,880.28
Total	1,427,637.53	1,201,998.02	732,537.30	1,897,098.25

Long-term deferred expenses increased by 32.88% compared with the opening balance. This is mainly due to the modification expense of fixed assets of Hongfan Hotel.

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

(1) Short-term loans

Loans category	Consolidated			
	Closing balance	Opening balance	Loan's term	Annual interest
	RMB	RMB		(%)
Mortgage loans	150,000,000.00	105,000,000.00	2001.2-2002.11	5.025-5.85
Guarantee loans	182,985,816.14	41,384,000.00	2001.1-2002.11	3-5.58
Credit loans	106,216,800.00	41,384,000.00	2001.11-2002.10	3.40
Total	439,202,616.14	187,768,000.00	-	-

The short-term loans increased by 133.91%. This is mainly due to the increase of loan for the enlargement of production scale.

(2) Long-term loans within one year

Loans category	Consolidated			
	Closing balance	Opening balance	Loan's term	Annual interest
	RMB	RMB		(%)
Guarantee loans	160,000,000.00	370,000,000.00	2000.7-2002.12	4.05
Other	2,234,182.68	4,468,365.36	-	-
Total	162,234,182.68	374,468,365.36	-	-

The item decreased by 56.68% compared with the opening balance, mainly due to repayment of the due loans to the banks.

13. Accounts payable

(1) Bills payable

Classification	Consolidated		Note
	Amount	Balance expired	
		within 1 year	
Bank acceptance	38,430,510.00	38,430,510.00	
Trade acceptance	105,172,465.28	105,172,465.28	
Total	143,602,975.28	143,602,975.28	

Bills payable increased by 35.47% compared with the opening balance. This is mainly due to the purchase of production material for ship and container.

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

(2) Accounts payable

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
Amounts payable for materials purchased	311,678,361.71	233,272,901.47
Amounts payable for subcontracting services	32,910,550.20	24,895,671.55
Total	344,588,911.91	258,168,573.02

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

(3) Advances from customers

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
Shipbuilding	-	-
Ship-repairing	1,626,223.28	1,131,814.00
Other products	49,039,051.93	32,434,254.56
Total	50,665,275.21	33,566,068.56

Advances from customers increased by 50.94 % compared with the opening balance. This is due to Guangdong GSI Elevator Limited and Guangzhou Henghe Construction Company Limited has taken back the advances from customers.

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

(4) Other Payables

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
Company retirement pension	23,035,291.38	21,479,701.37
Staff check off	702,690.89	769,223.72
Auditing expenses to accountants	1,474,275.00	2,000,000.00
Charge payable for Land-use right to Gujin town	-	1,200,000.00
Guangzhou Shipyard	2,857,894.43	2,610,259.75
National defense research expenses	-	10,113,479.12
Remuneration to independent directors	-	634,099.92
Other payables	-1,883,618.64	7,804,509.01
Total	26,186,533.06	46,611,272.89

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

14. Dividends Payable

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
State shares	-	-
A shares	-	-
H shares	-	-
Dividends from associated companies	322,669.09	487,355.45
Total	322,669.09	487,355.45

15. Taxes Payable

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
Value-added tax	-6,794,566.72	-19,860,349.06
Business tax	531,360.77	1,360,217.11
City construction tax	33,155.70	145,317.46
Income tax	-111,144.87	8,785.80
Property tax	1,383,218.72	189,606.36
Land tax	911,543.76	-47,110.72
Tax of staff income	616,530.06	451,944.31
Total	-3,429,902.58	-17,751,588.74

Taxes Payable decreased by 80.65% compared with the opening balance. This is mainly due to the change of tax policy.

16. Accrued expenses

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
Product warranty provision	31,021,940.58	38,602,411.73
Finalisation Costs for projects	15,578,788.59	22,929,239.82
Transportation costs	-	177,526.53
Specific expenses of CCTCRB	-	-
Others	53,855,303.92	45,490,349.26
Total	100,456,033.09	107,199,527.34

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

Finalization costs for projects is the cost of shipbuilding product after finishing the project, which including the project cost may occur in future but not occur now and the postponed project cost.

17. Other current liabilities

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
Long-term contract engineering settlement	167,199,089.80	310,852,951.77
Total	167,199,089.80	310,852,951.77

Other current liabilities decreased by 46.22% compared with the opening balance. This is due to the ship-in-progress met the schedule requirement and the engineering settlement balance was checked out in time.

18. Long-term Bank Loans

Name of bank	Consolidated			
	Amount RMB	Loan's term	Annual interest (%)	Conditions of loans
China Import and Export Bank	450,671,250.00	2001.05-2003.09	2.7-4.05	guaranty
Fangcun Branch of Industry and Commerce Bank	110,882,655.00	2001.02-2003.03	5.49-5.94	mortgagee
Total	561,553,905.00	-	-	-

19. Other Long-term Liabilities

Category	Consolidated	
	Closing Balance (RMB)	Opening Balance (RMB)
China Container Transportation Center of Railroad Bureau	8,005,820.86	8,005,820.86
Total	8,005,820.86	8,005,820.86

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

20. Special Payables

Catalogue	Consolidated
	Closing balance (RMB)
Payables appropriated by state	14,174,577.40
Payables appropriated by province and municipality	3,454,983.97
Total	17,629,561.37

21. Capital

	At the beginning of the year	Movements during the year (+, -)					Sub-total	At the end of the year
		Right issue	Bonus issue	Conversion from reserves	Others			
(I) Unlisted shares								
(1) Promoter's Shares	210,800,080	-	-	-	-	-	-	210,800,080
Including:								
State-owned shares	210,800,080	-	-	-	-	-	-	210,800,080
Domestic legal Person shares	-	-	-	-	-	-	-	-
Foreign legal Person shares	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
(2) Subscribed legal person shares	-	-	-	-	-	-	-	-
(3) Employee shares	-	-	-	-	-	-	-	-
(2) Preference shares or others.								
Including:								
Right issue	-	-	-	-	-	-	-	-
Total unlisted Shares	210,800,080	-	-	-	-	-	-	210,800,080
(II) Listed shares								
(1) PRC listed domestic shares	126,479,500	-	-	-	-	-	-	126,479,500
(2) PRC listed foreign shares	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares	157,398,000	-	-	-	-	-	-	157,398,000
(4) Others	-	-	-	-	-	-	-	-
Total listed shares	283,877,500	-	-	-	-	-	-	283,877,500
(III) Total number of shares	494,677,580	-	-	-	-	-	-	494,677,580

22. Capital Reserve

Item	Consolidated			
	Opening Balance RMB	Additions in The period RMB	Amortization in The period RMB	Closing Balance RMB
Share premium	651,977,481.72	-	-	651,977,481.72
Provision for donation in the form of assets	-	-	-	-
Transfer from housing fund	-	-	-	-
Provision for revaluation of assets	-	-	-	-
Provision for equity investment	-	-	-	-
Provision for donation in the form of assets of investees	-	-	-	-
Provision for revaluation of assets of investees	-	-	-	-
Provision for share investment of investees	-	-	-	-
Foreign current target of investees	-	-	-	-
Other	-	-	-	-
Total	651,977,481.72	-	-	651,977,481.72

23. Surplus reserves

Item	Consolidated			
	Opening Balance RMB	Additions in The period RMB	Amortization in The period RMB	Closing Balance RMB
Statutory surplus reserve	48,998,046.01	-	-	48,998,046.01
Statuary public welfare fund	31,471,502.41	-	-	31,471,502.41
Discretionary surplus reserve	19,677,962.92	-	-	19,677,962.92
Total	100,147,511.34	-	-	100,147,511.34

24. Retained Earnings

Item	Consolidated	
	30th Jun. 2002 (RMB)	31st Dec. 2001 (RMB)
Retained earnings at the beginning of the year	-629,072,774.99	638,051,089.36
Annual loss and income before adjustment	-	-
Profit in the period	-67,973,820.58	8,978,314.37
Transfer to statutory reserve	-	-
Transfer to statutory public welfare fund	-	-
Distribution as preference shares dividend	-	-
Transfer to discretionary reserve	-	-
Distribution as ordinary shares dividend	-	-
Retained earnings at the end of the year	-697,046,595.57	-629,072,774.99

25. Income, cost and gross profit of principal activities

Principal activities	Consolidated					
	Principal operating income RMB'000		Principal operating cost RMB'000		Principal operating gross profit RMB'000	
	From Jan. to Jun. this year	From Jan. to Jun. last year	From Jan. to Jun. this year	From Jan. to Jun. last year	From Jan. to Jun. this year	From Jan. to Jun. last year
Shipbuilding	852,169,684.76	493,483,809.21	887,532,219.83	456,817,699.44	(35,362,535.07)	36,666,109.77
Container manufacturing	230,647,416.17	173,616,792.26	221,730,400.76	161,062,144.52	8,917,015.41	12,554,647.74
Steel structure	23,978,065.20	20,647,746.59	18,965,243.10	16,134,927.91	5,012,822.10	4,512,818.68
Other mechanical and electrical equipment	49,735,002.46	82,695,583.38	38,148,500.74	69,933,159.17	11,586,501.72	12,762,424.21
Shiprepairing	6,106,748.94	8,733,176.91	5,470,681.06	8,290,865.18	636,067.88	442,311.73
Total	1,162,636,917.53	779,177,108.35	1,171,847,045.49	712,238,796.22	(9,210,127.96)	66,938,312.13

In this period, the gross profit decreased seriously because of the affection of the shipbuilding and container production. As far as shipbuilding production is concerned, there are a few ships that it is the first time to be built in the Company. Lots of the technical modification during the building period leads to the slow production progress, deferred delivery and high production cost. The total profits of the Company will decrease seriously because of the above reason. Gross profit of container production decreased compared with that of last year because of the markup of the raw materials, but the unit price of container production remains lowly.

26. Financial expenses

Category	Consolidated	
	Amount (from Jan. to Jun. of this year) RMB	Amount (from Jan. to Jun. of last year) RMB
Interest expense	22,377,529.73	28,129,145.65
Less: interest income	3,286,866.92	3,973,534.68
Exchange loss	69,275.78	-241,553.40
Less: Exchange income	-	-
Others	1,126,194.77	2,365,485.90
Total	20,286,133.36	26,279,543.47

27. Profit from other operations

Category	Consolidated					
	Operating income (RMB)		Operating cost (RMB)		Operating gross profit (RMB)	
	From Jan. to Jun. of this year	From Jan. to Jun. of last year	From Jan. to Jun. of this year	From Jan. to Jun. of last year	From Jan. to Jun. of this year	From Jan. to Jun. of last year
Sales of raw materials	4,596,060.36	7,005,152.29	4,699,210.91	5,903,723.93	-103,150.55	1,101,428.36
Sales of scrap materials	7,064,572.33	4,609,879.94	5,170,676.99	2,725,286.64	1,893,895.34	1,884,593.30
Transportation services	48,712.00	113,060.00	24,854.93	41,875.60	23,857.07	71,184.40
Others	8,109,436.61	9,357,758.27	3,556,782.31	6,251,718.52	4,552,654.30	3,106,039.75
Total	19,818,781.30	21,085,850.50	13,451,525.14	14,922,604.69	6,367,256.16	6,163,245.81

28. Investment income

Item	Consolidated			
	Bonds investment RMB	Equity investments At equity RMB	At cost RMB	Total income RMB
Short-term investments	-	-	-	-
Long-term investments	-	438,480.05	400,000.00	838,480.05
Total	-	438,480.05	400,000.00	838,480.05

29. Subsidy income

Item	Consolidated RMB
Subsidy for cross ocean liners	45,156,456.65
Others	1,500,000.00
Total	46,656,456.65

The main source of subsidy income in the period is from the 42000dwt ship built for Zhonghai Development Company Limited and 18000dwt half submerge cargo carrier for COSCO which are eligible for subsidy income, with a rate of 17% on contracted price excluding tax, from State Finance Ministry pursuant to the related State's policy. Other subsidy incomes refer to the income from maintenance of military equipment.

30. Non-operating income and expenses

(1) Non-operating income

Category	Consolidated	
	Amount of the year RMB	Amount of last year RMB
Gain on disposal of fixed assets	19,466.63	32,261.83
Penalty received	7,445.00	108,590.40
Accounts payable unable to pay	-	-
Compensation	25,238.20	4,637.80
Others	169,157.41	163,781.01
Total	221,307.24	309,271.04

(2) Non-operating expenses

Category	Consolidated	
	Amount of the year RMB	Amount of last year RMB
Loss on disposal of fixed assets	330,231.58	171,753.00
Penalty expenses	34,524.03	9,936.00
Donations	-	-
Compensation	50,168.80	-47,540.86
Others	39,784.43	133,424.51
Total	454,708.84	267,572.65

31. Other paid cash relevant to operation activities

Item	Amount
Management expenses	8,815,690.94
Operation expenses	1,301,176.78
Manufacture expenses	75,259,767.16
Total	85,376,634.88

32. Notes to the major items of financial statements of the parent company
(1) Accounts receivable

Age bond	Parent-company					
	Closing Balance (RMB)			Opening Balance (RMB)		
	Amount	Proportion	Provision for Doubtful debts	Amount	Proportion	Provision for doubtful debts
Within 1 year	216,221,247.62	62.30%	3,076,504.20	254,932,269.57	62.9%	1,132,275.31
1-2 years	3,400,813.04	0.98%	19,683.23	9,225,184.33	2.3%	38,357.91
2-3 years	45,194,602.26	13.02%	226,070.61	39,059,799.51	9.6%	77,950.52
Over 3 years	82,246,852.82	23.70%	960,683.16	100,792,904.24	25.2%	859,811.83
Total	347,063,515.74	100%	4,282,941.20	404,010,157.65	100%	2,108,395.57

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

(2) Long-term Investments

	Parent-company					
	Closing Balance (RMB)			Opening Balance (RMB)		
	Amount	Provision for diminution in value	Addition in the period	Disposal in the period	Amount	Provision for diminution in value
Long-term equity Investments	204,732,399.40	-	4,985,914.12	131,462.64	209,586,850.88	-
Long-term debt Investments	-	-	-	-	-	-
Total	204,732,399.40	-	4,985,914.12	131,462.64	209,586,850.88	-

Long-term equity investments – other equity investments

Name of investees	Total investment	Percentage holding of investees' capital	Closing Balance	Share of results-equity method Change in the period	Accumulated change
	RMB	%	RMB	RMB	RMB
Kwangchow Shipyard Container Factory	56,155,800.59	100%	60,244,580.52	-	4,088,779.93
Guangzhou Jinfan Advertisement Decoration Company Limited	1,260,000.00	90%	-1,767,931.11	-70,744.19	-3,027,931.11
Masterwood Company Limited	2,486,385.00	75%	4,308,818.32	768,471.98	1,822,433.32
Guangzhou Guanglian Container Transportation Company Limited	15,000,000.00	75%	15,197,860.77	109,217.84	197,860.77
Xinhui City Nanyang Shipping Industrial Company	25,200,000.00	70%	22,032,206.99	-92,633.88	-3,167,793.01
Guangzhou Haizhu District Guanghua Machinery Factory	934,700.00	65%	1,760,315.45	85,127.64	825,615.45
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,005,000.00	67%	141,210.51	67,439.26	-863,789.49
Guangzhou Xinsun Shipping Service Company Limited	500,000.00	83%	11,433,789.47	677,335.95	10,933,789.47
United Steel Structures Limited	25,438,698.00	51%	38,512,933.91	-71,943.31	13,074,235.91
Guangdong GSI Elevator Limited	19,950,000.00	95%	19,778,924.52	74,313.31	-171,075.48
Guangzhou Hongfan Information Technique Co., Ltd	4,500,000.00	90%	4,542,980.80	-853,737.01	42,980.80
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	600,000.00	60%	637,151.28	-26,485.13	37,151.28
Henghe Construction Company	3,380,000.00	75.93%	18,396,391.08	-74,080.66	15,016,391.08
Guangzhou Yongda International Container Engineering Company Limited	263,299.40	35%	337,875.42	-420.64	74,576.02
South china/Maring and Industrial Special Coating Limited	1,722,003.00	25%	2,528,034.52	-156,134.86	806,031.52
Contech International Container Engineering Company Limited	162,500.00	25%	491,708.33	-4,414.33	329,208.33
Shenzhen Yuanzhou Science & Technology Industry Company Limited	1,000,000.00	7.41%	1,000,000.00	-	-
China Merchants Banking Corporation	10,010,000.00	0.23%	10,010,000.00	-	-
Total	169,568,385.99	-	209,586,850.78	431,311.97	40,018,464.79

(3) Investment income

Item	Parent-company			Total income RMB
	Bonds investment income RMB	Equity investment income At equity RMB	At cost RMB	
Short-term Investments	-	-	-	-
Long-term Investments	-	5,385,914.12	-	5,385,914.12
Total	-	5,385,914.12	-	5,385,914.12

(4) Principal operating incomes, cost of sales and gross profit

Parent company	Products category					
	Operating income (RMB)		Cost of sales (RMB)		Gross profit (RMB)	
	From Jan. to Jun. of this year	From Jan. to Jun. of last year	From Jan. to Jun. of this year	From Jan. to Jun. of last year	From Jan. to Jun. of this year	From Jan. to Jun. of last year
Shipbuilding products	852,169,684.76	493,483,809.21	887,532,219.83	456,817,699.44	(35,362,535.07)	36,666,109.77
Steel structure	3,555,201.11	2,300,780.35	2,522,684.03	2,060,382.56	1,032,517.08	240,397.79
Other mechanical and electrical equipment	23,296,388.05	60,595,342.11	20,200,468.45	55,344,963.93	3,095,919.60	5,250,378.18
Ship-repairing products	6,106,748.94	8,733,176.91	5,470,681.06	8,290,865.18	636,067.88	442,311.73
Total	885,128,022.86	565,113,108.58	915,726,053.37	522,513,911.11	(30,598,030.51)	42,599,197.47

Refer to the notes to the item in consolidation statements.

(VI) Connected party and transactions**(1) Connected parties under the control of the Company (included in the consolidated statements):**

Name	Registered address	Principal Business	Relationship with the Company	Nature of the enterprise	Legal representative
CSSC	No.1 Pudong Main Road, Shanghai	Ship manufacturing and sales	State shareholder	Company with limited liability	Chen xiaojin
Kwangchow Shipyard Container Factory	No. 118 Gexin Road, Gaungzhou	Container manufacturing	Subsidiary	Joint stock	Yin Xueming
Guangzhou Jinfan Advertisement Decoration Company Limited	40 Fangchun Main Road Guangzhou	Design and make all kinds of domestic advertisement	Subsidiary	Company with limited liability	Guan Zhiqiang
Guangzhou Xinsun Shipping Service Company Limited	40 Fangchun Main Road Guangzhou	Installation, welding, outfitting, coating, repair of hull structure	Subsidiary	Company with limited liability	Dai Zhengting
Masterwood Company Limited	40 Fangchun Main Road Guangzhou	Manufacture and sales of all kind of material furniture series	Subsidiary	Sino-foreign Joint venture	Zhang Liangjing
Guangzhou Guanglian container Transportation Company Limited	No. 118 Gexin Road, Gaungzhou	Container transportation	Subsidiary	Sino-foreign Joint venture	Zhong Yuquan
Xinhui City Nanyang Shipping Industrial Company	Gujin Town, Xinhui City, Guangdong	Ship dismantling	Subsidiary	Cooperative company	Li yizhen
Guangzhou Sanlong Industrial Trading Develop Company Limited	No. 126 Gexin Road, Gaungzhou	Municipal construction engineering	Subsidiary	Company with limited liability	Xia Suijia
Guangzhou Haizhu District Guanghua Machinery Factory	No. 70 Xijixi, Lifu Road, Guangzhou	Machine manufacturing	Subsidiary	Cooperative company	Feng Ruilin
United Steel Structures Limited	40 Fangchu Main Roadn Guangzhou	Manufacturing, sales and post sales service of steel structure	Subsidiary	Sino-foreign joint venture	Ye Peihua
Guangdong GSI Elevator Limited	No. 118 Gexin Road, Gaungzhou	Design, manufacturing, sales, Installation, modification and repair of all kinds of elevator	Subsidiary	Company with limited liability	Ye Peihua
Guangzhou Hongfan Information Technique Co., Ltd	40 Fangchun Main Road Guangzhou	Development of computer Software, system integration and sales	Subsidiary	Cooperative company	Wang Yi
Guangzhou Shipyard Machinery Equipment Engineering Co., Ltd.	No. 138 Gexin Road, Gaungzhou	Manufacturing and installation of mechanical-electrical products	Subsidiary	Cooperative company	Zhong Jian
Guangzhou Henghe Construction Co., Ltd	40 Fangchun Main Road Guangzhou	Design, manufacture and installation of building structure	Subsidiary	Cooperative company	Chen Ji

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

Name	Opening Balance RMB	Additions in the period RMB	Disposal in the period RMB	Closing Balance RMB
CSSC	6,374,300,000	-	-	6,374,300,000
Kwangchow Shipyard Container Factory	44,924,640	-	-	44,924,640
Guangzhou Jinfan Advertisement Decoration Company Limited	1,400,000	-	-	1,400,000
Guangzhou Xinsun Shipping Service Company Limited	600,000	-	-	600,000
Masterwood Company Limited	3,315,180	-	-	3,315,180
Guangzhou Guanglian container Transportation Company Limited	20,000,000	-	-	20,000,000
Xinhui City Nanyang Shipping Industrial Company	34,800,000	-	-	34,800,000
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,500,000	-	-	1,500,000
Guangzhou Haizhu District Guanghua Machinery Factory	1,438,062	-	-	1,438,062
United Steel Structures Limited	73,572,705	-	-	73,572,705
Guangdong GSI Elevator Limited	21,000,000	-	-	21,000,000
Guangzhou Hongfan Information Technique Co., Ltd	5,000,000	-	-	5,000,000
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	1,000,000	-	-	1,000,000
Guangzhou Hehe Construction Co., Ltd.	27,500,000	-	-	27,500,000

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

Name	Opening Balance		Additions in The period RMB	Disposal in the period RMB	Closing Balance	
	RMB	%			RMB	%
CSSC	210,800,080	42.61	-	-	210,800,080	42.61
Kwangchow Shipyard Container Factory	44,925,000	100	-	-	44,925,000	100
Guangzhou Jinfan Advertisement Decoration Company Limited	1,260,000	90	-	-	1,260,000	90
Guangzhou Xinsun Shipping Service Company Limited	498,000	83	-	-	498,000	83
Masterwood Company Limited	2,486,000	75	-	-	2,486,000	75
Guangzhou Guanglian Container Transportation Company Limited	15,000,000	75	-	-	15,000,000	75
Xinhui City Nanyang Shipping Industrial Company	25,200,000	70	-	-	25,200,000	70
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,005,000	67	-	-	1,005,000	67
Guangzhou Haizhu District Guanghua Machinery Factory	935,000	65	-	-	935,000	65
United Steel Structure Limited	37,522,079.55	51	-	-	37,522,079.55	51
Guangdong GIS Elevator Limited	19,950,000	95	-	-	19,950,000	95
Guangzhou Hongfan Information Technique Co. Ltd.	4,500,000	90	-	-	4,500,000	90
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	600,000	60	-	-	600,000	60
Guangzhou Henghe Construction Co., Ltd	18470471.74	75.9	-	-	18,470,471.74	75.9

The connected transactions under the control of the Company had been counteracted in the Report.

(4) The condition of the connected parties uncontrolled by the Company**① The connected parties uncontrolled by the Company**

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

Name	Connection with the Company
Huangpu Shipyard	Under CSSC
Guangzhou Wenchong Shipyard	Under CSSC
Guangzhou Shipyard	Under CSSC
Jiangxi Jiujiang Marine Machine Factory	Under CSSC
Hudong Shipyard	Under CSSC
Hualian Marine Company Limited	Under CSSC
Huanan Marine Machine Factory	Under CSSC
Jiangxi Chaoyang Machine Factory	Under CSSC
Jiangxi Jiujiang Marine Machine Factory	Under CSSC
Jiangxi Jiujiang instrument Factory	Under CSSC
Nanjing Liuzhou Machinery Factory	Under CSSC
Shanghai Marine Design Institution	Under CSSC
Shanghai Shipyard	Under CSSC
Zhengmao Group Company Limited	Under CSSC
CSSC Industrial Material Company	Under CSSC
Guangzhou Marine Material Company	Under CSSC
CSSC Material Company Huanan Branch	Under CSSC
Huanan Marine Mechanic and Electric Department	Under CSSC
Huanan Material Station	Under CSSC
Zhenjiang Marine Windstick Factory	Under CSSC
Zhenjiang Marine Diesel Factory	Under CSSC
Zhenjiang Marine Auxiliary Machine Factory	Under CSSC
South China Marine & Industrial special Coating Limited Company	Cooperative Company

② Selling Materials

Name of Company	from Jan. to Jun 2002	from Jan. to Jun 2001
Guangzhou Huangpu Shipyard	240,156.63	189,071.01
Guangzhou Shipyard	50,566.81	108,214.47
Guangzhou Wenchong Shipyard	202,767.67	27,000.00
South China Marine & Industrial special Coating Limited Company	604,656.11	1,096,418.70
Total	1,098,147.22	1,420,704.18

③ Purchasing Materials

The information of the Company purchasing materials from connected parties from Jan. to Jun 2002 and from Jan. to Jun 2001 (RMB)

Name of Company	from Jan. to Jun 2002	from Jan. to Jun 2001
Guangzhou Huangpu Shipyard	2,795,742.43	-
Guangzhou Shipyard	8,462,159.89	301,154.33
Hudong Heavy Engineering Company Limited	15,380,000.00	-
Hualian Marine Company Limited	463,303.96	-
Huanan Marine Factory	3,429,000.00	1,893,000.00
Jiangxi Chaoyang Machine Factory	-	-
Jiangxi Jiujiang Machine Factory	2,346,775.00	452,895.00
Nanjing Lvzhou Machinery Factory	828,300.00	773,854.31
Guangxi Huanan Marine Factory	-	1,000,000.00
Zhengmao Group Company Limited	1,003,000.00	-
CSSC Industrial Material Company	3,314,514.70	-
Zhenjiang Marine Windstick Factory	729,122.00	-
Zhenjiang Marine Diesel Factory	3,432,478.15	-
Zhenjiang Marine Auxiliary Machine Factory	2,536,000.00	-
Guangzhou Wenchong Shipyard	355,479.81	-
Total	45,075,875.94	4,420,903.64

④ Account receivable and payable of connected parties (RMB)

Name	Balance in the end of the year 30th June 2002	Opening balance
1). Account receivable		
Wenchong Shipyard	179,200.60	2,426,233.40
Guangzhou Shipyard	34,679.17	-
South China Marine & Industrial special Coating Limited Company	2,070,648.99	-
Hudong Heavy Machine Company Limited	592,172.81	-
Guangzhou Marine Company	-	136,490.00
Total	2,876,701.57	2,562,723.40

2). Other receivable		
Guangzhou Shipyard	2,000,000.00	1,995,947.14
Guangzhou Marine Design Institution	370,000.00	300,000.00
South China Marine & Industrial special Coating Limited Company	44,077.21	92,078.60
Total	2,432,077.21	2,388,025.74
3). Advanced payment		
Guangxi Huanan Machine Factory	718,000.00	718,000.00
Hudong Heavy Machine Shanghai	5,000,000.00	5,000,000.00
Shipyard Machine Manufacturing Company Limited	150,000.00	215,000.00
Jiangxi Jiujiang Marine Machine Factory	6,305,215.43	–
China State Shipbuilding Trade Corporation	1,759,786.53	–
China State Shipbuilding Corporation	2,310,000.00	–
The Ninth Design Statute of CSSC	84,000.00	–
Hudong Heavy Machine Company Limited	–	4,240,000.00
Nanjing Liuzhou Machinery Factory	2,000,000.00	120,000.00
Total	18,327,001.96	10,293,000.00
4). Account payable		
Shanghai Shipyard	142,794.70	142,794.70
Nanjing Liuzhou Machinery Factory	28,300.00	376,496.77
Zhengmao Group Company Limited	300,000.00	600,000.00
Guangxi Huanan Machine Factory	1,329,000.00	1,127,000.00
Hudong Heavy Machine Company Limited	10,926,505.63	343,867.63
Zhenjiang Marine Diesel Factory	3,821,255.83	3,648,777.68
Zhenjiang Marine Auxiliary Machine Factory	1,298,000.00	480,000
Guangzhou Shipyard	–	766,185.85
Zhenjiang Marine Propeller Factory	329,122.00	–
Jiangxi Jiujiang Marine Machine Factory	77,862.21	240,000.00
Total	18,252,840.37	8,062,453.63
5). Other payment	–	–
Guangzhou Shipyard	2,857,894.43	2,614,752.28

(VII) Contingencies and Commitments

As at the 30th June 2002, the Company (the Group) had no significant contingent items or commitments.

(VIII) Other Notes

- As at the 30th June 2002, the Company (the Group) had not made any financial commitments and financial guarantee to other parties.
- The Company (The Group) has not prepared audited financial statements for a period subsequent to 30th June 2002.

● Prepared under accounting principles generally accepted in Hong Kong

1. Condensed consolidated profit and loss account

For the six months ended 30th June 2002

	Note	Unaudited Six months ended 30th June	
		2002 RMB'000	2001 RMB'000
Turnover	(3)	1,162,637	779,177
Construction costs		(887,532)	(456,818)
Cost of inventories sold		(284,315)	(255,421)
Cost of sales		(1,171,847)	(712,239)
Gross (loss)/profit		(9,210)	66,938
Provision for foreseeable losses of construction contracts		(33,048)	–
Other revenues		56,535	27,490
Distribution, administrative and other operating expenses		(61,094)	(73,114)
Operating (loss)/profit	(4)	(46,817)	21,314
Write back of provision for non-recovery on principals due from non-banking financial institutions		2,267	–
Finance costs		(22,865)	(29,035)
Share of profits less losses of associated companies		354	147
Loss before taxation		(67,061)	(7,574)
Taxation	(6)	(691)	(868)
Loss after taxation		(67,752)	(8,442)
Minority interests		(222)	853
Loss attributable to shareholders		(67,974)	(7,589)
Loss per share	(7)	(RMB0.1374)	(RMB0.0153)

2. Condensed consolidated balance sheet
As at 30th June 2002 and 31st December 2001

	Note	Unaudited 30th June 2002 RMB'000	Audited 31st December 2001 RMB'000
Fixed assets	(8)	1,080,930	1,070,245
Construction-in-progress	(8)	51,954	71,991
Interests in associated companies		3,359	3,206
Investment securities		11,910	11,940
Long-term receivables		45,468	63,416
Current assets			
Inventories		483,907	368,059
Trade receivables	(9)	479,604	411,943
Other receivables, prepayments and deposits		381,120	314,681
Tax recoverable		45,111	66,032
Bank balances and cash		143,896	272,714
		1,533,638	1,433,429
Current liabilities			
Trade payables	(10)	344,589	253,024
Notes payable		143,603	106,000
Payments received on account		245,799	414,464
Other payables and accruals		174,651	182,545
Current portion of long-term bank loans	(11)	470,700	370,000
Taxation payable		8,087	4,875
Provision for warranty	(12)	27,913	31,808
Dividends payable		323	487
Short-term bank loans		439,203	187,768
		1,854,868	1,550,971
Net current liabilities		(321,230)	(117,542)
Total assets less current liabilities		872,391	1,103,256
Financed by:			
Share capital		494,678	494,678
Reserves		55,342	123,316
Shareholders' funds		550,020	617,994
Minority interests		62,130	62,088
Non-current liabilities			
Long-term bank loans	(11)	250,000	410,700
Deferred income		10,241	12,474
		260,241	423,174
		872,391	1,103,256

3. Condensed consolidated cash flow statement
For the six months ended 30th June 2002

	Unaudited 6 months ended 30th June	
	2002 RMB'000	As restated 2001 RMB'000
Net cash (used in)/inflow from operating activities	(260,554)	149,675
Net cash used in investing activities	(38,471)	(16,077)
Net cash inflow from financing activities	170,207	46,610
(Decrease)/increase in cash and cash equivalents	(128,818)	180,208
Cash and cash equivalents at 1st January	272,714	173,659
Cash and cash equivalents at 30th June	143,896	353,867
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	143,896	353,867

4. Condensed consolidated statement of changes in equity
For the six months ended 30th June 2002

	Unaudited						Accumulated losses RMB'000	Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000			
At 1st January 2002	494,678	651,977	48,997	31,470	19,681	(628,809)	617,994	
Loss for the period	-	-	-	-	-	(67,974)	(67,974)	
At 30th June 2002	494,678	651,977	48,997	31,470	19,681	(696,783)	550,020	

	Unaudited						Total RMB'000
	Surplus reserves						
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Accumulated losses RMB'000	
At 1st January 2001	494,678	651,977	49,564	32,751	17,710	(623,526)	623,154
Loss for the period	-	-	-	-	-	(7,589)	(7,589)
Transfers from/(to) other reserves	-	-	-	542	(542)	-	-
At 30th June 2001	<u>494,678</u>	<u>651,977</u>	<u>49,564</u>	<u>33,293</u>	<u>17,168</u>	<u>(631,115)</u>	<u>615,565</u>

5. Notes to the interim financial statements

(1) Independent review

The interim results for the six months ended 30th June 2002 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"), by PricewaterhouseCoopers.

As stated in note (13) to the interim financial statements, the Group is in the process of estimating the provisions for employee medical insurance in respect of the regulation "Measures Concerning Employee Medical Insurance in Guangzhou" issued on 1st November 2001, therefore, no provisions have been made in the interim financial statements. PricewaterhouseCoopers has issued a modified review report as in their view, a provision should have been made in accordance with Statement of Standard Accounting Practice 34.

(2) Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting", issued by the HKSA.

These condensed financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002.

SSAP 1 (revised): Presentation of financial statements

SSAP 15 (revised): Cash flow statements

SSAP 25 (revised): Interim financial reporting

SSAP 34: Employee benefits

The adoption of the above SSAPs has no material effect on the interim financial statements, except for the matter set out in note (13) to the interim financial statements.

(3) Segment information

The Group is principally engaged in shipbuilding, shiprepairing, container manufacturing and steel structures, mechanical and electrical equipment manufacturing.

i) An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30th June 2002						Group RMB'000
	Shipbuilding RMB'000	Ship repairing RMB'000	Container manufacturing RMB'000	Steel structures and other manufacturing RMB'000	Other operations RMB'000	Elimination RMB'000	
Revenues	852,170	6,107	230,647	41,191	54,951	(22,429)	1,162,637
Segment results	(20,811)	518	9,120	10,826	20,731	(11,246)	9,138
Unallocated costs							(55,955)
Operating loss							(46,817)
Write back of provision for non-recovery on principals due from non-banking financial institutions							2,267
Finance costs							(22,865)
Share of profits less losses of associated companies					354		354
Loss before taxation							(67,061)
Taxation							(691)
Minority interests							(222)
Loss attributable to shareholders							<u>(67,974)</u>

Six months ended 30th June 2001

	Steel structures						Group RMB'000
	Shipbuilding RMB'000	Ship repairing RMB'000	Container manufacturing RMB'000	and other manufacturing RMB'000	Other operations RMB'000	Elimination RMB'000	
Revenues	498,206	9,045	173,617	78,548	43,881	(24,120)	779,177
Segment results	48,937	448	12,410	9,881	6,387	(847)	77,216
Unallocated costs							(55,902)
Operating profit							21,314
Finance costs							(29,035)
Share of profits less losses of associated companies					147		147
Loss before taxation							(7,574)
Taxation							(868)
Minority interests							853
Loss attributable to shareholders							(7,589)

The Group is organised on a China wide basis into four main business segments:

- Shipbuilding – ship construction
- Shiprepairing – provision of shiprepairing services
- Container manufacturing – manufacturing and trading of containers
- Steel structures and other manufacturing – manufacturing and trading of steel structures and mechanical and electrical equipment

Other operations of the Group mainly comprise computer marketing and design and production of advertisement, neither of which are of a sufficient size to be reported separately.

ii) Although the Group's four business segments are managed on a China wide basis, the sales are contributed from six main geographical areas in which the customers are located:

Mainland China – shipbuilding, shiprepairing, container manufacturing, steel structures and other manufacturing

Sweden – shipbuilding

Denmark – shipbuilding

Japan – container manufacturing

Germany – container manufacturing, steel structures and other manufacturing

Malta – shipbuilding

Other countries and regions – shipbuilding, shiprepairing, container manufacturing, steel structures and other manufacturing

An analysis of the group's turnover and contribution to operating profit for the period by geographical segments is as follows:

Six months ended 30th June

Geographical segment:	Revenue		Segment results	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Mainland China	408,738	268,756	7,136	26,108
Sweden	57,550	216,285	(33,048)	–
Denmark	326,546	132,678	5,944	21,455
Japan	10,910	70,178	(96)	10,691
Germany	119,873	33,507	5,727	1,820
Malta	147,423	–	8,494	–
Other countries and regions	91,597	57,773	10,241	6,864
	1,162,637	779,177	4,398	66,938
Unallocated costs			(51,215)	(45,624)
Operating (loss)/profit			(46,817)	21,314

Sales are based on the country in which the customer is located. There are no sales between the segments.

(4) Operating (loss)/profit

	Six months ended 30th June	
	2002 RMB'000	2001 RMB'000
The operating (loss)/profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Gain on disposal of investment securities	–	5,746
<u>Charging</u>		
Depreciation and amortisation of fixed assets	42,340	42,061
Less: Amounts capitalised as inventories	(17,469)	(25,685)
	24,871	16,376
Loss on disposal of fixed assets	1,296	14,039

(5) Staff costs

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
Wages and salaries	75,654	61,213
Termination benefits	1,018	872
Social security costs	6,259	5,229
Pension costs – defined contribution plans	11,775	10,986
Post employment medical benefits	1,162	1,040
Other welfare	15,537	14,311
	111,405	93,651

(6) Taxation

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2002	2001
	RMB'000	RMB'000
PRC enterprise income tax	620	809
Share of taxation attributable to associated companies	71	59
	691	868

As approved by the State Administration of Taxation, the Company's PRC enterprise income tax is calculated at 15% (2001: 15%) on the estimated assessable profit for the current period. The normal PRC enterprise income tax rate is 33%. PRC enterprise income tax of subsidiaries and associated companies is charged on their respective assessable profits at applicable tax rates.

(7) Loss per share

Loss of RMB0.1374 (2001: loss of RMB0.0153) per ordinary share of RMB1 each are calculated on the Group's loss attributable to shareholders of RMB67,974,000 (2001: loss of RMB7,589,000) and on the weighted average number of 494,677,580 (2001: 494,677,580) ordinary shares in issue during the period.

(8) Capital expenditure

Six months ended 30th June 2002

	Construction- in-progress	Fixed assets	Total
	RMB'000	RMB'000	RMB'000
Opening net book amount	71,991	1,070,245	1,142,236
Additions	34,672	1,461	36,133
Transfers	(54,709)	54,709	–
Disposals	–	(3,145)	(3,145)
Depreciation and amortisation	–	(42,340)	(42,340)
Closing net book amount	51,954	1,080,930	1,132,884

(9) Trade receivables

	Note	30th June 2002	31st December 2001
		RMB'000	RMB'000
Receivable from third parties	(i)	476,727	409,380
Amounts due from related companies	(ii)	2,877	2,563
		479,604	411,943

(i) At 30th June 2002, the ageing analysis of the receivable from third parties were as follows:

	30th June 2002	31st December 2001
	RMB'000	RMB'000
Not exceeding one year	377,724	303,724
More than one year but not exceeding two years	17,030	30,383
More than two years but not exceeding three years	46,037	37,335
More than three years	35,936	37,938
	476,727	409,380

The general credit terms of trade receivables are:

Operations

Shipbuilding and shiprepairing

Other operations (including container manufacturing, steel structures and other manufacturing)

Credit terms

Within one month after issue of invoice

Normally one to six months

(ii) Amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(10) Trade payables

		30th June 2002	31st December 2001
	Note	RMB'000	RMB'000
Payable to third parties	(i)	325,629	233,071
Amounts due to related companies	(ii)	18,960	19,953
		<u>344,589</u>	<u>253,024</u>

(i) At 30th June 2002, the ageing analysis of the payable to third parties were as follows:

	30th June 2002	31st December 2001
	RMB'000	RMB'000
Not exceeding one year	322,941	228,168
More than one year but not exceeding two years	2,566	4,661
More than two years but not exceeding three years	69	-
More than three years	53	242
	<u>325,629</u>	<u>233,071</u>

(ii) Amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

(11) Long-term bank loans

	30th June 2002	31st December 2001
	RMB'000	RMB'000
Bank loans		
Unsecured	666,000	726,000
Secured	54,700	54,700
	<u>720,700</u>	<u>780,700</u>
Current portion of long-term bank loans	(470,700)	(370,000)
	<u>250,000</u>	<u>410,700</u>

At 30th June 2002, the Group's bank loans were repayable as follows:

	30th June 2002	31st December 2001
	RMB'000	RMB'000
Within one year	470,700	370,000
In the second year	250,000	410,700
	<u>720,700</u>	<u>780,700</u>

(12) Provision for warranty

Movement of provision for warranty is as follow:

	RMB'000
At 1st January 2002	31,808
Additional provisions	2,900
Reversal of expired warranty provision	(4,705)
Utilised during the period	(2,090)
At 30th June 2002	<u>27,913</u>

The Group gives one-year warranty on shipbuilding and crane machine products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of RMB27,913,000 has been recognised at 30th June 2002 for completed shipbuilding and crane machine products (31st December 2001: RMB31,808,000) for expected warranty claims based on past experience of the level of repairs.

(13) Employee medical insurance

The Guangzhou municipal government has issued a regulation "Measures Concerning Employee Medical Insurance in Guangzhou" on 1st November 2001. According to the pronouncement, the Group is required to provide medical insurance to existing and retired staff members with reference to the standard average annual salary as determined by the municipal government. Such payments can be made in 10 annual instalments.

Due to the fact that significant number of staff will be entitled to this scheme, and data and assumptions to be handled are voluminous, the Group is still in the process of making a reliable estimation of the medical insurance expense. Once the amount has been determined, the amount will be provided for in the Group's financial statements.

(14) Capital commitments for property, plant and equipment

	Contracted but not provided for		Authorised by directors but not contracted for	
	30th June 2002 RMB'000	31st December 2001 RMB'000	30th June 2002 RMB'000	31st December 2001 RMB'000
Purchase of machinery and equipment	4,288	6,825	50,780	82,870
Purchase or construction of factories and buildings	3,937	5,123	-	-
	<u>8,225</u>	<u>11,948</u>	<u>50,780</u>	<u>82,870</u>

(15) Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Note	Six months ended 30th June	
		2002 RMB'000	2001 RMB'000
Companies controlled by China State Shipbuilding Corporation ("CSSC"):			
Purchase of raw materials		8,108	12,504
Purchase of equipment for shipbuilding		25,605	2,494
Other expenses	(a)	<u>10,265</u>	<u>11,703</u>

(a) Pursuant to the comprehensive service agreement dated 19th April 2001 entered between the Company and Guangzhou Shipyard ("GZS"), a subsidiary of CSSC, the Group also incurred service fees (including the provision of staff quarters) amounted to RMB7,711,487 (2001:RMB7,610,740) to GZS for its provision of staff welfare services. The transactions included the employee benefits to the key management personnel amounted to RMB13,151 (2001: RMB12,553). The comprehensive service agreement covers a three-year period from 2001 to 2003.

The above related party transactions were carried out in the ordinary course of business of the relevant companies and in normal commercial terms.

● Reconciliation of financial statements

Reconciliation of results and net assets between financial statements prepared in accordance with PRC accounting standards and systems and accounting principles generally accepted in Hong Kong ("HKGAAP") are as follows:

	Profit/(loss) after taxation and minority interests		Net assets at	
	Six months ended 30th June 2002 RMB'000	2001 RMB'000	30th June 2002 RMB'000	31st December 2001 RMB'000
Prepared under PRC accounting standards and systems	(67,974)	6,535	549,756	617,730
Loss related to fixed assets	-	(13,900)	-	-
Tax incentive items	-	(224)	-	-
Realised gain on minority interest portion from inter-company transactions	-	-	502	502
Profit and loss items directly recorded in accumulated losses brought forward	-	-	(238)	(238)
Prepared under HKGAAP	<u>(67,974)</u>	<u>(7,589)</u>	<u>550,020</u>	<u>617,994</u>

VII. DOCUMENTS AVAILABLE FOR INSPECTION

1. The Company's interim report signed by the Chairman of the Company.
2. Financial statements with signature and stamp of legal representative, chief accountant and other persons in charge of the finance and accounting function.
3. The original copy of Company's documentation and announcements disclosed to the public during the period under review through the official publications of the China Securities Regulatory Commission.
4. The articles of association of the Company.
5. Other relevant data.

By order of the Board
Hu Guoliang
Chairman
Guangzhou, 16th August, 2002