

A close-up, low-angle shot of a ship's hull, showing the metallic structure and several thick ropes. The GSI logo is prominently displayed in the upper center.

GSI



广船国际

广州广船国际股份有限公司

GUANGZHOU SHIPYARD INTERNATIONAL COMPANY LIMITED

H Stock Code : 317 A Stock Code : 600685

2009

Interim Report

CONTENTS

Important Notice	2
Overview of the Company	3
Changes of Share Capital and Shareholders	6
Information of Directors, Supervisors, Senior Management and Staff	7
Report of the Board of Directors	8
Significant Events	13
Financial Reports	16
Documents Available for Inspection	74

IMPORTANT NOTICE

The Board of Directors, the Supervisory Committee and Senior Management of Guangzhou Shipyard International Company Limited (“the Company”) declare that there are no false statements, misleading information or material omissions in this report. The directors, supervisors and senior management are jointly and severally responsible for the authenticity, accuracy and integrity of the contents of this report.

All the directors, including executive director Mr. Han Guangde attended as proxy of executive director Mr. Zhong Jian, attended the twelfth meeting of the sixth term of the Board of Directors held on 20 August 2009, at which this report was passed by unanimous vote.

Mr. Li Zhushi, Chairman of the Board of Directors, Mr. Zeng Xiangxin, Chief Accountant of the Company and Mr. Hou Zengquan, Director of Financial Center of the Company, declare and confirm the authenticity and completeness of the financial reports included in this report.

Unless otherwise stated, financial data contained in this report is extracted from the accounts prepared by the Group in accordance with PRC Accounting Standards for Business Enterprises and Relevant Regulations (“PRC Accounting Standards and Regulations”).

The Company has no capital impropriated by the controlling shareholder or connected parties, and has not provided any deregulation external guarantees during the period under review.

The Audit Committee of the Company has reviewed and confirmed the financial reports in the interim report for the first six months of 2009.

This report is prepared in both English and Chinese. In the event that different interpretation occurs, with the exception of the condensed consolidated interim financial information prepared in accordance with Hong Kong Accounting Standards 34 (‘HKAS 34’) – Interim financial reporting, the Chinese version shall prevail.

OVERVIEW OF THE COMPANY

I REGISTERED CHINESE NAME OF THE COMPANY

广州广船国际股份有限公司

ABBREVIATION OF REGISTERED CHINESE NAME OF THE COMPANY

广船国际

REGISTERED ENGLISH NAME OF THE COMPANY

Guangzhou Shipyard International Company Limited

ABBREVIATION OF REGISTERED ENGLISH NAME OF THE COMPANY

GSI

II PLACE OF LISTING OF THE COMPANY'S SHARES

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: 00317

III THE COMPANY'S REGISTERED ADDRESS AND OFFICE

40 South Fangcun Main Road, Liwan District, Guangzhou

The People's Republic of China

Postal Code: 510382

URL of the Company: <http://www.chinagsi.com>

E-mail Address: gsi@chinagsi.com

IV LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Li Zhushi

V COMPANY SECRETARY

Mr. Li Zhidong

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AUTHORIZED SECURITIES REPRESENTATIVE

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VI PUBLICATIONS DESIGNATED BY CHINA SECURITIES REGULATORY COMMISSION FOR DISCLOSING INFORMATION

Shanghai Securities News

URL FOR PUBLISHING THE INTERIM REPORT

www.sse.com.cn, www.hkexnews.hk, www.chinagsi.com

PLACE FOR INSPECTION OF THE INTERIM REPORT

The Board of Directors' Office

OVERVIEW OF THE COMPANY

VII MAJOR FINANCIAL DATA AND INDICATORS

1. Prepared under the PRC Accounting Standards and Regulations

Unit: RMB

Items	Unaudited	Audited		Change (%)
	As at 30 June 2009 (Consolidated)	As at 31 December 2008 (Consolidated)		
Total assets	10,014,272,004.83	10,258,230,707.13		-2.38
Shareholders' equity	2,885,645,472.68	2,747,359,653.70		5.03
Net assets per share	5.83	5.55		5.03

Items	Unaudited			Change (%)
	For six months ended 30th June			
	2009 (Consolidated)	2008 (Consolidated)		
		After adjustment	Before adjustment	
Operating profit	294,457,827.67	669,304,297.94	669,304,297.94	-56.01
Total profit	286,918,213.74	697,804,990.56	697,804,990.56	-58.88
Net profit	241,752,604.98	533,128,878.53	533,128,878.53	-54.65
Net profit after deduction of exceptional items	237,594,154.17	460,086,937.65	524,351,368.52	-48.36
Basic earnings per share	0.49	1.08	1.08	-54.65
Basic earnings per share after deduction of exceptional items	0.48	0.93	1.06	-48.36
Diluted earnings per share	-	-	-	-
Return on net assets (%)	8.38	20.75	20.75	Decreased by 12.37 percent
Net cash flow from operating activities	-114,367,370.86	-617,280,928.42	-617,280,928.42	81.47
Net cash flow per share from operating activities	-0.23	-1.25	-1.25	81.47

Note: Shareholders' equity, net assets per share, net profit and net profit after deduction of exceptional items were the data attributable to shareholders, while return on net assets was fully diluted.

OVERVIEW OF THE COMPANY

The nature and amount after deduction of exceptional items :

Unit: RMB

Items	Amount	Note
Losses from disposal of non-current assets, including write-offs of asset impairment provisions	-8,103,960.14	Mainly was the loss from disposal of fixed assets
Government subsidies recognized in the current profits and losses	817,226.80	Mainly was subsidy income of software produced by the Group and exported productions
Net gains from fair value changes of trading securities and trading financial liabilities, and investment income from disposal of trading assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's main operations	12,637,347.23	Mainly resulted from fair value changes of trading securities and trading financial liabilities, and investment income from disposal of trading assets, trading financial liabilities and available-for-sale financial assets
Reverse of provision for receivable impairment which was tested individually	20,000.00	Receipt of account receivables which were written off
Other non-operating profits and losses	-252,880.59	
Subtotals (effect on income before tax)	5,117,733.30	
Less: Impact on income tax	767,660.00	
Total impact on net profits	4,350,073.31	
Including: attributable to minority interests	191,622.50	
Impact on the net profits attributable to common shareholders of parent company	4,158,450.81	
Net profits attributable to common shareholders of parent company after deducting exceptional items	237,594,154.17	

2. Prepared in accordance with HKAS 34

Unit: RMB'000

Items	Unaudited	Audited	Change (%)
	As at 30 June 2009 (Consolidated)	As at 31 December 2008 (Consolidated)	
Current assets	8,381,516	8,548,106	(1.95)
Current liabilities	6,949,976	7,147,700	(2.77)
Total assets	10,044,952	10,251,665	(2.02)
Shareholders' equity (excluding minority interests)	2,885,646	2,747,360	5.03
Net assets per share (RMB)	5.83	5.55	5.03
Gearing ratios (%)	70.28	72.27	(2.75)

Items	Unaudited		Change (%)
	For six months ended 30 June		
	2009 (Consolidated)	2008 (Consolidated)	
Profit attributable to shareholders	241,753	533,130	(54.65)
Earnings per share (RMB)	0.4887	1.0777	(54.65)
Return on net assets (%)	8.38	20.75	(59.61)

3. There are no differences between net profit and net assets attributable to shareholders prepared under the PRC Accounting Standards and Regulations and HKAS 34.

CHANGES OF SHARE CAPITAL AND SHAREHOLDERS

I CHANGES OF SHARE CAPITAL

There is no change of share capital of the Company during the period under review.

II SHAREHOLDERS INFORMATION

- As at June 30, 2009, the total number of shareholders of the Company was 75,553, including 75,182 shareholders of listed A-shares and 371 shareholders of listed H-Shares.
- As at June 30, 2009, the top 10 shareholders and the top 10 shareholders of freely transferable shares of the Company were as follows:

Unit: share

Shareholder	Addition/ Deductions closing the period	Number of shares at the end of the period	Percentage (%)	Shares pledged or congealed	Nature of shareholders
China State Shipbuilding Corporation	0	176,650,615	35.71	None	State-owned Shareholder
HKSCC Nominees Limited	93,220	151,856,229	30.70	Unknown	Foreign Capital Shareholder
Fortis Haitong Revenue Growth Securities Investment Fund	2,199,806	2,199,806	0.44	Unknown	Other
Fortis Haitong Style Advantages Shape Securities Investment Fund	2,099,791	2,099,791	0.42	Unknown	Other
Everbright Pramerica Configurable Advantages Shape Securities Investment Fund	2,000,749	2,000,749	0.40	Unknown	Other
CHAN KWOK TAI EDDIE	0	2,000,000	0.40	Unknown	Foreign Capital Shareholder
Full Goal Benefits Rich Securities Investment Fund	-300,000	1,585,601	0.32	Unknown	Other
Harbin Weihai Electric Equipment Co., Ltd.	1,156,660	1,156,660	0.23	Unknown	Other
Harvest in Shanghai and Shenzhen 300 Index Securities Investment Fund	1,021,221	1,021,221	0.21	Unknown	Other
Harvest Alpha Quantitative Securities Investment Fund	923,054	923,054	0.19	Unknown	Other

Due to the expiration of undertaking term of the A share reform, all shares subject to sale restrictions hold by China State Shipbuilding Corporation ("CSSC"), the controlling shareholder of the Company, were transferred to freely transferable shares on May 26, 2009. As at June 30, 2009, there was no shareholder of shares subject to sale restrictions of the Company.

Except that Fortis Haitong Revenue Growth Securities Investment Fund and Fortis Haitong Style Advantages Shape Securities Investment Fund are funds managed by Fortis Haitong Fund Management Company, and Harvest in Shanghai and Shenzhen 300 Index Securities Investment Fund and Harvest Alpha Quantitative Securities Investment Fund are funds managed by Harvest Fund Management Company, the Company is not aware of whether the top 10 listed shareholders and the top 10 shareholders of freely transferable shares disclosed above are connected with each other or persons acting in concert as defined in "Information Disclosure Management Procedure relating to Changes of Share-holding of Listed Companies".

- Apart from the shareholders disclosed above, as at 30 June 2009, the following persons, other than the directors and chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the Securities and Futures Ordinance of Hong Kong ("SFO").

Shareholder	Shareholding (share)	Proportion of total H shares (%)	Proportion of total shares (%)
JP Morgan Chase & Co.	10,718,000	6.81	2.67
The Northern Trust Company	8,280,000	5.26	1.67
Baring Asset Management Limited	9,396,000	5.96	1.90
Mirae Asset Global Investments (Hong Kong) Limited	9,436,000	5.99	1.91
Atlantis Investment Management Ltd.	11,000,000	6.99	2.22

- During the period under review, the controlling shareholder and actual controller of the Company, which are CSSC and State-owned Assets Supervision and Administration Commission of the State Council respectively, have not changed.

INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I CHANGE IN SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at June 30, 2009, the shareholding of directors, supervisors and senior management including individual and individual's spouse and children under the age of 18 have not changed, as compared with that as at December 31, 2008.

II CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The 2008 annual general meeting of the Company held on May 19, 2009 approved Mr. Chen Xin to resign as independent non-executive of the Company due to job relocations, and elected Mr. Fu Zhengping as independent non-executive of the Company. Mr. Fu will serve for a period of 2 years, until conclusion of the Company's annual general meeting for 2010, and his annual emolument will be RMB100,000.

III INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Jingqi holds 2,540 A-shares of the Company. Otherwise, at no time during the period under review had the Company been notified that any director, supervisor or member of senior management (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company and or associated corporations (within the meaning of the SFO), nor did they have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO.

IV STAFF AND THE REMUNERATION POLICY

As at June 30, 2009, the number of employees on the payroll of the Company was 3,476. The remuneration of the employees of the Group includes their salaries, bonuses and other fringe benefits. The Group applies different rates of remuneration for different employees, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

REPORT OF THE BOARD OF DIRECTORS

I DISCUSSION AND ANALYSIS OF OPERATION DURING THE PERIOD UNDER REVIEW

During the first half of 2009, as the global economic crisis caused by financial crisis further pervaded, the shipbuilding industry has met with a significant reduction in securing new orders and difficulties in contracts performance. Due to the rising prices of shipbuilding raw materials and labor cost, the profitability of the Company for the first half of 2009 decreased.

Facing with the downward trend in the oil tanker market, the Company actively adjusted its research and business strategy to intensify its efforts in the research and sale of special vessels; strengthened business risk control, cooperated with ship-owners closely, adjusted operation plans rationally and assisted the financing of ship-owners actively to ensure performance of secured orders; further optimized resources allocation and shipbuilding processes, raised the utilization rate of steel, reduced cost, improved efficiency of shipbuilding and further shortened the shipbuilding cycles, thereby achieving sustainable growth in shipbuilding output.

During the first half of 2009, faced the adverse circumstances of shipbuilding market, the Company re-examined its development strategy, analyzed strategically, evaluated and researched on the external environment and the industry, identified and resolved problems in the Company's business structure and management and control models, consummated and clarified the vision, mission and goals of the Company as well as business development planning for the period following.

During the period under review, the operating income (turnover) of the Company and its subsidiaries (Collectively the "Group") amounted to RMB3,134.48 million (of which, the principal operating income amounted to RMB3,093 million) representing an increase of 1.86% compared with that of the same period last year. The net profit of the Group (the profit attributable to shareholders after taxation and minority interest) amounted to RMB241.75 million, representing a decrease of 54.65% compared with that of the same period last year. The earnings per share amounted to RMB0.49.

II PRINCIPAL OPERATION INFORMATION

During the first half of 2009, the Group completed and delivered 6 vessels, commenced construction work on 10 vessels, and launched 9 vessels. The main customers are from European countries such as Denmark, Greece, Germany, Malta and other major domestic customers. The major products built during the period under review were 38,500 dwt, 51,800 dwt and 50,500 dwt chemical/product oil tanker. Moreover, the Group completed 9,450 tons steel structure, and sold 148 hydraulic shearing machines and 181 elevators.

During the period under review, the Group secured new shipbuilding orders for 4 vessels. As at 30 June 2009, the Group has accumulated orders for building 61 vessels with a total tonnage of 2,594,400 dwt with delivery dates till year 2012.

1. Major operation information

Unit: RMB

Products	Operating income	Operating costs	Operating profit margin (%)	Change of operating income compared with that of the same period last year (%)	Change of operating cost compared with that of the same period last year (%)	Change of operating gross margin compared with that of the same period of last year
Shipbuilding	2,796,295,846.17	2,435,042,774.41	12.92	2.76	7.84	Decreased by 4.10 percent
Steel structure	170,501,947.00	154,532,909.97	9.37	17.19	16.29	Increased by 0.70 percent
Electrical & mechanical products and others	126,202,678.72	98,137,202.78	22.24	-22.10	-30.47	Increased by 9.37 percent
Total	3,093,000,471.89	2,687,712,887.16	13.10	2.13	6.15	Decreased by 3.30 percent

During the period under review, the connected transactions in the products and labor services supplied to the controlling shareholder CSSC and its subsidiaries by the Company amounted to RMB52,663,882.16.

REPORT OF THE BOARD OF DIRECTORS

2. Geographical Statement of Operation

Unit: RMB

Area	Operating income	Change (± %)
Malta	60,997,676.99	-91.04
Germany	292,904,050.72	893.76
Demark	1,680,582,198.85	100.73
Italy	125,986,061.81	100.00
America	59,146,476.37	-46.34
Hong Kong	259,929,713.45	179,956.39
Greece	188,198,342.41	-47.52
Taiwan	208,976.58	100.00
Sweden	-	-100.00
Australia	60,007,151.32	100.00
Subtotal	2,727,960,648.50	13.48
Mainland China	365,039,823.39	-41.57
Total	3,093,000,471.89	2.13

3. Reasons of the significant change in the profit breakdown compared with last year

Unit: RMB'0000

Items	The first half of 2009		The first half of 2008		Change (%)
	Amount	Percentage in total profit	Amount	Percentage in total profit	
Operating revenue	313,448	1092.47	307,720	440.98	147.73
Operating costs	271,992	947.98	256,641	367.78	157.75
Taxes and surcharge	793	2.76	822	1.18	133.90
Selling expenses	2,732	9.52	2,871	4.11	131.63
General and administrative expenses	16,389	57.12	11,776	16.88	238.39
Financial expenses	-6,480	-22.58	-21,430	-30.71	-26.47
Impairment loss	53	0.18	-484	-0.69	-126.09
Gains from fair value changes	-2,699	-9.41	2,886	4.14	-327.29
Investment income	4,176	14.55	6,521	9.34	55.78
Non-operating income	96	0.33	3,047	4.37	-92.45
Non-operating expenditure	850	2.96	197	0.28	957.14
Total profit	28,692	100.00	69,780	100.00	0.00

REPORT OF THE BOARD OF DIRECTORS

Note:

- Significant changes in proportion in total profit of operating revenue, operating costs, taxes and surcharge and selling expenses were mainly due to less changes in such items while notable changes in total profit.
- Significant change in general and administrative expenses was mainly due to the provision of RMB23.46 million for accrued housing subsidies for retirees to subsidies.
- Significant change in financial expenses was mainly due to a decrease of RMB175 million in exchange gain.
- Significant change in impairment loss was mainly due to the provision for impairment of inventory made by subsidiaries.
- Significant change in gains from fair value was mainly due to settlement of certain forward foreign exchange contracts, and the impact of exchange rate fluctuation on the fair value of non-mature contracts.
- Significant change in investment income was mainly due to the decrease in investment income from the settlement of certain foreign exchange forward contracts on mature date.
- Significant change in non-operating income was mainly due to the decrease in government subsidies.
- Significant change in non-operating expenses was mainly due to the increase in the loss from disposal of property and equipment for an outdated pipe processing product line.

4. Problems and difficulties of operation and their solutions

During the period under review, as the global shipbuilding market continued to be flat extending from the fourth quarter of last year, the demand for handy-size tankers decreased, the Company faced difficulties and problems in securing orders and contracts performance etc.

Faced the great changes and grim situation of the market, the Company adjusted its order securing policy, directed more efforts to the research and sale of specialized vessels, nurtured new economic growth products, and secured new orders for constructing 4 specialized vessels during the period under review, and partly made up for the adverse impact of the unfavorable main-type vessels market.

During the first six months of the year, the Company received requests to amend the shipbuilding contracts from some customers. In view of that, the Company strengthened supervision and prevention measures, made risk analysis on clients and financing banks, which focused on assessing recent operation results and financial situation, and instituted alarms and adopted preventive measures timely to ensure security of orders in hand. On the other hand, the Company reviewed the actual production preparation and production plan comprehensively and made its greatest efforts to negotiate with ship-owners to adjust the production plan rationally .

III INVESTMENTS INFORMATION

The Company had not raised funds during the year nor utilized any proceeds previously raised. During the period under review, the investment capital not from share offering of the Company amounted to RMB276.26 million, representing an increase of 119.55% compared with that of last year. The major invested projects were as follows:

Unit: RMB'0000

Items	Amount	Progress	Income
Zhongshan GSI Marine Engineering Company Limited	15,356	Under fundamental construction	Net yet generate income
New Coating Workshop	2,083	Under construction	Net yet generate income
Electrical & mechanical materials collective warehouse project	1,256	Under construction	Net yet generate income
Equipments of assembly workshop installation	1,149	Under construction	Net yet generate income
Longxue electro-mechanic processing center	1,990	Under construction	Net yet generate income
Other renovated projects	5,792	Partly finished	Finished part has begun to generate income

REPORT OF THE BOARD OF DIRECTORS

IV FINANCIAL POSITION AND ANALYSIS OF OPERATIONS

1. Balance sheet items

Unit: RMB

Items	As at June 30, 2009	As at December 31, 2008	Change (± %)	Reasons of change
Interest receivable	89,976,423.32	142,294,820.00	-36.77	Mainly due to the decrease of the balance and interest of deposit.
Other receivables	57,251,127.50	191,817,452.41	-70.15	Mainly was the receivable export tax refund.
Inventories	1,493,777,180.96	1,115,697,445.47	33.89	Mainly due to more vessels commenced construction.
Available-for-sale financial assets	325,612,500.00	185,450,000.00	75.58	Mainly due to the increasing closing fair value of the share of Merchants Energy Shipping and Merchants Bank.
Construction in progress	374,230,062.19	262,095,452.84	42.78	Mainly due to the investment in Zhongshan GSI Marine Engineering Company Limited, a subsidiary of the Company and other technical innovation investment.
Deferred tax assets	12,189,276.76	6,810,856.62	78.97	Mainly due to the provision of the outstanding housing subsidies for retirees who has enjoyed such subsidies.
Short-term borrowings	797,518,405.77	478,026,177.43	66.84	Mainly due to the more foreign exchange loan borrowed for the foreign exchange payment of importing materials and equipments.
Trading financial liabilities	1,369,224.23	5,199,844.99	-73.67	Mainly due to the change of fair value which was caused by the settlement of partial mature financial derivatives and the fluctuations in exchange.
Notes payable	429,362,642.78	143,660,239.95	198.87	Mainly due to the Company continuously adopted the bank notes for settlement to ensure the rational utilization of the capital.
Accrued employee compensation	7,810,741.62	23,367,012.97	-66.57	Mainly due to provision for annual bonus in the first half of 2009 was paid.
Tax payable	13,444,886.50	126,535,514.31	-89.37	Mainly due to the taxes such as business income taxes for 2008 was paid during the period under review.
Interest payable	13,929,838.31	20,146,276.66	-30.86	Mainly due to the decrease of balance of long-term borrowings.
Dividend payable	79,549,392.89	34,632.88	229,593.27	Mainly was the payable dividend to CSSC, the controlling shareholder of the Company, which has been paid on July 1, 2009.
Non-current liabilities due within one year	521,816,422.86	877,863,362.40	-40.56	Mainly resulted from returning bank loans at term or in advance.
Long-term borrowings	34,159,500.00	205,038,000.00	-83.34	Mainly resulted from returning bank loans at term or in advance.
Provision	116,914,564.33	87,150,182.48	34.15	Mainly due to: <ol style="list-style-type: none"> 1) the increase in the provision for products quality assurance as sales income rising; and 2) the provision of the outstanding housing subsidies for retirees who has enjoyed such subsidies with a total amount of RMB23.46 million.

REPORT OF THE BOARD OF DIRECTORS

2. Income statement items

Unit: RMB

Items	The first half of 2009	The first half of 2008	Change (%)	Reasons of change
General and administrative expenses	163,894,630.99	117,764,019.20	39.17	Mainly due to the provision of the outstanding housing subsidies for retirees who has enjoyed such subsidies with a total amount of RMB23.46 million.
Financial expenses	-64,796,044.24	-214,304,652.89	69.76	Mainly due to that the exchange earning made a decrease of about RMB175 million caused by fluctuations in exchange rate.
Impairment loss	528,814.06	-4,838,623.60	110.93	Mainly due to the provision for impairment of inventory made by subsidiaries of the Company.
Gains from fair value changes	-26,991,382.76	28,855,818.40	-193.54	Mainly due to that some forward foreign exchange forward contracts were settled, and the fluctuation of exchange rate impacted on the fair value on the contracts that are not matured.
Investment income	41,759,317.29	65,206,694.00	-35.96	Mainly due to the decreased investment income of the settlement of some forward foreign exchange forward contracts.
Non-operating income	957,703.78	30,470,778.39	-96.86	Mainly due to the decrease of government subsidies.
Non-operating expenditure	8,497,317.71	1,970,085.77	331.32	Mainly due to the increase of the loss from disposal of property and equipments as the Company eliminated a piping processing product line.
Income tax	40,705,682.33	161,601,107.04	-74.81	1) The decrease of the total profit and the change of tax rate caused the income tax for the period under review made a decrease by RMB58.54 million; and 2) the deferred income tax made a decrease of RMB62.36 million which was caused by the decrease of the deferred income tax liabilities items.

3. Cash flow statement items

Unit: RMB

Items	The first half of 2009	The first half of 2008	Change (%)	Reasons of change:
Net cash flow from operating activities	-114,367,370.86	-617,280,928.42	81.47	Mainly due to that the Company intensifies efforts to reduce cost and increase the efficiency which regulate the expenditure efficiently.
Net cash flow from investing activities	89,458,175.84	-2,260,715,153.34	103.96	Mainly due to more investment in the subsidiaries and renovation & transformation projects.
Net cash flow from financing activities	-361,715,691.10	2,066,247,077.83	-117.51	Mainly resulted from returning bank loans at term or in advance.

V DETAILED INFORMATION ON CHARGES ON ASSETS OF THE GROUP

As at June 30, 2009, fixed deposit amounted to RMB778,723,822.05 has been charged as warrant money and guarantee for foreign currency loans. Apart from disclosed above, no other assets of the group are charged.

VI PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2009, the Company will continuously exert the technical innovation advantages to enhance the research and sale of special vessels and hi-tech vessels, and pay close attention to domestic market and in particular to develop substitutes for single-hull oil tankers and economic vessels to cope with periodicity of shipbuilding market. Faced the financial crisis, the Company will firmly center on the indication of "ensure delivery, strive for orders, strengthen management, reduce cost and prevent risk", complete strategic planning, adjust resource allocation, strictly control costs, avoid risks and improve profitability; sustain management improvement, optimize shipbuilding management process and improve the product quality to achieve the annual shipbuilding goal and maintain the stable and relatively fast growth of the Company.

SIGNIFICANT EVENTS

I CORPORATE GOVERNANCE INFORMATION

1. Corporate Governance Practices

During the period under review, the Company had complied with the Company Law and the Securities Law of the PRC, relevant regulations issued by China Securities Regulatory Commission, the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, and the code provisions set out in the Code of Corporate Governance Practices contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, actively consummated its corporate governance structure, and amended *The Articles of Association, Inner Control System of Connected Transactions and Information Disclosure Management System* to standardize its operations.

2. Securities Transactions by Directors

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organs in relation to securities transactions by directors and has consistently upheld the principle of complying with the most stringent provisions and had adopted the Model Code for Securities Transactions by Directors of Listed Companies. The Company has established *Management System for Holding and Trading the Shares of the Company of Directors, Supervisors and Senior Management*. The Company has made specific inquiry of all its directors for preparing this report and all directors have confirmed that they have complied with Model Code for Securities Transactions by Directors of Listing Companies during the period under review.

3. Meetings of Board of Directors

During the period under review, the Board of Directors of the Company held three meetings, including a meeting by means of written resolutions. All the directors including proxies attended the meetings.

Moreover, the audit committee of the Board held two meetings to review the financial reports for 2008 and the first quarter of 2009 of the Group. The strategy committee held a meeting to discuss and review the development and strategy of the Company. The nomination committee of the Board held a meeting to review and select the candidates for independent non-executive directors. The emolument and examination committee held a meeting to discuss and review the reward policies and reward scheme for executive directors, internal supervisors and senior management.

II THE PROFIT DISTRIBUTION AND THE IMPLEMENTATION

In accordance with the resolution of 2008 annual general meeting held on May 19, 2009, the 2008 profit distribution scheme of the Company is as follows:

- (1) Deduct 10% as statutory public welfare fund, which amounted to RMB77,532,832.02.
- (2) Pay a dividend of RMB0.45 on each ordinary share, on the basis of 494,677,580 in issue shares, and the total dividend will amount to RMB222,604,911. The dividends of A-share and H-share have been implemented on July 2, 2009 and June 30, 2009 respectively.

III THE BOARD OF DIRECTORS OF THE COMPANY ADVISES NO PROFIT DISTRIBUTION OR CAPITAL INCREMENT FOR THE FIRST HALF OF 2009

IV THE IMPLEMENTATION OF THE CASH DIVIDENDS POLICY

During the period under review, the Company amended the Articles of Association to consummate the cash dividend policy which is as follows: On the premise that the annual net profit and cash flow fulfill the Company's normal operation and development, the cumulative cash dividends paid by the Company for the latest three years shall not be less than 30% of the total average distributable profits for the latest three years. The cash dividend paid by the Company for 2008 accounted for 31.9% in the total distributable profit in 2008, and the cumulative cash dividends paid by the Company for the latest three years accounted for 34.1% in the total average distributable profits for the latest three years.

V SIGNIFICANT LITIGATION OR ARBITRATION EVENT

No significant litigation or arbitration events occurred during the period under review.

VI SHARES OF OTHER LISTED COMPANIES POSSESSED BY THE COMPANY AND INVESTMENT INFORMATION

Unit: RMB

Stock Code	Abbreviation	Initial investment cost	Proportion in the interest of the listed company (%)	Book value as at June 30, 2009	Profit and loss during the period under review	Changes in shareholders of the Company	Accounting Subject	Source of the shareholding
600036	Merchants Bank	9,760,150.00	0.081	265,558,500.00	-	-	Available-for-sale financial assets	Purchasing
601872	Merchants Energy Shipping	37,100,000.00	0.29	57,300,000.00	-	-	Available-for-sale financial assets	Purchasing
Total	-	46,860,150.00	-	322,858,500.00	-	-	-	-

SIGNIFICANT EVENTS

VII PROPERTY AND INTEREST TRANSFER

Neither property nor interest transformation occurred during the period under review.

VIII SIGNIFICANT CONNECTED TRANSACTIONS

The contents, amounts and pricing basis of routine connected transactions during the period under review

Unit: RMB

No.	Content and category	Transaction amount	Proportion in the same type of transactions (%)	Pricing basis	Settlement
1	Total materials and labor services supplied to CSSC Group by the Company	52,663,882.16			
1.1	Electro-mechanical facility and metallic material	881,465.12	0.70	Market price or agreed price	Through the bank
1.2	Power Source	1,059,671.63	2.55	Cost plus management fee	Through the bank
1.3	Labor and technology services	50,722,745.41	40.19	Not less than the price to the third parties	Through the bank
2	Total materials and labor services supplied to the Company by CSSC Group	133,119,064.04			
2.1	Electro-mechanical facility, metallic, marine accessories and marine equipment	101,294,020.68	6.43	Market price or agreed price, and not less favorable than the price offered by the third independent parties	Through the bank
2.2	Labor and technology services	31,825,043.36	32.76	Cost plus management fee of 10% or market price	Through the bank
3	Financial services supplied from CSSC Group				
3.1	Deposits	21,825,467.06	0.45	Interest rate on deposits published by the People's Bank of China	Through the bank
3.2	Interest from deposits	34,895.41	0.04		
3.3	Loans	-	-		
3.4	Interest from loans	-	-		
4	Total guarantee fees for guarantee supplied to the Company from CSSC Group	1,233,081.11	28.15	Agreed fee, not less than the price offered by the third independent parties	Through the bank
5	Total sales agency fees	17,481,509.76	38.02	1% of contract price in accordance with international practice	Through the bank
6	Total purchases agency fees	3,020,999.58	0.09	1% to 2% of contract price in accordance with international practice	Through the bank

Since the H-shares of the Company were listed on The Stock Exchange of Hong Kong Limited, the Group had engaged in various continuing connected transactions with the CSSC Group due to the nature of assembly building. Such transactions including importing raw materials and equipment and handling export through subsidiaries of CSSC, purchasing electrical and mechanical equipment from manufacturers under the supervision of CSSC, provision of testing, design, management and subcontracting services by companies controlled by CSSC, and purchase of marine equipments and steel through the materials procurement department of CSSC with its advantage of bargaining ability.

All the transactions were entered into by bidding or on term no worse than that offered by independent third parties. Moreover, the Company makes clear the responsibilities and obligations of both parties in the relevant contracts. Therefore, the transactions did not make impact on independence of the Company, and nor lead to dependence of the Company on any connected parties.

Matters in relation to connected transactions are set out in Connected Transactions in the note (X) to the financial statements prepared under PRC Accounting Standards and Regulations contained in this report.

SIGNIFICANT EVENTS

Unit : RMB

Connected transactions of non-operating credits or debts

Related party	Relationship	Provide fund to related parties		Related parties provide fund to the Company	
		Amount	Balance	Amount	Balance
Guangzhou Shipyard Co., Ltd	Controlled by the same parent company	-	-	5,740.00	10,740.00
China United Shipbuilding Co., Ltd	Controlled by the same parent company	-	-	-	469,396.39
CSSC No. 9 Marine Design and Research Institute	Controlled by the same parent company	-	-	-	923,361.05
China Stated Shipbuilding Corporation(headquarters)	Parent company	-	-	1,620.00	1,620.00
Credits or debts of related parties cause Settlement of credits or debts of related parties	Operation needs Normal				
Commitments to credits or debts of related parties	Not applicable				
The impact of credits or debts of related parties to operating results and financial position	Credits or debts of related parties to operating results and financial position did not have a significant impact.				

IX SIGNIFICANT CONTRACTS AND PERFORMANCES

During the period under review, the Company had not managed any trust, any contract or lease assets of other companies or other companies had not managed any trust, any contract or lease assets of the Company, which occurred during the period under review or occurred before but continued to the period under review, or any other significant contracts about guarantees or trust.

X IMPLEMENTATION OF COMMITMENT

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.

XI APPOINTMENT OR DIMISSION OF THE AUDITORS

Approved by the 2008 annual general meeting, the Company re-appointed Ascenda Certified Public Accountants Limited (Beijing) and Pricewaterhousecoopers as the domestic auditor and international auditor of the Company respectively for the year 2009.

XII PUNISHMENT AND RECTIFICATION OF THE COMPANY, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER OF THE COMPANY

During the period under review, there is no inspection, administrative penalty by China Securities Regulatory Commission nor publicly criticism by stock exchange to the Company and its directors, supervisors, senior management, controlling shareholders and actual controller.

XIII OTHER SIGNIFICANT EVENTS

- Pursuant to approval of the tenth meeting of the sixth term of the Board and the 2008 annual general meeting, first class meeting of domestic shares of 2009 and first class meeting of foreign share of 2009 held on May 19, 2009, the Company terminated the Proposed Acquisition and the Proposed Rights Issue (as defined in the announcement dated June 30, 2008). Due to the significant changes in the securities market since last year, the valuation of the Company's shares had decreased sharply. As the valuation of the acquisition price of Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong") changed accordingly, such acquisition would dilute the earnings and net assets per share, and would also impact on the funds position of the Company, which would not have been fair or reasonable to the Company and the shareholders of the Company as a whole. Therefore, the Board of the Company believed that it is in the interests of the Company and the shareholders of the Company as a whole to terminate the Proposed Rights Issue and the Proposed Acquisition. For more details please refer to the announcement issued by the Company on March 27, 2009 on Shanghai Securities News and on the website of The Stock Exchange of Hong Kong limited Company (www.hkexnews.hk).
- Zhongshan GSI Marine Engineering Company Limited ("Zhongshan Company", a wholly-owned subsidiary of the Company in Torch Development District of Zhongshan City, Guangdong Province) received its business licence on January 19, 2009, and successfully tendered for the land use rights for its production and operation premises in the total area of 530000 square meters at the price of RMB204,799,987.00 on May 7, 2009. The first and second payments totally amounting RMB122,879,992.20 and were paid on May 14 and June 5, 2009 respectively. The rest of the payments will be paid in July and August this year. Related procedures such as application for the land use rights certificate still is processing.
- As at June 30, 2009, the Group has no significant contingent liabilities.
- Gearing ratio**
As at June 30, 2009, the gearing ratio of the Company was 70.19% (72.29% at the beginning of the period). The change is mainly due to the decrease in the total liabilities, in which bank loans decreased significantly.
- There has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the period under review.

FINANCIAL REPORTS

THE FINANCIAL REPORTS FOR THE FIRST SIX MONTHS OF 2009 WERE UNAUDITED.

THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND REGULATIONS

All amounts in renminbi yuan unless otherwise stated

FINANCIAL STATEMENTS

Balance Sheets As at June 30, 2009

Assets	Note	Consolidated		The Company	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current Assets:					
Cash and cash equivalents	1	5,592,705,049.67	6,132,593,874.55	5,389,526,384.34	6,008,183,349.92
Tradable financial assets	2	126,538,898.68	157,360,902.20	121,115,865.84	157,360,902.20
Notes receivable		—	—	—	—
Accounts receivable	3	252,830,783.65	392,666,954.58	140,898,392.22	236,630,301.29
Advances to suppliers	4	399,955,186.40	486,868,845.98	393,920,208.10	435,625,707.10
Interest receivable	5	89,976,423.32	142,294,820.00	89,976,423.32	142,294,820.00
Dividend receivable		—	—	—	255,000.00
Other receivables	6	57,251,127.50	191,817,452.41	114,648,317.48	190,269,833.94
Inventories	7	1,493,777,180.96	1,115,697,445.47	1,414,282,826.58	1,040,462,688.11
Non-current assets due within one year		—	—	—	—
Other current assets		—	—	—	—
Total current assets		8,013,034,650.18	8,619,300,295.19	7,664,368,417.88	8,211,082,602.56
Non-current assets:					
Available-for-sale financial assets	8	325,612,500.00	185,450,000.00	325,612,500.00	185,450,000.00
Held-to-maturity investment		—	—	—	—
Long-term receivables		—	—	—	—
Long-term equity investment	9	37,738,654.66	35,608,067.54	227,271,736.65	127,012,681.53
Investment properties	10	91,689,988.09	94,138,711.50	91,689,988.09	94,138,711.50
Fixed assets	11	1,072,411,292.70	964,998,418.77	1,038,341,714.63	924,194,120.15
Construction in progress	12	374,230,062.19	262,095,452.84	217,386,833.84	261,914,097.64
Construction materials		—	—	—	—
Disposal of fixed assets		—	—	—	—
Intangible assets	13	87,365,580.25	89,828,904.67	81,644,843.27	84,071,652.35
Development expenditure		—	—	—	—
Goodwill		—	—	—	—
Long-term deferrals		—	—	—	—
Deferred tax assets	14	12,189,276.76	6,810,856.62	9,903,116.49	4,661,917.15
Other non-current assets		—	—	—	—
Total of non-current assets		2,001,237,354.65	1,638,930,411.94	1,991,850,732.97	1,681,443,180.32
Total assets		10,014,272,004.83	10,258,230,707.13	9,656,219,150.85	9,892,525,782.88

FINANCIAL REPORTS

Assets	Note	Consolidated		The Company	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Liabilities & shareholders' equity					
Current liabilities:					
Short-term borrowings	16	797,518,405.77	478,026,177.43	747,319,125.00	428,817,000.00
Tradable financial liabilities	17	1,369,224.23	5,199,844.99	1,369,224.23	5,199,844.99
Notes payable	18	429,362,642.78	143,660,239.95	429,362,642.78	143,660,239.95
Accounts payable	19	730,907,470.53	832,918,241.67	693,449,656.06	797,649,531.42
Advances from customers	20	195,332,572.62	218,775,845.39	157,387,853.22	159,117,253.99
Accrued employee compensation	21	7,810,741.62	23,367,012.97	2,738,320.32	17,004,591.67
Taxes payable	22	13,444,886.50	126,535,514.31	9,443,898.35	118,263,883.65
Interest payable	23	13,929,838.31	20,146,276.66	13,711,138.31	20,146,276.66
Other payables	24	28,611,227.86	32,592,043.79	21,830,379.10	23,318,111.37
Dividend payable		79,549,392.89	34,632.88	79,549,392.89	34,632.88
Non-current liabilities due within one year	25	521,816,422.86	877,863,362.40	521,816,422.86	877,863,362.40
Other current liabilities	26	3,966,133,822.63	4,278,333,045.78	3,966,133,822.63	4,279,122,484.28
Total of current liabilities		6,785,786,648.60	7,037,452,238.22	6,644,111,875.75	6,870,197,213.26
Long-term liabilities:					
Long-term borrowings	27	34,159,500.00	205,038,000.00	34,159,500.00	205,038,000.00
Bonds payable		—	—	—	—
Long-term payables		—	—	—	—
Special payables	28	24,570,000.00	24,570,000.00	24,570,000.00	24,570,000.00
Provision	29	116,914,564.33	87,150,182.48	116,914,564.33	87,150,182.48
Deferred tax liabilities	30	59,384,848.74	55,440,080.20	59,384,848.74	55,440,080.20
Other long-term liabilities	31	8,335,482.49	5,714,990.79	8,335,482.49	5,714,990.79
Total of long-term liabilities		243,364,395.56	377,913,253.47	243,364,395.56	377,913,253.47
Total liabilities		7,029,151,044.16	7,415,365,491.69	6,887,476,271.31	7,248,110,466.73
Shareholders' equity:					
Share capital	32	494,677,580.00	494,677,580.00	494,677,580.00	494,677,580.00
Capital Surplus	33	886,697,710.67	767,559,585.67	886,697,710.67	767,559,585.67
Less: treasury stock		—	—	—	—
Surplus reserves	34	253,023,883.94	253,023,883.94	251,848,071.77	251,848,071.77
Common risk provision		—	—	—	—
Retained earnings	35	1,251,246,298.07	1,232,098,604.09	1,135,519,517.10	1,130,330,078.71
Translation differences with foreign currency		—	—	—	—
Equity attributable to the Company's shareholders		2,885,645,472.68	2,747,359,653.70	2,768,742,879.54	2,644,415,316.15
Minority Interest	36	99,475,487.99	95,505,561.74	—	—
Total shareholders' equity		2,985,120,960.67	2,842,865,215.44	2,768,742,879.54	2,644,415,316.15
Total liabilities & shareholders' equity		10,014,272,004.83	10,258,230,707.13	9,656,219,150.85	9,892,525,782.88

FINANCIAL REPORTS

Consolidated Income Statement For the six months ended June 30, 2009

	Note	Consolidated		The Company	
		Six months ended June 30 2009	2008	Six months ended June 30 2009	2008
Operating income	37	3,134,482,784.42	3,077,202,691.70	2,928,394,544.42	2,849,279,612.20
Less: Operating cost	37	2,719,916,138.87	2,566,412,773.25	2,547,230,019.01	2,366,620,647.63
Taxes and surcharge	38	7,931,881.19	8,216,521.56	5,940,579.58	6,636,876.53
Selling expenses	39	27,317,470.41	28,710,868.64	24,688,156.12	26,243,409.22
General and administrative expenses	39	163,894,630.99	117,764,019.20	147,715,221.15	107,153,767.91
Financial expenses	39	-64,796,044.24	-214,304,652.89	-62,622,777.18	-220,680,904.23
Impairment loss	40	528,814.06	-4,838,623.60	-	-
Add: Gains/Losses from fair value changes	41	-26,991,382.76	28,855,818.40	-32,414,415.60	28,855,818.40
Investment income	42	41,759,317.29	65,206,694.00	40,397,785.11	64,167,331.71
Operating Profit		294,457,827.67	669,304,297.94	273,426,715.25	656,328,965.25
Add: Non-operating income	43	957,703.78	30,470,778.39	492,185.24	30,188,148.21
Less: Non-operating expenditures	44	8,497,317.71	1,970,085.77	8,432,312.66	1,345,480.53
Income before taxes		286,918,213.74	697,804,990.56	265,486,587.83	685,171,632.93
Less: Income tax	45	40,705,682.33	161,601,107.04	37,692,238.44	159,567,177.18
Net Profit		246,212,531.41	536,203,883.52	227,794,349.39	525,604,455.75
Net profit attributable to shareholders of the Company		241,752,604.98	533,128,878.53	227,794,349.39	525,604,455.75
Minority interest	46	4,459,926.43	3,075,004.99	-	-
Earnings per share					
Basic EPS		0.49	1.08	-	-
Diluted EPS		-	-	-	-
Other Comprehensive Income	47	119,138,125.00	-168,279,544.03	119,138,125.00	-168,279,544.03
Total Comprehensive Income		365,350,656.41	367,924,339.49	346,932,474.39	357,324,911.72
Comprehensive income attributable to the shareholders of the Company		360,890,729.98	364,849,334.50	346,932,474.39	357,324,911.72
Comprehensive income attributable to minority shareholders		4,459,926.43	3,075,004.99	-	-

FINANCIAL REPORTS

Consolidated Cash Flow Statement For the six months ended June 30, 2009

	Consolidated		The Company	
	Six months ended June 30 2009	2008	Six months ended June 30 2009	2008
Cash flows from operating activities:				
Cash received from the sale of goods or rendering of services	2,884,299,113.39	2,849,106,810.06	2,219,063,868.67	2,378,998,370.10
Refunds of taxes	288,653,368.24	269,257,270.62	288,475,802.95	267,174,959.91
Cash received from other operating activities	17,281,959.21	24,507,769.60	5,126,753.75	6,418,868.00
Total of cash inflows from operating activities	3,190,234,440.84	3,142,871,850.28	2,512,666,425.37	2,652,592,198.01
Cash paid for goods and services	2,696,046,361.17	3,014,938,898.91	2,317,261,977.27	2,551,612,166.89
Cash paid to and on behalf of employees	376,459,357.68	337,393,803.36	202,566,244.51	224,161,519.66
Payments of all taxes	209,098,245.17	309,742,958.89	178,675,516.61	287,702,855.97
Payments for other operating activities	22,997,847.68	98,077,117.54	58,438,979.52	73,984,491.37
Total of cash out flows for operating activities	3,304,601,811.70	3,760,152,778.70	2,756,942,717.91	3,137,461,033.89
Net cash flows from operating activities	-114,367,370.86	-617,280,928.42	-244,276,292.54	-484,868,835.88
Cash flows from investing activities:				
Proceeds from return on investments	-	10,430,695.00	-	10,430,695.00
Including: Proceeds from sale of subsidiary company	-	-	-	-
Proceeds from return on investment	146,861,492.77	63,731,676.24	147,116,492.77	63,731,676.24
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	4,373,573.04	253,963.83	167,946.14	191,713.83
Proceeds from other investing activities	186,611,549.82	51,927,738.52	186,299,850.10	51,897,550.12
Total of cash inflows from investing activities	337,846,615.63	126,344,073.59	333,584,289.01	126,251,635.19
Payments for fixed assets, intangible assets and other long-term assets	248,388,439.79	78,282,207.68	91,497,058.02	75,265,188.84
Payments for investments	-	10,430,695.00	100,000,000.00	10,430,695.00
Payments for other investing activities	-	2,298,346,324.25	-	2,298,152,850.00
Total of cash out flows for investing activities	248,388,439.79	2,387,059,226.93	191,497,058.02	2,383,848,733.84
Net cash flows from investing activities	89,458,175.84	-2,260,715,153.34	142,087,230.99	-2,257,597,098.65
Cash flows from financing activities:				
Proceeds from capital contributions	-	-	-	-
Including: proceeds from capital contributions from minority interests of subsidiaries	-	-	-	-
Proceeds from borrowings	797,081,905.77	3,041,581,222.38	746,882,625.00	2,722,380,460.00
Other proceeds relating to financing activities	13,495,800.37	11,829,793.54	-	2,000,000.00
Total of cash inflows from financing activities	810,577,706.14	3,053,411,015.92	746,882,625.00	2,724,380,460.00
Repayments of borrowings	1,004,401,197.53	670,802,097.02	955,197,600.00	496,607,914.00
Distribution of dividends or profits and interests payments	167,507,447.66	309,234,435.62	166,401,678.57	308,078,359.80
Including: Dividend and profits paid to minority interests	-	-	-	-
Payments for other financing activities	384,752.05	7,127,405.45	27,806.94	15,099.41
Including: Payments to minor shareholders due to the legal capital reduction of subsidiaries	-	-	-	-
Total of cash out flows for financing activities	1,172,293,397.24	987,163,938.09	1,121,627,085.51	804,701,373.21
Net cash flows from financing activities	-361,715,691.10	2,066,247,077.83	-374,744,460.51	1,919,679,086.79
Effect of exchange rate changes on cash	2,975,285.89	-3,508,092.58	1,022,556.48	-4,800,908.30
Net increase(decrease) in cash and cash equivalents	-383,649,600.23	-815,257,096.51	-475,910,965.58	-827,587,756.04
Add: Cash and cash equivalents at the beginning of the period	5,197,630,827.85	6,739,631,979.44	5,088,610,548.91	6,698,359,234.53
Cash and cash equivalents at the end of the period	4,813,981,227.62	5,924,374,882.93	4,612,699,583.33	5,870,771,478.49
Net increase(decrease) in cash and cash equivalents	-383,649,600.23	-815,257,096.51	-475,910,965.58	-827,587,756.04

FINANCIAL REPORTS

Consolidated Statement of Changes in Equity For the six months ended June 30, 2009

		For the six months ended June 30, 2009						Minor	Total
		Shareholders' Equity Attributable to the Company						shareholders'	shareholders'
		Share capital	Capital Surplus	Treasury stock	Less: Surplus reserves	Retained earnings	Others	equity	equity
I	Balance – December 31, 2008	494,677,580.00	767,559,585.67	-	253,023,883.94	1,232,098,604.09	-	95,505,561.74	2,842,865,215.44
	Add: increase(decrease) in profit due to								
	Changes in accounting policies	-	-	-	-	-	-	-	-
	Prior period errors adjustments	-	-	-	-	-	-	-	-
II	Balance – January 1, 2009	494,677,580.00	767,559,585.67	-	253,023,883.94	1,232,098,604.09	-	95,505,561.74	2,842,865,215.44
III	Increase(decrease) in current period	-	119,138,125.00	-	-	19,147,693.98	-	3,969,926.25	142,255,745.23
	(i) Net profit	-	-	-	-	241,752,604.98	-	4,459,926.43	246,212,531.41
	(ii) Unrealized gain/Losses directly recognized in equity	-	119,138,125.00	-	-	-	-	-	119,138,125.00
	1. Net changes on fair value of available-for-sale financial assets	-	119,138,125.00	-	-	-	-	-	119,138,125.00
	2. Share of changes in investee equity under equity method	-	-	-	-	-	-	-	-
	3. Influences of income tax on equity items	-	-	-	-	-	-	-	-
	4. Others	-	-	-	-	-	-	-	-
	Sub-total of (i)&(ii)	-	119,138,125.00	-	-	241,752,604.98	-	4,459,926.43	365,350,656.41
	(iii) Movement of paid in capital by shareholders	-	-	-	-	-	-	-	-
	1. Capital Contributions	-	-	-	-	-	-	-	-
	2. Share-based payment	-	-	-	-	-	-	-	-
	3. Others	-	-	-	-	-	-	-	-
	(iv) Profit distribution	-	-	-	-	-222,604,911.00	-	-490,000.18	-223,094,911.18
	1. Appropriation of statutory surplus reserves	-	-	-	-	-	-	-	-
	2. Profit distributed to shareholders	-	-	-	-	-222,604,911.00	-	-490,000.18	-223,094,911.18
	3. Others	-	-	-	-	-	-	-	-
	(v) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
	1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-
	2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-
	3. Transfer from surplus reserves to retained earnings	-	-	-	-	-	-	-	-
IV	Balance – June 30, 2009	494,677,580.00	886,697,710.67	-	253,023,883.94	1,251,246,298.07	-	99,475,487.99	2,985,120,960.67
		For the six months ended June 30, 2008						Minor	Total
		Shareholders' Equity Attributable to the Company						shareholders'	shareholders'
		Share capital	Capital Surplus	Treasury stock	Less: Surplus reserves	Retained earnings	Others	equity	equity
I	Balance – December 31, 2007	494,677,580.00	1,044,766,481.52	-	175,491,051.92	736,574,570.94	-	75,848,694.17	2,527,358,378.55
	Add: increase(decrease) in profit due to								
	Changes in accounting policies	-	-	-	-	-	-	-	-
	Prior period errors adjustments	-	-	-	-	-	-	-	-
II	Balance – January 1, 2008	494,677,580.00	1,044,766,481.52	-	175,491,051.92	736,574,570.94	-	75,848,694.17	2,527,358,378.55
III	Increase(decrease) in current period	-	-168,279,544.03	-	-	285,790,088.53	0.00	3,075,004.98	120,585,549.48
	(i) Net profit	-	-	-	-	533,128,878.53	-	3,075,004.98	536,203,883.51
	(ii) Unrealized gain/Losses directly recognized in equity	-	-168,279,544.03	-	-	-	-	-	-168,279,544.03
	1. Net changes on fair value of available-for-sale financial assets	-	-168,279,544.03	-	-	-	-	-	-168,279,544.03
	2. Share of changes in investee equity under equity method	-	-	-	-	-	-	-	-
	3. Influences of income tax on equity items	-	-	-	-	-	-	-	-
	4. Others	-	-	-	-	-	-	-	-
	Sub-total of (i)&(ii)	-	-168,279,544.03	-	-	533,128,878.53	-	3,075,004.98	367,924,339.48
	(iii) Movement of paid in capital	-	-	-	-	-	-	-	-
	1. Capital Contributions	-	-	-	-	-	-	-	-
	2. Share-based payment	-	-	-	-	-	-	-	-
	3. Others	-	-	-	-	-	-	-	-
	(iv) Profit distribution	-	-	-	-	-247,338,790.00	-	-	-247,338,790.00
	1. Appropriation of statutory surplus reserves	-	-	-	-	-	-	-	-
	2. Profit distributed to owners (or shareholders)	-	-	-	-	-247,338,790.00	-	-	-247,458,790.00
	3. Others	-	-	-	-	-	-	-	-
	(v) Transfers within owner's equity	-	-	-	-	-	-	-	-
	1. Transfer from capital reserves to share capital	-	-	-	-	-	-	-	-
	2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-
	3. Transfer from surplus reserves to undistributed profit	-	-	-	-	-	-	-	-
IV	Balance – December 31, 2008	494,677,580.00	876,486,937.49	-	175,491,051.92	1,022,364,659.47	-	78,923,699.15	2,647,943,928.03

FINANCIAL REPORTS

The Company's Statement of Changes in Equity For the six months ended June 30, 2009

		For the six months ended June 30, 2009						Total
Items	Share capital	Capital Surplus	Less: Treasury stock	Surplus reserves	Retained earnings	Others	shareholders' equity	
I	Balance – December 31, 2008	494,677,580.00	767,559,585.67	-	251,848,071.77	1,130,330,078.71	2,644,415,316.15	
	Add: increase(decrease) in profit due to							
	Changes in accounting policies	-	-	-	-	-	-	
	Prior period errors adjustments	-	-	-	-	-	-	
II	Balance – January 1, 2009	494,677,580.00	767,559,585.67	-	251,848,071.77	1,130,330,078.71	2,644,415,316.15	
III	Increase(decrease) in current period	-	119,138,125.00	-	-	5,189,438.39	124,327,563.39	
	(i) Net profit	-	-	-	-	227,794,349.39	227,794,349.39	
	(ii) Unrealized gain/Losses directly recognized in equity	-	119,138,125.00	-	-	-	119,138,125.00	
	1. Net changes on fair value of available-for-sale financial assets	-	119,138,125.00	-	-	-	119,138,125.00	
	2. Share of changes in investee equity under equity method	-	-	-	-	-	-	
	3. Influences of income tax on equity items	-	-	-	-	-	-	
	4. Others	-	-	-	-	-	-	
	Sub-total of (i)&(ii)	-	119,138,125.00	-	-	227,794,349.39	346,932,474.39	
	(iii) Movement of paid in capital by shareholders	-	-	-	-	-	-	
	1. Capital Contributions	-	-	-	-	-	-	
	2. Share-based payment	-	-	-	-	-	-	
	3. Others	-	-	-	-	-	-	
	(iv) Profit distribution	-	-	-	-	-222,604,911.00	-222,604,911.00	
	1. Appropriation of statutory surplus reserves	-	-	-	-	-	-	
	2. Profit distributed to shareholders	-	-	-	-	-222,604,911.00	-222,604,911.00	
	3. Others	-	-	-	-	-	-	
	(v) Transfers within shareholders' equity	-	-	-	-	-	-	
	1. Transfer from capital reserves to share capital	-	-	-	-	-	-	
	2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	
	3. Transfer from surplus reserves to retained earnings	-	-	-	-	-	-	
IV	Balance – June 30, 2009	494,677,580.00	886,697,710.67	-	251,848,071.77	1,135,519,517.10	2,768,742,879.54	

		For the six months ended June 30, 2008						Total
Items	Share capital	Capital Surplus	Less: Treasury stock	Surplus reserves	Retained earnings	Others	shareholders' equity	
I	Balance – December 31, 2007	494,677,580.00	1,044,766,481.52	-	174,315,239.75	679,699,187.87	2,393,458,489.14	
	Add: increase(decrease) in profit due to							
	Changes in accounting policies	-	-	-	-	-	-	
	Prior period errors adjustments	-	-	-	-	-	-	
II	Balance – January 1, 2008	494,677,580.00	1,044,766,481.52	-	174,315,239.75	679,699,187.87	2,393,458,489.14	
III	Increase(decrease) in current period	-	-168,279,544.03	-	-	278,265,665.75	109,986,121.72	
	(i) Net profit	-	-	-	-	525,604,455.75	525,604,455.75	
	(ii) Unrealized gain/Losses directly recognized in equity	-	-168,279,544.03	-	-	-	-168,279,544.03	
	1. Net changes on fair value of available-for-sale financial assets	-	-168,279,544.03	-	-	-	-168,279,544.03	
	2. Share of changes in investee equity under equity method	-	-	-	-	-	-	
	3. Influences of income tax on equity items	-	-	-	-	-	-	
	4. Others	-	-	-	-	-	-	
	Sub-total of (i)&(ii)	-	-168,279,544.03	-	-	525,604,455.75	357,324,911.72	
	(iii) Movement of paid in capital	-	-	-	-	-	-	
	1. Capital Contributions	-	-	-	-	-	-	
	2. Share-based payment	-	-	-	-	-	-	
	3. Others	-	-	-	-	-	-	
	(iv) Profit distribution	-	-	-	-	-247,338,790.00	-247,338,790.00	
	1. Appropriation of statutory surplus reserves	-	-	-	-	-	-	
	2. Profit distributed to owners (or shareholders)	-	-	-	-	-247,338,790.00	-247,338,790.00	
	3. Others	-	-	-	-	-	-	
	(v) Transfers within owner's equity	-	-	-	-	-	-	
	1. Transfer from capital reserves to share capital	-	-	-	-	-	-	
	2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	
	3. Transfer from surplus reserves to undistributed profit	-	-	-	-	-	-	
IV	Balance – December 31, 2008	494,677,580.00	876,486,937.49	-	174,315,239.75	957,964,853.62	2,503,444,610.86	

NOTES TO THE FINANCIAL STATEMENTS

Prepared by : Guangzhou Shipyard International Company Limited

I. BRIEF INTRODUCTION TO THE COMPANY

Guangzhou Shipyard International Company Limited ("the Company") was reorganized in 1993 from Guangzhou Shipyard, and incorporated in the PRC as a joint venture limited company. Upon approval, the Company was registered as a Sino-foreign joint limited company on October 21st 1994. The Company's registered capital amounts to RMB494, 677,580, and its legal representative is Li Zhushi.

The Company belongs to shipbuilding industry. The principal business scope covers: shipbuilding, steel structure engineering, and other mechanical and electrical equipment manufacturing and installing. In addition to large vessels, 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.

The Company's parent company is China State Shipbuilding Corporation (CSSC), and the actual controller is State-owned Assets Supervision and Administration Commission of the State Council.

II. BASIS OF FINANCIAL STATEMENTS PREPARATION

The Company prepared financial statements according to the Accounting Standards for Business Enterprises [Cai Kuai (2006) No.3] issued on February 15, 2006 and its supplementary rules.

The financial statements have been prepared on the going concern and accrual basis, and recognized, measured and reported based on actual transactions and events, in accordance with Accounting Standards for Business Enterprises-Basic Standard and other specific accounting standards, guidelines and explanations. Estimations and assumptions are applied when preparing qualified financial statements according to the requirements of Accounting Standards for Business Enterprises, which would affect presentation and disclosure of asset, liability and contingencies as at balance sheet date, and reporting revenue and expense.

III. STATEMENT OF COMPLIANCE

The financial statements have been prepared in conformity with China Accounting Standards for Business Enterprise issued by the Ministry of Finance in February 2006, truly and fully reflecting the Company's financial conditions, operating results, cash flows and relating information.

IV. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES

1. Accounting period

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

2. Currency Presented in Accounting Records

Accounting records are maintained in Renminbi.

3. Basis of Accounting

Recognition, measurement and reporting are based upon accrual system, and debit and credit accounting is applied.

4. Basis of Measurement

Basically, valuation bases upon cost of acquisition, and replacement costing, recoverable value, discounted present value or fair value are specially required by accounting standards.

5. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. 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 date when the transactions take place. At the balance sheet date, the monetary items denominated in foreign currencies are adjusted in accordance with the spot rate quoted by the People's Bank of China, exchange difference arose from the adjustment should be recognized in the current profit or loss except those that could be capitalized when purchasing or constructing assets. Foreign currency non-monetary items measured at historical cost shall continue to be translated at the spot exchange rates at the dates of the transactions; the amounts in functional currency shall remain unchanged.

FINANCIAL REPORTS

7. Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale, and held-to-maturity. The classification depends on the purpose and for which the financial assets were acquired and the ability of holding. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss, including financial assets held for trading and those designed as at fair value through profit or loss, are recognized initially at fair value with relevant transaction fees charged to current profit and loss. Considerations include declared cash dividends or matured interests are recognized as receivables. Cash dividends and interest receivable during holding period are recognized as investment income. At the balance sheet date, change of fair value of the financial assets should be charged to current profit or loss. When disposed of, difference between the fair value and initial measurement of the financial asset is recognized as investment income, and concurrently adjustment shall be made for gain or loss arising from change in fair value.

(b) *Accounts receivable and provision for doubtful debts*

Initial recognition is based upon consideration or contract value of receivables. In cases where debtors are bankrupt or dead, unrecoverable amount after settlement out of liquidation or property; debtors overdue and certify it is impossible to get back after litigation process, the receivables are recognized as bad debt loss.

Allowance method is applied when accounting bad debt. On balance sheet date, except for receivables between associated companies within consolidation scope, the Company shall assess the significant receivables individually for impairment, and recognize the amount of impairment as the difference between discounted present value of future cash flow and the carrying amount. If there is no indication of impairment, receivables together with the insignificant amounts shall be assessed collectively in groups of similar credit risk characteristics, and 0.5% of the receivable balances shall be accounted as impairment amount, i.e. bad debt allowance.

If the Company finance with receivables including factoring, pledge or discounting the receivables to financial institutions and the Company shall bear the repayment responsibility in case the ultimate debtor overdues, the receivables shall be treated as pledge for loans; if the Company has no repayment responsibility, the transfer should be recognized and the profit and loss should be accounted.

When the Company recovers the receivables, the difference between the consideration paid and the carrying amount of the receivables should be charged to current profit or loss.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are those financial assets other than financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables.

The original cost of these financial assets is stated at the sum of their fair value and related business charges. If included in the original cost, the interest accrued and dividends receivable shall be recognized independently and shall be recognized as the current investment income when received. At balance sheet date, available-for-sale financial assets are measured at fair value and their changes in fair value are charged to capital surplus, transferred to profit or loss when the financial assets are disposed.

If the fair value of available-for-sale financial assets continued to fall greatly, and the falling is not temporary, the amount of original cost deducting original capital received, amortization and current fair value shall be recognized as impairment loss, and in the mean time, the aggregate losses originally charged to owner's equity shall be transferred to asset impairment losses.

When disposed of, the balance between selling price and book value shall be charged to investment income, and the accumulative amount of the changes of the fair value originally charged to the owner's equities shall be transferred to investment income.

Determination of Fair Value

The fair values of quoted investments are based on current bid prices of an active market. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

8. Inventories

Inventories of the Company are finished goods or merchandise held by an enterprise for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

Inventories of the Company are valued on the basis of cost, which include:

- (1) Raw materials and low-value consumables are stated at standard costs and actual 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.

The Company adopts perpetual inventory method to account inventories and stocktaking is performed periodically. Gain or loss discovered in stock-taking shall be recognized in current period.

At balance sheet date, inventories are stated at the lower of cost and net realizable value. If the carrying amount of inventories exceed their net realizable value due to obsolesce, out-of date, or low selling price, or estimated loss in construction, provision for impairment of inventory should be made to profit or loss account. Methods of making provision for impairment of inventories include:

- (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 cost and net realizable value.
- (2) For construction contract (long-term contracted construction), provision is made on the basis of estimated loss incurred during the contracted period.
- (3) 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.

9. Long-term equity investments

The company's long-term equity investments include investments in subsidiaries, associate companies, and jointly controlled entities.

Investment in subsidiaries

Investment in subsidiaries is measured at cost of initial acquisition. For an investment involving business combination, initial recognition refers to Note (23) Business Combination. Subsequent addition to or retrieving of the long-term equity investment should adjust the recording cost.

Long-term equity investments will be accounted for using the cost method and adjusted to equity method when preparing consolidated financial statements. Cash dividend or profit distributions declared by the investee will be recognized as investment income in the current period. However, investment income recognized by the investing enterprise will be limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividend or distribution received in excess of this amount will be treated as a recovery of initial investment cost.

Investment in associates and jointly controlled entities

When the Company can exercise joint control or significant influence over the investee, a long-term equity investment will be accounted for using the equity method. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Where an investing enterprise can exercise joint control over the investee, the investee is its jointly controlled enterprise. Significant influence is the power to participate in the financial and operating policy decisions of investee but is not control or joint control over those polices. Where an investing enterprise can exercise significant influence over the investee, the investee is its associate.

Where the initial investment cost of a long-term equity investment exceeds the Company's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment will be made to the initial investment cost. Where the initial investment cost is less than the Company's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference will be charged to profit or loss for the current period, and the cost of the long-term equity investment will be adjusted accordingly.

After the Company has acquired a long-term equity investment, it will recognize its share of the net profits or losses made by the investee as investment income or losses, and adjust the carrying amount of the investment accordingly. The carrying amount will be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributed to the Company.

Other long-term equity investments

For an investee unit that does not under a common control or significant influence, and there is no active market quotations, the fair value measurement cannot be applied to long-term equity investments reliably, then valuation of that long-term investment will based upon cost, and subsequent measurement will adopt cost method.

Impairment of long-term equity investments

At the balance sheet date, if there is indication of impairment, recoverable amount should be measured reasonably. If the recoverable amount of long-term equity investments is less than book value, then the Company reduces book value to its recoverable amount, and recognizes the amount of write downs as impairment loss through profit or loss. Once impairment of long-term equity investments is recognized, it cannot be reversed in later accounting period.

FINANCIAL REPORTS

10. Investment Property

Investment property of the Company includes buildings holding for earning rental.

Investment property of the Company is measured initially at its cost. The cost of a purchased investment property comprises its purchase price, related taxes and fees, and other directly attributable expenditures. The cost of a self-constructed investment property consists of all necessary expenditure incurred for bringing the asset to working condition for its intended use.

The Company subsequently measures the investment property through the cost pattern, and makes depreciation in accordance with its estimated useful life and net salvage value. Hereby presented the estimated useful life, net salvage value and annual depreciation rate:

Estimated Useful Life (Year)	Estimated Net Residual Value Rate (%)	Annual Depreciation Rate
45~70	3%	1.39%~2.16%

When the purpose of investment property has changed, it shall be converted from the investment property to other assets or vice versa. The carrying value of the property prior to the conversion shall be entry value after conversion.

When the recoverable amount of investment property is lower than its book value on the balance sheet date, the book value shall be written down to the recoverable amount, the write-down amount shall be included in the current profits and losses, and the corresponding provision shall be made in the meantime. Once made, the provision of investment property shall not be reversed in the future accounting periods.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, discarded, damaged or destroyed, the Company shall deduct the book value of it as well as the relevant taxes from the disposal income, and include the residual amount in the current profits and losses.

11. Fixed Assets and Depreciation

Fixed assets refer to tangible assets that can be used for more than one accounting year, including other equipments related to the production and business. Fixed assets are stated at actual cost upon acquisition.

Fixed assets of the Company are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, value-added tax, import custom duties and other related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use. The cost of a fixed asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except when the value stipulated in the contract or agreement is not fair.

The Company provides depreciation for all its fixed assets other than fully depreciated fixed assets that are still in use and calculates depreciation based upon straight-line method.

The Company reasonably determines the useful life and estimates net residual value of a fixed asset according to the nature and use pattern of the fixed asset. At each financial year-end, the Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied. If it differs from its previous estimate, adjustment will be made accordingly.

The estimated useful life and annual rates of depreciation for various categories of fixed assets are listed below:

Classifications	Useful life	Estimated Residual value Rate	Annual Depreciation rate (%)
Buildings	8~50	3%-10%	1.8%~12.13%
Machinery and equipment	6~20	3%-10%	4.5%~16.17%
Vehicles	10~15	3%-10%	6.47%~9.7%
Others	5~50	3%-10%	2.57%~12.13%

At the balance date, if the recoverable amount of fixed assets are less than the original carrying amount, then reduces fixed assets to its recoverable amount, the difference is charged to profit or loss for the current period, at the same time, corresponding provisions for asset impairment must be made, and once made, it cannot be reversed in later accounting period.

Fixed assets will be derecognized on disposal or when the fixed assets are permanently withdrawn from use and no future economic benefits are expected from its disposal. When fixed assets is sold, transferred, retired or damaged, the Company will recognize the amount of any proceeds on disposal deducting the carrying amount and related taxes in profit or loss for the current period.

12. Construction-in-progress

Construction-in-progress is stated at cost. The relevant interests are included as project cost before the property reaches its conditions of intended use.

For the project has reached its intended use but not yet settle the final account for completed project, the asset is recorded in accordance with an estimated value to determine their costs and depreciation. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on previous estimated value of the project, but need not adjust depreciation retrospectively.

At the balance sheet date, the value of construction-in-progress is calculated in accordance with the lower of carrying amount and recoverable value. When the recoverable value is lower than carrying amount, the difference will be determined as provision for impairment of construction-in-progress on single asset basis. The provision could not be reversed after recognition.

13. Intangible assets and research and development expenditure

Intangible asset of the Company is identifiable non-monetary asset without physical substance owned or controlled by the Company, including land using right and know-how without patent.

Intangible assets are initially measured at actual cost, which is equivalent to the purchase price and related charges. If the contracted value is not fair, it should be valued at fair value.

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an individual project is recognized only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future sales. During the period when the asset is not yet in use, it is tested for impairment annually.

Amortization is provided to write off the cost evenly over the useful lives from the month it is acquired. Intangible assets are not amortized where the useful lives of intangible assets cannot be ascertained but subject to impairment test annually. The amortization variables are listed as follows:

Category	Useful Life	Amortization Method
Land using right	50 year	Straight-line
Know-How without patent	5-10 year	Straight-line

At the balance sheet date, the Company will make impairment provision by difference between the book value and the recoverable amount of the intangible assets when intangible assets devalue. The provision could not be reversed after recognition.

14. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use, are capitalized as part of the cost of those assets. Other borrowing costs are recognized as expenses when incurred. Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

When the following three requirements are met simultaneously, the expenses of loan in order to purchase or construct assets are capitalized and covered by the cost of the asset.

- (1) The payout (only including cash paid, transferred non-currency assets or holding debt liability) has been occurred.
- (2) The expenses of loan have been occurred.
- (3) The action of buy and construction, which are indispensable in order to reach the scheduled workable condition, has begun.

During the capitalization period, the amount of interest to be capitalized for each accounting period will be determined as such: where funds are borrowed under a specific-purpose borrowing for the acquisition construction or production of a qualifying asset, the amount of interest to be capitalized will be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; where funds are borrowed under general-purpose borrowing and are utilized for the acquisition, construction or production of a qualifying asset, the Company will determined the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings (the capitalization rate will be the weighted average of the interest rates applicable to the general-purpose borrowings). The amount of interest capitalized for each accounting period cannot exceed the actual amount of interest incurred on the related borrowings during that accounting period.

Capitalization of borrowing costs will be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods will be recognized as an expense for the current period until the acquisition, construction or production is resumed. However, capitalization of borrowing costs will continue when the interruption is a necessary part of the process of preparing that asset for its intended use or sale.

Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use.

FINANCIAL REPORTS

15. Financial Liabilities

The Company's financial liabilities include: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (a) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (b) the financial liability are not derivatives as effective hedging instrument.

The Company value the financial liability on the basis of fair value, without any deduction for transaction costs it may incur upon future disposal, otherwise, the financial liability shall be valued based upon amortized cost.

Other financial liability is financial liability other than financial liabilities at fair value through profit or loss, mostly composed of trade payables. Initial cost is recognized as the sum of the fair value of financial liability and related transaction cost. Subsequent measurement is based upon amortized cost.

Determination of Fair Value

The fair values of quoted investments are based on current bid prices of an active market. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

16. Accrued Employee Compensation

Employee benefits are all forms of consideration given and other relevant expenditures incurred by an enterprise in exchange for service rendered by employees, including employee wages, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, union running costs and employee education costs, non-monetary benefits, severance payments, and other expenditures incurred in exchange for service rendered by employees.

When the Company sever labor relation with staffs, on the staffs' freewill or compulsory, and the plans of severing labor relation have be clarify formally and cannot be canceled unilaterally, the related compensation to staffs shall be recognized as estimated debts and charged to current profit or losses.

Other employee benefits are recognized as liability and changed to corresponding product cost, service cost, asset cost and current profits or losses in the corresponding accounting period.

17. Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

A provision will be initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties, and time value of money will be taken into account as a whole in reaching the best estimate. When the effect of the time value is material, provisions are discounted to the best estimates from relevant future cash flows. The Company will review the carrying amount of a provision at the balance date, and adjust the book value to the best estimates.

18. Deferred Income

Differed income of the Company is the portion of government grant to be reported in future period. Relevant accounting treatment refers to IV20.

19. Revenue

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. It is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

If the collection of the receivables stipulated in the contract or agreement is on installments, and if it is financing in nature, the revenue incurred by selling goods shall be recognized at the fair value based upon the contract or agreement.

Revenue from rendering of services

Revenue from rendering of services is recognized when the contract has been executed and the sum of money in contract or the evidence of collecting money has been received.

When the Company has entered into a contract or an agreement comprising both sale of goods and rendering of services, if the sale of goods component and the services component can be separately identifiable and measurable, the sale of goods component will be accounted for as sale of goods and the services component will be accounted for as rendering of services. If the sale of goods component and the services component cannot be separately identifiable, or cannot be separately measurable despite being separately identifiable, both the sale of goods component and the services component will be accounted for as sale of goods.

Use by Others of Enterprise Assets

Revenue from use by others of enterprise assets is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognized on a time-proportion basis using the effective interest method, which are determined according to the period and calculation required by related contract and agreements.

Construction Contracts

When the outcome of a construction contract can be estimated reliably at the balance date, contract revenue and contract expenses will be recognized using the percentage of completion method. When the outcome of a construction contract cannot be estimated reliably, different accounting treatments will be adopted depending on the circumstances: (a) if contract costs can be recovered, contract revenue will be recognized to the extent of the contract costs that can be recovered; and contract costs will be recognized as contract expenses in the period in which they are incurred; (b) if contract costs cannot be recovered, they will be recognized as contract expenses immediately when incurred and contract revenue will not be recognized. If the estimated total contract costs exceed total contract revenue, the expected loss will be recognized immediately as an expense for the current period.

When the result of construction contract is foreseeable, it is to calculate the business income on basis of the percentage of the construction progress when settle accounts, and to calculated the business cost on basis of the same percentage of scheduled cost. The provision for loss, which consists of the whole cost of construction, will be made when foreseeable loss. Generally, in accordance with the situation of the Company could anticipate the result for the contracts of a long-term project such as a first-made shipbuilding contract (or new order) reasonably when the construction progress reached 50%. And for the ships of batch production, the Company could anticipate the result when the construction progress reached 30%. If progress of ship constructions could not be reasonably estimated, construction costs is recognized at the actual amount of incurred expenditure, and equivalent amount as revenue, zero margin as a result.

Foreign currency revenue entries base upon contracted currency, and are translated into Renminbi according to No.19 Accounting Standards for Business Enterprises - Foreign Currency Translation.

At the balance sheet date, an amount equal to the total contract revenue multiplied by the percentage of completion less the accumulated revenue recognized in previous accounting periods will be recognized as contract revenue for the current period. Meanwhile, an amount equal to the estimated total contract costs multiplied by the percentage of completion less the accumulated expenses recognized in previous accounting periods will be recognized as contract expenses for the current period.

20. Government Grants

Government grants are transfer of monetary assets or non-monetary assets from the government to the Company at no consideration, excluding capital contributions from the government as an owner of the Company to Enterprises.

If a government grant is in the form of a transfer of a monetary asset, the item will be measured at the amount received or receivable; if a government grant is in the form of a transfer of a non-monetary asset, the item will be measure at fair value. If fair value is not reliably determinable, the item will be measured at a nominal amount (1 RMB).

Government grants relating to the purchase of fixed assets, intangible assets and other long-term assets should be presented as deferred income and recognized as income evenly over the useful life of the related assets from the date when they have been established for use.

Government grants relating to income, which is to compensate future expenditure and losses, are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. In case the compensation is for the expenditure or losses already incurred, the grants should be directly recorded in current profit and loss.

Refund of a government grant previously recognized will be accounted for as follows: (a) if there is any related deferred income, the repayment will be offset against the carrying amount of the deferred income, and any excess will be recognized in profit or loss for the current period; (b) if there is no related deferred income, the repayment will be recognized immediately in profit or loss for the current period.

21. Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases, otherwise as finance lease. Payments or incomes made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease. Lease incurred in the Company all belong to operating lease.

FINANCIAL REPORTS

22. Income Tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods will be measured at the amount expected to be paid (or returned) according to the requirements of tax laws; Deferred tax assets and deferred tax liabilities will be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

At the balance sheet date, the carrying amount of a deferred tax asset will be reviewed. Current and deferred tax of the Company will be recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from a business combination or a transaction or event which is recognized directly in owner's equity.

23. Business Combination

For a business combination involving enterprises under common control, assets and liabilities that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be recognized as capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

For a business combination not involving enterprises under common control, the acquirer shall determine the cost of combination according to the following circumstances: (a) the cost of combination is the aggregate of the fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, (b) when for a business combination achieved in stages that involves multiple exchange transactions, the cost of combination is the aggregate of the costs of individual transactions, (c) costs incurred by the acquirer that are directly attributable to the business combination shall be included in the cost of business combination.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. When the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, after reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference in profit or loss for the current period.

24. Preparation of Consolidated Financial Statements

The scope of the consolidation includes all subsidiaries under effective control and special purpose entities under effective control.

The consolidated financial statements shall be prepared in conformity with Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements, by the parent, after eliminating the effects of intra-group transactions. Minority interests are individually presented under shareholder's equity in the consolidated financial statements.

The accounting policies and accounting period applied by the Company and its subsidiaries are consistent.

For entities acquired not under the same control, the consolidation is prepared at the fair value of identifiable net assets on the acquisition date by making adjustments to the individual statements. For combinations involving entities not under the same control, the combination should be deemed to be incurred at the beginning of the year, and all the assets, liabilities, operating results and cash flows should be consolidated in the statements in the beginning of current period.

25. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Company reports mostly through business segments with supplementary information as geographical segments.

26. Others

Enterprise Pension Funds

The Company has designed business pension funds plan according to related regulations promulgated nationally. The scheme is approved by the Company's employees' representatives committee and board of directors, also archived by provincial ministry of labor and social security.

The Company has set up enterprise pension funds committee, which is responsible for daily management of the funds. The management of the funds is separated with other assets of the Company, and the independent third party was invited to be manager of the account. The Company accounts for the expenditure of enterprise pension fund as employee benefits, charging to the current profit or loss, or capitalizing as assets. At the same time, the Company will pay the annuity directly to the account of employees set up in the bank and managed by enterprise pension funds committee.

Risk Management

The Company is bearing various financial risks in operating activities, including market risk, credit risk and exchange risk. The Company's integral risk management is aimed at decreasing potential unfavorable financial effects at the best.

The board of directors reviews and agrees policies for managing each of the risks. The management sets up several committees and designs reporting procedures under policies approved by the board. These committees are responsible for assessing various financial risks by co-working with each operating unit and financial institutions. After reporting to the management and getting approval, the committees take precautions against or hedge the financial risks.

Considering contracted period is long, the Company bears some sort of market risks. The Company makes various measures, including building strategic relationships with suppliers to steady supply, analyzing market constantly and far-ranging, improving customized services and increasing expenditure on research and development to maintain market competitiveness, aiming to circumvent market risks.

As an international shipbuilding enterprise, the Company prices shipbuilding contract in U.S dollar, and faces foreign exchange risks as a result. To manage foreign exchange risk resulted from future transactions and recognized assets and liabilities, the Company uses derivatives to hedge foreign exchange risks. By forecasting cash flows for next few years, identifying amount of foreign cash flow in-and-out, locking future exchange rate through foreign exchange forward contract with financial institutions to lock in exchange rate. In addition, the Company makes configuration management on liabilities to hedge the risk of future currency exposure. The attitude of the Company to exchange risk management is prudent.

The Company controls the credit risk according to the credit limit approved by the board. The management applies credit lines to the banks based upon the approval, and decides investment accordingly. The credit limit is basically approved annually, and would be approved out-of-budget under special case. The financial department of the Company is responsible for managing the credit lines and cost of capital and making concrete suggestions on the financing. The main objective of the credit risk management is to insure working capital required in normal operation, and to lowest the financing cost and risk at the best.

Part of the Company's financial assets is measured at fair value, and thus the value is significantly influenced by the fluctuation of active market price. The Company will keep an eye on the changes in the prices of financial assets market, and implement appropriate actions to protect the Company's benefits in time, at the decision of management.

V. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND SIGNIFICANT PRIOR PERIOD ERRORS ADJUSTMENTS

There are no changes in accounting policies, accounting estimates and no significant prior period errors occurred in the current period.

VI. TAXATION

The type and rate of taxes and associate charges applicable to the major business activities are:

1. Turnover Tax and Surcharge

Category	Taxation Basis	Tax Rate
Business tax	Transportation and construction installation	3%
	Other services	5%
Value-added tax	Incremental revenue from shipbuilding, ship-repairing, steel structures, mechanical and electrical equipment manufacturing, and materials sales	17%
Tax for maintaining and building cities	Turnover tax payable during the year	7%
Education surcharge	Turnover tax payable during the year	3%
Flood defense expenses	Income from principal activities and other incomes	0.09%

2. Corporate Income tax

The Company is taxed based upon taxable income with applicable rates, which are displayed as follows:

Companies	Tax Rate
Guangzhou Shipyard International Company Limited	15%
Glory Group Developing Co., Ltd.	17.5%
Fonkwang Developing Co., Ltd.	17.5%
Guangzhou Hongfan Information Technique Co., Ltd.	15%
Other subsidiary companies	25%

Note: The Company and its subsidiary Guangzhou Hongfan Information Technique Co., Ltd. are approved to be Hi-tech Enterprises by relevant authorities (Guangzhou Liwan District, National Tax Bureau,[2009]No.08002;Guangzhou Tianhe District, National Tax Bureau[2008]No.5012). The Company and Guangzhou Hongfan Information Technique Co., Ltd. are both taxed at 15% for three years since Jan 1, 2008.

3. Real Estate Tax

Real Estate tax of the Company is based on 70% of the original cost of the buildings and calculated at a tax rate of 1.2% or, for those leased, based on the rental income and calculated at a tax rate of 12%.

4. Individual Income Tax

The Company withholds and remits individual income taxes for its employees.

FINANCIAL REPORTS

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. As at June 30, 2009, information of the Company's subsidiary companies is displayed as follows:

Subsidiaries	Organization Code	Registration Place	Industry	Registered Capital ('000)	Business Scope
Guangzhou Masterwood Shipbuilding Project Co., Ltd	61841220-X	Guangzhou	Furniture Manufacturing	RMB3,315	Manufacture and sales of all kind of furniture
Guangzhou Xinsun Shipping Service Company Co., Ltd.	231249006	Guangzhou	Installation, welding, fitting, coating, repairing of hull structure	RMB2,000	Installation, welding, fitting, coating, repairing of hull structure
Guangzhou United Steel Structures Co., Ltd.	61843570-0	Guangzhou	Production and sales of steel structure	USD8,850	Production and sales of steel structure, installation of structures
Guangdong GSI Elevator Co., Ltd.	23112891-7	Guangzhou	Elevator Installation	RMB21,000	Installation, welding, fitting of elevator
Guangzhou Hongfan Information Technique Co., Ltd.	70825764-5	Guangzhou	Developing of computer software, system integration and sales	RMB5,000	Developing of computer software, system integration and sales
Guangzhou Guangli Marine Human Resource Service Co., Ltd	19047465-2	Guangzhou	Labor Service Supply	RMB500	Provincial labor employment introduction, Marine installation
Guangzhou Hongfan Hotel Co., Ltd	63320352-9	Guangzhou	Restaurant	RMB10,000	Lodge, restaurant
Glory Group Developing Co., Ltd.	-	Hong Kong	Trading	HKD30,000	Trading
Fonkwang Developing Co., Ltd.	-	Hong Kong	Trading	HKD200	Trading
Guangzhou shipyard heavy machinery Co., Ltd.	68132734-X	Guangzhou	designing, manufacturing and installing	RMB30,000	designing, manufacturing, installing and selling marine auxiliaries, set of Heavy Machinery
Zhongshan GSI Ship & Ocean Engineering Co., Ltd.	68442093-7	Zhongshan city, Guangzhou	designing, processing, installing, manufacturing,	RMB100,000,000	designing, processing, selling, installing, manufacturing, selling: ships, auxiliaries, Pieces of Metal Structure, standard machinery, spare part of forge piece in common use, fiber glass product, ship wiring and pipeline, ship tool and furniture, mechanical equipment, maritime equipment and accessory.

FINANCIAL REPORTS

Subsidiaries	Holding Ratio		Representative Ratio	Investment As at the Year End	Consolidated (Y/N)
	Direct	Indirect			
Guangzhou Masterwood Shipbuilding Project Co., Ltd	51%	25%	76%	1,690,741.80	Y
Guangzhou Xinsun Shipping Service Company Co., Ltd.	83%	16.184%	99.184%	500,000.00	Y
Guangzhou United Steel Structures Co., Ltd.	51%	–	51%	37,522,079.55	Y
Guangdong GSI Elevator Co., Ltd.	95%	3.8%	98.8%	19,950,000.00	Y
Guangzhou Hongfan Information Technique Co., Ltd.	51%	–	51%	2,550,000.00	Y
Guangzhou Guangli Marine Human Resource Service Co., Ltd	80%	15.2%	95.2%	3,052,492.77	Y
Guangzhou Hongfan Hotel Co., Ltd	–	99.11%	99.11%	8,000,000.00	Y
Glory Group Developing Co., Ltd.	100%	–	100%	26,443,792.13	Y
Fonkwang Developing Co., Ltd.	–	70%	70%	HKD140,000.00	Y
Guangzhou shipyard heavy machinery Co., Ltd.	100%	–	100%	30,000,000.00	Y
Zhongshan GSI Ship & Ocean Engineering Co., Ltd.	100%	–	100%	100,000,000.00	Y

2. Change of Consolidation Scope during Current Period

Subsidiaries	Consolidated Period	Reason of Change	Net Asset as at the Year End	Net Profit of Current Period
1. New Company Consolidated Zhongshan GSI Ship & Ocean Engineering Co., Ltd.	January 19 to June 30, 2009	newly established	100,237,489.71	237,489.71

VIII. JOINT VENTURE AND ASSOCIATE COMPANIES

Joint venture and associated companies are displayed as follows:

Companies	Registration Place	Industry	Holding Ratio	Representative Ratio	Year-end Net Asset	Current Revenue	Current Net Income
South China Marine and Industry Special Coating Co., Ltd.	Guangzhou	Coating	25%	25%	16,812,855.95	14,078,222.04	1,268,000.07
Zhanjiang South Ocean Marine Services Inc.	Zhanjiang	Ship Equipment Fitting	40%	40%	1,874,919.58	–	-144,862.26
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	Zhenjiang	Equipment Manufacturing	32%	32%	180,082,073.19	58,406,269.17	5,848,538.07

IX. NOTES TO SIGNIFICANT ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash on hand	185,503.94	200,289.50
Bank	4,811,606,796.09	5,196,687,451.21
Inc. Deposit in CSSC Financial CO.	21,825,467.06	18,673,571.65
Other monetary funds	780,912,749.64	935,706,133.84
Total	<u>5,592,705,049.67</u>	<u>6,132,593,874.55</u>

Note 1: As at June 30, 2009, there is no pledge, frozen risk related to the Company's cash.

Note 2: Marginal deposit for security and CDs used for hypothecation in other monetary funds is 778,723,822.05

Note 3: CSSC Financial CO., one of subsidiaries of CSSC, is a non-bank financial institution authorized by People's Bank of China.

FINANCIAL REPORTS

Foreign Currency included in the balance is displayed as below:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
Cash			96,250.03			83,243.23
HKD	52,738.18	0.8815	46,490.28	44,875.66	0.8819	39,575.84
USD	4,413.80	6.8319	30,154.64	3,713.80	6.8346	25,382.34
EUR	954.84	9.6408	9,205.42	954.84	9.6590	9,222.80
GBP	917.25	11.34	10,399.69	917.25	9.8798	9,062.25
BANK			208,906,798.28			72,525,897.60
HKD	20,621,053.31	0.8815	18,178,034.38	18,369,199.62	0.8819	16,199,797.14
USD	25,041,405.57	6.8319	171,080,378.71	7,128,898.30	6.8346	48,723,168.32
EUR	2,038,045.10	9.6408	19,648,385.19	787,134.50	9.6590	7,602,932.14
Other monetary funds	-		-	-		-
Total			<u>209,003,048.31</u>			<u>72,609,140.83</u>

2. Tradable Financial Assets

Item	Ending Fair Value	Beginning Fair Value
Financial Assets designed as at fair value through profit or loss	<u>126,538,898.68</u>	<u>157,360,902.20</u>

Note: There is no significant restriction on the liquidity of financial assets at fair value through profit or loss.

3. Account Receivables

(1) Classification based on significance:

Classification	Ending Balance			Net
	Amount	Proportion	Bad Debt Allowance	
Individually significant balance	157,348,754.33	61.12	1,493,146.02	155,855,608.31
Individually insignificant but significant based on credit risk characteristics	25,751,991.28	10.00	2,819,041.88	22,932,949.40
Other insignificant balances	74,362,991.64	28.88	320,765.70	74,042,225.94
Total	<u>257,463,737.25</u>	<u>100</u>	<u>4,632,953.60</u>	<u>252,830,783.65</u>
Classification	Beginning Balance			Net
	Amount	Proportion	Bad Debt Allowance	
Individually significant balance	298,629,204.57	75.16	1,493,146.02	297,136,058.55
Individually insignificant but significant based on credit risk characteristics	34,585,564.43	8.70	2,887,041.88	31,698,522.55
Other insignificant balances	64,153,139.18	16.14	320,765.70	63,832,373.48
Total	<u>397,367,908.18</u>	<u>100.00</u>	<u>4,700,953.60</u>	<u>392,666,954.58</u>

Note 1: Individually significant receivables refer to the receivables with the amount more than 10 million. The Company has assessed the significant receivables individually for impairment at the end of the year, 0.5% of the receivable balances shall be accounted as provision in the condition that there is no indication of impairment for the receivables.

Note 2: Individually insignificant but significant based on credit risk characteristics refer to the receivables aging more than 1 year with insignificant amount.

Note 3: Other insignificant balances refer to the receivables aging within 1 year with insignificant amount.

Note 4: Compared to the beginning, the amount of Account Receivables decreased at a rate of 35.61%, mainly due to getting payment.

FINANCIAL REPORTS

(2) Classification based on ages

Ages	Ending Balance			
	Amount	Proportion	Bad Debt Allowance	Net
Within one year	231,711,280.71	90.00	1,755,071.11	229,956,209.60
1-2 years	9,431,929.96	3.67	108,662.64	9,323,267.32
2-3 years	8,378,662.67	3.25	53,398.94	8,325,263.73
Over 3 years	5,826,652.02	2.26	600,609.02	5,226,043.00
Special	2,115,211.89	0.82	2,115,211.89	0
Total	257,463,737.25	100	4,632,953.60	252,830,783.65

Ages	Beginning Balance			
	Amount	Proportion	Bad Debt Allowance	Net
Within one year	360,798,187.59	90.80	1,823,071.11	358,975,116.48
1-2 years	22,279,300.29	5.61	108,662.64	22,170,637.65
2-3 years	10,679,786.18	2.69	53,398.94	10,626,387.24
Over 3 years	1,495,422.23	0.37	600,609.02	894,813.21
Special	2,115,211.89	0.53	2,115,211.89	-
Total	397,367,908.18	100.00	4,700,953.60	392,666,954.58

Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	Original Currency	Exchange Rate	Original Currency	Exchange Rate
USD	11,776,058.04	6.8319	80,452,850.93	19,329,787.92	6.8346	132,111,368.53
HKD	5,401,825.50	0.8815	4,761,709.20	3,208,781.04	0.8819	2,829,824.00
EUR	6,599,492.71	9.6408	63,624,389.32	578,855.00	9.6590	5,591,160.45
MOP	5,736,385.17	0.8562	4,911,492.98	-	-	-
Total			153,750,442.43			140,532,352.98

(3) Top 5 balances

Customers	Ending Balance			Beginning Balance
	Balance per book	Aging	%	
Bechtel (China) Engineering& Construction Co., Ltd.	29,565,979.33	Within one year	11.48	0
SPX Cooling Technologies GMBH	25,051,027.89	Within one year	9.73	35,136,203.12
AE&E	20,185,854.00	Within one year	7.84	0
TTS.Ship Equipment GM	16,960,078.78	Within one year	6.59	0
Haizhuang military representative bureau of Guangzhou	13,465,200.00	Within one year	5.23	104,582,500.00
Total	105,228,140.00		40.87	139,718,703.12

Note 1: As at June 30, 2009, the balance of Top 5 customers is 105,228,140.00, 40.87% of the total balance of Account Receivables.

(4) Movement of bad debt allowance:

Item	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Individually significant balance	1,493,146.02	-	-	-	1,493,146.02
Individually insignificant but significant based on credit risk characteristics	2,887,041.88	-	-	68,000.00	2,819,041.88
Other insignificant balances	320,765.70	-	-	-	320,765.70
Total	4,700,953.60	-	-	68,000.00	4,632,953.60

FINANCIAL REPORTS

- (5) As at June 30, 2009, there are no account receivables of shareholders holding 5% or more than 5% of the voting stocks; Balance with related party refers to Note X-part C.

4. Advances to suppliers

- (1) Classification based on ages:

Ages	Ending Balance			Beginning Balance		
	Amount	Proportion	Bad Debt Allowance	Amount	Proportion	Bad Debt Allowance
Within one year	373,461,031.64	93.38	-	476,117,195.98	97.79	-
1-2 years	23,106,717.25	5.78	-	10,745,100.00	2.21	-
2-3 years	3,300,937.51	0.82	-	6,550.00	0.00	-
Over 3 years	86,500.00	0.02	-	-	0	-
Total	<u>399,955,186.40</u>	<u>100</u>	<u>-</u>	<u>486,868,845.98</u>	<u>100</u>	<u>-</u>

- (2) Balance with main suppliers:

Suppliers	Ending Balance		Beginning Balance
	Book Value	Nature	
Dalian Marine Diesel Engine Factory	223,413,000.00	Equipment	112,270,000.00
Zhenjiang CSSC Equipment Ltd.	34,360,000.00	Equipment	31,120,000.00
Guangzhou Panyu Oceangoing Propeller Manufacture Ltd.	7,440,011.25	Material	20,080,000.00
China CMIC engineering & construction Corp.	5,686,198.27	Equipment	0
South China Marine Machinery Co., Ltd.	5,040,000.00	Equipment	0
Total	<u>275,939,209.52</u>		<u>163,470,000.00</u>

Note: As at June 30, 2009, the balance of Top 5 customers is 275,939,209.52, 68.99% of the total balance of Advances to suppliers. Among them, Zhenjiang CSSC Equipment Ltd. and South China Marine Machinery Co., Ltd. are connected parties of the Company.

- (3) Significant advances to suppliers aged over 1 year are displayed as below :

Suppliers	Ending Balance	Aging	Unsettled Reason
China CMIC engineering & construction Corp.	1,110,000.00	1-2 years	construction work in progress
South China Marine Machinery Co., Ltd.	5,040,000.00	1-2 years	construction work in progress
Guangzhou Panyu Oceangoing Propeller Manufacture Ltd.	2,090,771.25	1-2 years	construction work in progress
Total	<u>8,240,771.25</u>		

- (4) As at June 30, 2009, there is no advances to suppliers of shareholders holding 5% or more than 5% of the voting stocks; Balance with related party refers to Note X.

5. Interest receivables

Item	Ending Balance	Beginning Balance
Interest receivable of CD	<u>89,976,423.32</u>	<u>142,294,820.00</u>

Note: As at June 30, 2009, the interest on time deposit decreased at a rate of 36.77% compared to the beginning, mainly due to the decrease of the amount of time posit and the interest rate.

6. Other Receivables

(1) Classification based on significance:

Classification	Ending Balance			
	Amount	Proportion	Bad Debt Allowance	Net
Individually significant balance	51,244,693.52	87.90	9,013,974.06	42,230,719.46
Individually insignificant but significant based on credit risk characteristics	3,820,136.83	3.02	18,430.34	3,801,706.49
Other insignificant balances	11,495,749.53	9.08	277,047.98	11,218,701.55
Total	66,560,579.88	100	9,309,452.38	57,251,127.50

Classification	Beginning Balance			
	Amount	Proportion	Bad Debt Allowance	Net
Individually significant balance	142,017,480.80	70.61	9,013,974.06	133,003,506.74
Individually insignificant but significant based on credit risk characteristics	3,686,068.18	1.83	18,430.34	3,667,637.84
Other insignificant balances	55,423,424.95	27.56	277,117.12	55,146,307.83
Total	201,126,973.93	100.00	9,309,521.52	191,817,452.41

Note 1: Individually significant receivables refer to the receivables with the amount of more than 10 million. The Company has assessed the significant receivables individually for impairment at the end of the year, and the Receivable of Guangzhou International Trust and Investment Company, which amounts to 10,340,232.15, was made a provision of 8,360,252.99.

Note 2: Individually insignificant but significant based on credit risk characteristics refer to the receivables aging more than 1 year with insignificant amount.

Note 3: Other insignificant balances refer to the receivables aging within 1 year with insignificant amount.

(2) Classification based on ages:

Ages	Ending Balance			
	Amount	Proportion	Bad Debt Allowance	Net
Within one year	52,400,210.90	78.72	940,269.05	51,459,941.85
1-2 years	1,369,147.46	2.06	6,072.52	1,363,074.94
2-3 years	419,535.53	0.63	2,033.23	417,502.30
Over 3 years	2,031,453.84	3.05	824.59	2,030,629.25
Special	10,340,232.15	15.54	8,360,252.99	1,979,979.16
Total	66,560,579.88	100	9,309,452.38	57,251,127.50

Ages	Beginning Balance			
	Amount	Proportion	Bad Debt Allowance	Net
Within one year	189,000,673.60	93.98	940,338.19	188,060,335.41
1-2 years	1,214,503.78	0.60	6,072.52	1,208,431.26
2-3 years	406,645.56	0.20	2,033.23	404,612.33
Over 3 years	164,918.84	0.08	824.59	164,094.25
Special	10,340,232.15	5.14	8,360,252.99	1,979,979.16
Total	201,126,973.93	100.00	9,309,521.52	191,817,452.41

(3) Significant Account Balance:

Items	Ending Balance				Beginning Balance
	Book Value	Nature	Aging	Proportion	
VAT Rebate and Subsidies Receivable	40,904,461.37	VAT Rebate and Subsidies	Within one year	61.45	130,118,430.89
Guangzhou International Trust and Investment Company	10,340,232.15	Entrusted Deposits	Over 5 years	15.54	10,340,232.15
Beijing zhengluejunce Enterprise Management Consultancy Co., Ltd.	1,032,000.00	consulting fee	Within one year	1.55	-
Foshan weixing Investment and Development Co., Ltd.	960,000.00	open credit	Within one year	1.44	-
Guangdong Sanmao Railway Company Limited Shiwentang station	172,572.60	open credit	Within one year	0.26	-
Total	53,409,266.12			80.24	190,458,663.04

FINANCIAL REPORTS

Note 1: As at June 30, 2009, significant account balances amounted to 53,409,266.12, which accounted for 80.24% of total other receivables.

Note 2: Entrusted deposits have been exchanged for some assets with Guangzhou Notional Investment Corp. under Debt Restructuring Agreement. According to the "Delegatio Nominis contract" signed by the Company and Guangzhou Notional Investment Corp. and Hong Kong Gunghong international Corp., Guangzhou Notional Investment Corp. transferred the claim of 10,640,000.00 to Hong Kong Gunghong international Corp., which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Gunghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before Sep 9, 2005, and pay the rest debt with interest in Guanghong electrooptical technology Corp, on which Hong Kong Gunghong international Corp has the right of disposition. As at June 30, 2009, the Company hadn't realized the creditor's rights, and shall pay attention to further following up.

Note 3: Compared to the beginning, the ending amount of other receivables decreased at a rate of 70.15%, mainly due to the receiving of export rebates.

(4) Movement of bad debt allowance:

Item	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Individually significant balance	9,013,974.06	-	-	-	9,013,974.06
Individually insignificant but significant based on credit risk characteristics	18,430.34	-	-	-	18,430.34
Other insignificant balances	277,117.12	-	69.14	-	277,047.98
Total	<u>9,309,521.52</u>	<u>-</u>	<u>69.14</u>	<u>-</u>	<u>9,309,452.38</u>

(5) As at June 30, 2009, there are no other receivables of shareholders holding 5% or more than 5% of the voting stocks; Balance with connected parties refers to Note X.

7. Inventory

(1) Classification

Categories	Ending Balance	Beginning Balance
Raw Materials	567,380,050.92	462,707,013.67
Work-in-Process	926,137,868.91	656,536,129.45
Finished Goods	9,763,740.33	5,409,429.91
Low-value Consumables	792,206.99	792,675.43
Total	<u>1,504,073,867.15</u>	<u>1,125,445,248.46</u>
Less: Impairment Provision	10,296,686.19	9,747,802.99
Net Value	<u>1,493,777,180.96</u>	<u>1,115,697,445.47</u>

Note 1: Compared to the beginning, the ending amount of Inventory increased at a rate of 33.89%, mainly due to the increase of newly-constructed ships.

(2) Movements of Impairment Provision

Categories	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Raw Materials	9,747,802.99	548,883.20	-	-	10,296,686.19
Work-in-Process	-	-	-	-	-
Finished Goods	-	-	-	-	-
Low-value consumables	-	-	-	-	-
Total	<u>9,747,802.99</u>	<u>548,883.20</u>			<u>10,296,686.19</u>

8. Available-for-sale Financial Assets

(1) Classification:

Item	Ending Fair Value	Beginning Fair Value
Equity Instrument	<u>325,612,500.00</u>	<u>185,450,000.00</u>

FINANCIAL REPORTS

(2) Classification:

Item	Ending Fair Value	Beginning Fair Value
China Merchants Energy Shipping Co., Ltd.	57,300,000.00	38,600,000.00
China Merchants Bank Co., Ltd.	265,558,500.00	144,096,000.00
Membership of Wuhan Gold and Silver Golf Club	2,754,000.00	2,754,000.00
Total	325,612,500.00	185,450,000.00

Note: The increased balance of 75.58% compared to the beginning mainly resulted from the increased fair value of stock of "Merchants Energy Shipping", "Merchants Bank". As at June 30, 2009, the holding stocks on "Merchants Energy Shipping" and "Merchants Bank" are unrestricted outstanding shares. The fair value of above-mentioned stocks is based on their closing price of June 30, 2009.

9. Long-term Equity Investment

(1) Classification:

Item	Beginning Balance	Increase	Decrease	Ending Balance
Subsidiaries	-			0
Joint Venture	33,708,067.54	2,130,587.12	-	35,838,654.66
Associate Companies	1,900,000.00			1,900,000.00
Total	35,608,067.54	2,130,587.12		37,738,654.66
Less: Impairment	-			0
Net Value	35,608,067.54			37,738,654.66

(2) Equity Investment Accounting Based on Cost Method:

Investees	Initial Investment	Beginning Balance	Increase	Decrease	Ending Balance	Holding Ratio	Representative Ratio
Shenzhen Yuanzhou Science & Technology Industry Company Co., Ltd.	1,000,000.00	1,000,000.00	-	-	1,000,000.00	7%	7%
CSSC Information Technique Co., Ltd.	900,000.00	900,000.00	-	-	900,000.00	15%	15%
Total	1,900,000.00	1,900,000.00			1,900,000.00		

(3) Equity Investment Accounting Based on Equity Method:

Investees	Holding Ratio	Representative Ratio	Initial Investment	Beginning Balance
South China Marine and Industrial Special Coating Co., Ltd.	25%	25%	1,722,060.00	3,492,677.97
Zhanjiang South Ocean Marine Services Inc.	40%	40%	800,000.00	810,897.31
Zhenjiang Zhongchuan Electricity Power Equipment Co., Ltd.	32%	32%	15,558,800.00	29,404,492.26
Total			18,080,860.00	33,708,067.54

Investees	Increase or Decrease	Current Cash Dividends	Ending Balance
South China Marine and Industrial Special Coating Co., Ltd.	317,000.02	-	3,809,677.99
Zhanjiang South Ocean Marine Services Inc.	-57,944.90	-	752,952.41
Zhenjiang Zhongchuan Electricity Power Equipment Co., Ltd.	1,871,532.00	-	31,276,024.26
Total	2,130,587.12	-	35,838,654.66

FINANCIAL REPORTS

10. Investment Property

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Total original costs	101,487,209.82	-	1,510,022.39	99,977,187.43
(1) House and Building	101,487,209.82	-	1,510,022.39	99,977,187.43
2. Accumulated depreciation	5,493,486.73	1,012,089.18	73,388.16	6,432,187.75
(1) House and Building	5,493,486.73	1,012,089.18	73,388.16	6,432,187.75
3. Provision for Impairment	1,855,011.59	-	-	1,855,011.59
(1) House and Building	1,855,011.59	-	-	1,855,011.59
4. Net value	94,138,711.50	-	-	91,689,988.09
(1) House and Building	94,138,711.50	-	-	91,689,988.09

Note 1: the decreased amount is the amount of sold Investment Property.

11. Fixed Assets

(1) Movements of original cost and accumulated depreciation:

Item	Beginning Balance	Increase	Decrease	Ending Balance
(1) Total original cost	1,740,870,493.61	170,491,379.95	31,942,468.57	1,879,419,404.99
1. Buildings and Structures	780,175,401.08	136,341,874.44	10,194,789.59	906,322,485.93
2. Machinery and equipment	879,553,543.42	32,388,835.19	20,639,352.80	891,303,025.81
3. Vechiles	33,398,856.11	595,790.10	1,039,833.08	32,954,813.13
4. Others	47,742,693.00	1,164,880.22	68,493.10	48,839,080.12
(2) Accumulated depreciation	775,872,074.84	45,490,436.20	14,354,398.75	807,008,112.29
1. Buildings and Structures	246,463,432.08	14,552,732.11	1,401,451.08	259,614,713.11
2. Machinery and equipment	491,246,894.97	29,176,153.91	11,939,701.68	508,483,347.20
3. Vechiles	14,893,920.48	1,210,239.53	946,807.68	15,157,352.33
4. Others	23,267,827.31	551,310.65	66,438.31	23,752,699.65
(3) Impairment	-	-	-	-
1. Buildings and Structures	-	-	-	-
2. Machinery and equipment	-	-	-	-
3. Vechiles	-	-	-	-
4. Others	-	-	-	-
(4) Total Book Value	964,998,418.77	-	-	1,072,411,292.70
1. Buildings and Structures	533,711,969.00	-	-	646,707,772.82
2. Machinery and equipment	388,306,648.45	-	-	382,819,678.61
3. Vechiles	18,504,935.63	-	-	17,797,460.80
4. Others	24,474,865.69	-	-	25,086,380.47

Note:

- (1) Collateral assets refer to Note XII.
- (2) Total fixed asset transferred from construction-in-progress during the year amounted to RMB164, 123,310.77.
- (3) The decreased amount of fixed asset mainly resulted from discarding and selling.
- (4) There is no indication of impairment in fixed assets, and no impairment provision was accrued.

12. Construction-in-Progress

(1) Movements of construction-in-progress:

Item	capital source	Beginning Balance		Increase		
		amount	Including: Capitalization of interest	amount	Including: Capitalization of interest	
Total		262,095,452.84	-	-	276,257,922.07	
Including: main projects						
Machining center of Longxue base	others	150,349,763.13	-	-	19,900,057.49	
Shunchuan piping plant innovation	others	19,723,044.49	-	-	2,153,446.46	
House of Painting Shop Mechanical and Electric	others	25,842,077.49	-	-	20,832,258.47	
Materials supply warehouse	others	6,305,520.94	-	-	12,561,813.77	
Equipments pending installation.	others	20,125,528.33	-	-	11,487,297.54	
Land price and preliminary fees for plots in Torch District, Zhongshan city	others	-	-	-	153,559,011.49	
		Decrease		Ending Balance		
Item		amount	Including: Transfer to Fixed Asset	amount	Including: Capitalization of interest	Depreciation
Total		164,123,312.72	164,123,312.72	374,230,062.19	-	-
Including: main projects						
Machining center of Longxue base		90,252,137.77	90,252,137.77	79,997,682.85	-	-
Shunchuan piping plant innovation		21,876,490.95	21,876,490.95	0.00	-	-
House of Painting Shop Mechanical and Electric		1,889,851.98	1,889,851.98	44,784,483.98	-	-
Materials supply warehouse		-	-	18,867,334.71	-	-
Equipments pending installation.		-	-	31,612,825.87	-	-
Land price and preliminary fees for plots in Torch District, Zhongshan city		-	-	153,559,011.49	-	-

(2) There is no indication of impairment in fixed assets, and no impairment provision was accrued.

(3) Compared to the beginning, the increase of 42.78% in balance of construction-in-progress is resulted from the additional investment in one of the subsidiary company called Zhongshan Shipyard Corporation and investment in technical innovation.

13. Intangible Assets

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Total original costs	135,154,526.83	-	-	135,154,526.83
Land Use Right	79,395,716.06	-	-	79,395,716.06
Know-How without Patent	55,758,810.77	-	-	55,758,810.77
2. Accumulated amortization	45,325,622.16	2,463,324.42	-	47,788,946.58
Land Use Right	19,533,119.85	15,628.74	-	19,548,748.59
Know-How without Patent	25,792,502.31	2,447,695.68	-	28,240,197.99
3. Accumulated impairment provision	-	-	-	-
Land Use Right	-	-	-	-
Know-How without Patent	-	-	-	-
4. Net Book Value	89,828,904.67	-	-	87,365,580.25
Land Use Right	59,862,596.21	-	-	59,846,967.47
Know-How without Patent	<u>29,966,308.46</u>	-	-	<u>27,518,612.78</u>

Note: There is no indication of impairment in intangible assets, and no impairment provision was accrued.

FINANCIAL REPORTS

14. Deferred Tax Assets

Item	Ending Balance		Beginning Balance	
	Temporary Difference	Deferred Tax Assets	Temporary Difference	Deferred Tax Assets
Impairment Provision	28,072,972.60	4,210,945.89	27,158,167.27	4,073,725.09
Prepaid housing subsidy	6,021,314.93	903,197.24	7,241,940.00	1,086,291.00
Housing allowance for retirees	25,464,106.47	3,819,615.97	4,009,670.80	601,450.62
Medical insurance for retirees within 10 years	3,011,931.00	451,789.65	3,791,341.07	568,701.16
Early retiree benefits	2,738,320.33	410,748.05	3,204,591.67	480,688.75
The net loss of equity investment of previous year	15,953,199.73	2,392,979.96	-	-
Total	<u>81,261,845.06</u>	<u>12,189,276.76</u>	<u>45,405,710.81</u>	<u>6,810,856.62</u>

Note: Compared to the beginning balance, the increase of 78.97% in balance of deferred tax asset is resulted from the unpaid housing subsidy for retirees.

15. Impairment Provision

Item	Beginning Balance	Accruals	Decrease		Ending Balance
			Reverse	Write-off	
Bad Debt	14,010,475.12	-	20,069.14	48,000.00	13,942,405.98
Inventory	9,747,802.99	548,883.20	-	-	10,296,686.19
Investment Property	1,855,011.59	-	-	-	1,855,011.59
Total	<u>25,613,289.70</u>	<u>548,883.20</u>	<u>20,069.14</u>	<u>48,000.00</u>	<u>26,094,103.76</u>

16. Short-term Borrowings

Category	Ending Balance	Beginning Balance	Remarks
Credit Borrowings	442,282,405.77	170,469,177.43	
Guaranteed Borrowings	20,472,900.00	-	
Pledged Borrowings	334,763,100.00	307,557,000.00	
Total	<u>797,518,405.77</u>	<u>478,026,177.43</u>	

Note 1: Pledged Borrowings took CD as a pledge.

Note 2: Compared to the beginning, the increase of 66.84% in balance of short-term borrowings is resulted from the increased foreign borrowings, which is used to supply the demand of import of materials and equipment.

17. Tradable Financial Liabilities

Item	Ending Fair Value	Beginning Fair Value
Financial liability designed as measured at fair value through profit or loss	<u>1,369,224.23</u>	<u>5,199,844.99</u>

Note: Compared to the beginning balance, the decrease of 73.67% in balance of financial liabilities is resulted from settlement of derivate financial instruments and from changes of fair value caused by fluctuation of exchange rate.

18. Notes payable

Item	Ending Balance	Beginning Balance
Bank Acceptance	<u>429,362,642.78</u>	<u>143,660,239.95</u>

Note: Compared to the beginning balance, the ending balance of notes payable increased with 198.87% as a result of continuing application of using acceptance in settlement.

19. Accounts Payable

(1) Accounts aged over 1 year are displayed as below:

Suppliers	Amounts	Incurrence	Nature	Unsettled Reason
Lianjian-Fanguang JV Co., Ltd.	2,669,843.10	Year 2006, Year 2007	Materials	Undue

FINANCIAL REPORTS

- (2) As at June 30, 2009, there are no Account Payables of shareholders holding 5% or more than 5% of the voting stocks; Balance with related party refers to Note X.

20. Advances from customers

- (1) Accounts aged over 1 year are displayed as below:

Customers	Amounts	Incurrence	Nature	Unsettled Reason
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd.	12,598,299.10	year 2006	construction	Unfinished construction
Hudong Zhonghua Shhipbuilding (Group) Co., Ltd.	4,600,000.00	year 2006	construction	Unfinished construction
Guangzhou CSSC-Ocean-GWS Marine Engineering Co., Ltd.	4,048,500.00	year 2005	Design fee	Unfinished construction
CSSC Technology Research & Economy Development Institute	1,144,000.00	year 2007	Design fee	Unfinished construction
The Ninth Design and Research Institute	450,000.00	year 2005	Design fee	Unfinished construction
Total	<u>22,840,799.10</u>			

- (2) As at June 30, 2009, there are no Advances from shareholders holding 5% or more than 5% of the voting stocks; Balance with related party refers to Note X.

- (3) Foreign currency included in the balance:

Item	Ending Balance		Beginning Balance	
	Original Currency	RMB	Original Currency	RMB
USD	1,282,175.39	8,781,765.14	6,108,738.09	42,729,443.90
EUR	1,437,796.32	1,267,399.15	371,295.80	3,881,874.48
HKD	3,900,852.15	37,378,634.52		
Total		<u>47,427,798.81</u>		<u>46,611,318.38</u>

21. Accrued Employee Compensation

Item	Beginning Balance	Increase	Decrease	Ending Balance
Salary, bonus, allowance and subsidy	15,085,000.00	291,855,857.48	306,940,857.48	–
Employee welfare	5,077,421.30	25,004,201.70	25,009,201.70	5,072,421.30
Social security	–	33,617,004.22	33,617,004.22	–
Housing fund	–	28,679,233.45	28,679,233.45	–
Labor union expenditure and personnel education	–	7,019,638.82	7,019,638.82	–
Compensation for dismiss of labor relationship	3,204,591.67	88,940.90	555,212.25	2,738,320.32
Supplementary pension	–	6,360,345.00	6,360,345.00	–
Others	–	5,637,345.41	5,637,345.41	–
Total	<u>23,367,012.97</u>	<u>398,262,566.98</u>	<u>413,818,838.33</u>	<u>7,810,741.62</u>

Note 1: The decrease of 66.57% in balance compared to the beginning is resulted from the payment of bonus.

Note 2: Balance of employee welfare consists of accrued employee welfare and bonus fund of subsidiary Guangzhou United Steel Structures Limited, which was calculated according to the post-rate setup in the company's article of association.

22. Taxes Payable

Categories	Ending Balance	Beginning Balance
Value-added Tax	-39,873,556.90	2,924,971.33
Business Tax	-113,208.76	806,367.01
Individual Income Tax	1,814,145.27	5,559,541.26
Corporate Income Tax	42,581,743.03	105,668,914.01
Land Use Tax	2,681,001.74	8,481.02
City construction tax	111,515.17	4,537,056.12
Real Estate Tax	3,447,976.03	1,715,210.72
Education Surcharge	40,791.88	1,937,452.32
Flood control and maintain expenses	2,754,479.04	3,465,711.20
Others	0	-88,190.68
Total	<u>13,444,886.50</u>	<u>126,535,514.31</u>

Note: The decrease of 89.37% in balance compared to the beginning is resulted from the payment of last period income taxes.

FINANCIAL REPORTS

23. Interest Payable

Categories	Ending Balance	Beginning Balance
Interest on Long-term Borrowings	1,660,343.20	18,212,694.11
Interest on short-term Borrowings	12,269,495.11	1,933,582.55
Total	<u>13,929,838.31</u>	<u>20,146,276.66</u>

Note: The decrease of 30.86% in balance compared to the beginning is resulted from the decrease of Long-term Borrowings.

24. Other Payables

1. Major account balances are displayed as below:

Item	Ending Balance	Nature
Medical insurance for retiree	3,011,930.98	medical insurance
Supplementary Pensions	3,252,424.65	Supplementary pensions
Accounting firm	1,573,996.11	Accountants fees

2. As at June 30, 2009, there are no other payables of shareholders holding 5% or more than 5% of the voting stocks; Balance with related party refers to Note X-part C.

25. Non-current liabilities due within one year

Item	Ending Balance	Beginning Balance	Note
Long-term Borrowings	<u>521,816,422.86</u>	<u>877,863,362.40</u>	Refer to note IX

Note: Mainly due to return bank loans at term or in advance.

26. Other Current Liabilities

Item	Ending Balance	Beginning Balance
Long-term Contract Settlement	<u>3,966,133,822.63</u>	<u>4,278,333,045.78</u>

27. Long-term Borrowings

Category	Ending Balance	Beginning Balance
Credit Borrowings	34,159,500.00	34,173,000.00
Guaranteed Borrowings	248,540,422.86	501,960,362.40
Pledged Borrowings	273,276,000.00	546,768,000.00
Total	<u>555,975,922.86</u>	<u>1,082,901,362.40</u>
Less : Long-term Liabilities due Within a year	521,816,422.86	877,863,362.40
Including : Guaranteed Borrowings	248,540,422.86	501,960,362.40
Pledged Borrowings	273,276,000.00	375,903,000.00
Net	<u>34,159,500.00</u>	<u>205,038,000.00</u>

Note 1: Pledged Borrowings took CD as a pledge.

Note 2: Guaranteed Borrowings is guaranteed by CSSC.

Note 3: The decrease of 54.08% in balance compared to the beginning is resulted from the payment of borrowings.

28. Special Payables

Item	Beginning Balance	Increase	Decrease	Ending Balance	Note
High-speed ro/ro passenger freight ships	6,720,000.00			6,720,000.00	CHUANCAI[2001] No.13
semi-submersible heavy lift vessel	17,850,000.00			17,850,000.00	CHUANGONGJI[2002] No.350
Total	<u>24,570,000.00</u>		<u>-</u>	<u>24,570,000.00</u>	

FINANCIAL REPORTS

29. Provision

Item	Beginning Balance	Increase	Decrease	Ending Balance
Product quality warranties	87,150,182.48	12,779,740.88	6,474,630.10	93,455,293.26
Unpaid housing subsidy for retiree	–	23,459,271.07	–	23,459,271.07
Total	<u>87,150,182.48</u>	<u>66,595,658.95</u>	<u>6,474,630.10</u>	<u>116,914,564.33</u>

Note: The increase of 34.15% in balance compared to the beginning is resulted from the increase of Product quality warranties along with the increase of sales revenue and the withdrawal of unpaid housing subsidy for retiree, which amount to 23,459,271.07.

30. Deferred Tax Liabilities

Item	Ending Balance		Beginning Balance	
	deductible temporary differences	Deferred Tax Liabilities	deductible temporary differences	Deferred Tax Liabilities
Net movement on fair value of available-for-sale financial assets	276,152,350.00	41,422,852.50	135,989,850.00	20,398,477.50
Exchange gain	–	–	81,449,627.47	12,217,444.12
Derivatives	119,746,641.60	17,961,996.24	152,161,057.20	22,824,158.58
Total	<u>395,898,991.60</u>	<u>59,384,848.74</u>	<u>369,600,534.67</u>	<u>55,440,080.20</u>

31. Other Non-current Liabilities

Item	Ending Balance	Beginning Balance	Note
China State Shipbuilding Corporation	179,166.71	192,500.03	Deferred Income
The Economic & Trade Commission of Guangdong Province/Finance Bureau	2,646,666.60	4,230,000.00	Deferred Income
Guangzhou Economic & Trade Committee/Finance Bureau	733,333.40	1,008,280.24	Deferred Income
Guangzhou Environmental Protection Bureau/Finance Bureau	1,776,315.78	284,210.52	Deferred Income
Innovating ability development projects	<u>3,000,000.00</u>	–	
Total	<u>8,335,482.49</u>	<u>5,714,990.79</u>	

32. Share Capital

(1) Details of movement of share capital in current year are listed below:

Classification	Beginning Balance		Increase/Decrease					Ending Balance	
	Number of Shares	%	Issue New Shares	Donated Shares	Capitalization of Capital Reserve	Others	Sum	Number of Shares	%
I. Restrictive-for-sale Stocks	176,650,615	35.71%	–	–	–	–	–	–	–
II. Unlimited Stocks	318,026,965	64.29%	–	–	–	–	–	–	–
1. RMB Ordinary Shares	160,628,965	32.47%	–	–	–	–	–	–	–
2. Foreign Capital Stocks listed abroad	157,398,000	31.82%	–	–	–	–	–	–	–
Total	<u>494,677,580</u>	<u>100.00%</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>494,677,580</u>	<u>100.00%</u>

The restricted shares amounted to 176,650,615 at the beginning of the year, and the restriction was relieved at May 26, 2009.

33. Capital Surplus

Item	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	651,385,281.95	–	–	651,385,281.95
Others	<u>116,174,303.72</u>	<u>119,223,125.00</u>	<u>85,000.00</u>	<u>235,312,428.72</u>
Total	<u>767,559,585.67</u>	<u>119,223,125.00</u>	<u>85,000.00</u>	<u>886,697,710.67</u>

Note: The details of the decrease of Other Capital Reserves are listed below:

1 The amount of change of fair value of financial assets available for sale is RMB119, 223,125.00.

FINANCIAL REPORTS

34. Surplus Reserves

Item	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	234,097,496.51	–	–	234,097,496.51
Other surplus reserves	18,926,387.43	–	–	18,926,387.43
Total	<u>253,023,883.94</u>	<u>–</u>	<u>–</u>	<u>253,023,883.94</u>

35. Retained Profit

Item	Current Year	Last Year
Ending balance of undistributed profit in last year	1,232,098,604.09	736,574,570.94
Add: Increase (-decrease) in profit due to changes in accounting policies	–	–
Corrections of prior period errors	–	–
Beginning balance of undistributed profit in current year	1,232,098,604.09	736,574,570.94
Add: Net profit in current year	241,752,604.98	820,395,655.17
others	–	–
Available-for-distribution profit	1,473,851,209.07	1,556,970,226.11
Minus: Profit appropriation – statutory surplus reserves	–	77,532,832.02
Profit appropriation – staff bonus and welfare fund	–	–
Profit appropriation – reserve funds	–	–
Profit appropriation – enterprise development fund	–	–
Profit appropriation – enterprise development fund	–	–
Profit appropriation – Free surplus reserves	222,604,911.00	247,338,790.00
Conversion of common stock dividend into stock	–	–
Ending balance of undistributed profit	<u>1,251,246,298.07</u>	<u>1,232,098,604.09</u>

Note: the Company released cash dividends rated RMB0.45 per share on the base of total shares amounted 494, 677, 580, and the cash dividend amount to 222,604,911.00.

36. Minority Interests

Name of Minorities	Name of Investees	Ending Balance	Beginning Balance
CANAM Steel Structures Limited	United Steel Structures, Ltd	89,066,117.30	86,033,866.73
CSSC Guangzhou Huangpu shipyard Ltd.	Guangzhou Masterwood Co., Ltd.	1,885,383.62	1,570,619.49
CSSC Guangzhou Huangpu shipyard Ltd.	Guangzhou Guangli Marine Engineering Service Co., Ltd.	140,125.73	202,508.47
CSSC Guangzhou Huangpu shipyard Ltd.	Guangzhou Xingshun Shipping Services Company Limited	149,765.13	144,441.42
CSSC Guangzhou Huangpu shipyard Ltd.	Guangdong GSI Elevator Limited	380,199.27	369,753.28
Ou Zhi Min	Fonkwang Developing Co., Ltd.	2,715,398.33	1,797,659.45
CSSC Science & Technology Association	Guangzhou Hongfan Information Technique Co., Ltd.	1,048,673.19	1,077,342.58
Technology Consultation Service Corporation			
China Shipbuilding Information Technique Co., Ltd.	Guangzhou Hongfan Information Technique Co.	2,726,550.29	2,908,824.97
Quan Hua Tai etc.	Guangzhou Hongfan Information Technique Co.	1,363,275.14	1,400,545.35
Total		<u>99,475,487.99</u>	<u>95,505,561.74</u>

37. Operating Income/Operating Cost

(1) Details of operating income and operating costs are listed below:

Item	Amount in Current Year	Amount in Last Year
Operating Income	3,134,482,784.42	3,077,202,691.70
Including: Income from principal activities	3,093,000,471.89	3,028,581,548.50
Other Operating Income	41,482,312.53	48,621,143.20
Operating Costs	2,719,916,138.87	2,566,412,773.25
Including: Cost of Sales	2,687,712,887.16	2,532,003,487.96
Other Operating Expenses	<u>32,203,251.71</u>	<u>34,409,285.29</u>

FINANCIAL REPORTS

(2) Operating Income & Costs are classified by products and projects as follows:

Product/Project	Amount in Current Year		Amount in Last Year	
	Operating Income	Operating Costs	Operating Income	Operating Costs
1, Principal Businesses	3,093,000,471.89	2,687,712,887.16	3,028,581,548.50	2,532,003,487.96
Inc: Shipbuilding Products	2,796,295,846.17	2,435,042,774.41	2,721,098,026.86	2,257,971,591.50
Steel Structuring Projects	170,501,947.00	154,532,909.97	145,485,883.48	132,882,066.73
Mechanical & Electrical Products and other principal businesses	126,202,678.72	98,137,202.78	161,997,638.16	141,149,829.73
2, Others	41,482,312.53	32,203,251.71	48,621,143.20	34,409,285.29
Total	<u>3,134,482,784.42</u>	<u>2,719,916,138.87</u>	<u>3,077,202,691.70</u>	<u>2,566,412,773.25</u>

(3) The total revenue from top 5 clients and its proportion of total revenue are listed below:

Item	Amount in Current Period	Amount in Last Year
Total revenue from top 5 clients	2,052,205,228.23	2,228,806,894.10
Proportion of the total revenue	66.35%	72.43%

(4) Operating income from principal activities and gross margin are listed by areas below:

Area	Operating Income from Principal Activities		Gross Margin	
	Current period	Some period last year	Current period	Some period last year
The Republic of Malta	60,997,676.99	680,747,774.99	11,818,285.48	147,343,910.82
German	292,904,050.72	29,474,265.95	28,429,875.02	1,842,045.37
Denmark	1,680,582,198.85	837,227,935.66	221,296,443.24	172,650,537.15
Italy	125,986,061.81	-	18,988,577.26	-
USA	59,146,476.37	110,217,578.80	8,735,910.13	10,913,900.84
Hongkong	259,929,713.45	144,360.17	28,009,646.11	12,727.10
Greece	188,198,342.41	358,635,018.42	30,192,519.31	50,676,052.34
Taiwan	208,976.58	-	771.45	-
Sweden	-	354,417,916.83	4,524,448.83	58,889,437.02
Liberia	-	-	3,051,862.85	-
Australia	60,007,151.32	-	7,621,326.96	-
Others	-	33,008,475.60	-	1,057,586.55
Subtotal	<u>2,727,960,648.50</u>	<u>2,403,873,326.42</u>	<u>362,669,666.64</u>	<u>443,386,197.19</u>
Mainland, China	<u>365,039,823.39</u>	<u>624,708,222.08</u>	<u>42,617,918.09</u>	<u>53,191,863.35</u>
Total	<u>3,093,000,471.89</u>	<u>3,028,581,548.50</u>	<u>405,287,584.73</u>	<u>496,578,060.54</u>

(5) Details of Construction Contracts

Item	Total Amount (RMB)	Accumulated Costs	Realized Accumulated Gross Margin ("-" for loss)	Settlement Amount
Oil/chemicals ship	16,828,485,363.38	3,665,063,803.45	549,761,728.92	6,685,891,052.76
crude oil ship	524,790,914.16	487,001,702.73	46,970,146.64	496,301,760.68
special ship	757,950,000.00	541,352,734.12	43,759,882.18	634,965,000.00
Ro-Ro vessel	2,072,000,000.00	12,926,127.36	0	414,400,000.00
semi-submerged ship	1,680,672,000.00	396,918,650.93	0	869,076,217.15
Total	<u>21,863,898,277.54</u>	<u>5,103,263,018.59</u>	<u>640,491,757.74</u>	<u>9,100,634,030.59</u>

FINANCIAL REPORTS

38. Tax and Surcharge

Category	Amount in Current Year	Amount in Last Year
Business tax	1,684,802.73	1,273,035.09
City Maintenance And Construction Tax	4,372,482.41	4,860,440.82
Education surcharge	1,874,596.05	2,083,045.65
Total	7,931,881.19	8,216,521.56

39. Expenses

(1) Details of selling and administration expense are listed below:

Item	Amount in Current Year	Amount in Last Year
Selling Expense	27,317,470.41	28,710,868.64
General and administration Expense	163,894,630.99	117,764,019.20

Note 1: Selling Expense is primarily Provision for product guarantees

Note 2: General and administration expense increased at a rate of 39.17%, mainly due to the withdrawal of housing subsidy, which amount to 23,459,271.07.

(2) Details of financial expenses are listed below

Item	Amount in Current Year	Amount in Last Year
Interest expenses	32,929,458.54	91,064,792.00
Minus: Interest income	96,754,838.09	132,013,052.13
Add: Net loss foreign currency exchange	-5,350,353.78	-180,623,562.26
Transaction fee and others	4,379,689.09	7,267,169.50
Total	-64,796,044.24	-214,304,652.89

Note: The decrease of 69.76% in balance compared to the beginning, which amounts to 149,508,608.65, is resulted from the decrease of exchange loss.

40. Asset Impairment

Item	Amount in Current Year	Amount in Last Year
Bad debt loss	-20,069.14	-298,251.60
Impairment loss of inventories	548,883.20	-4,540,372.00
Impairment loss of investment properties	-	-
Total	528,814.06	-4,838,623.60

Note: The increase of 110.93% in balance is resulted from the Impairment loss of inventories recognized by United Steel Structures, Ltd.

41. Gains/Losses from fair value changes

Source	Amount in Current Year	Amount in Last Year
Tradable financial assets	-26,991,382.76	28,855,818.40
Tradable financial liabilities	0	0
Total	-26,991,382.76	28,855,818.40

Note: The decrease of 193.54% in gains/losses from fair value changes results from settlement of some foreign exchange forward contracts, and from the fluctuation of market value on the contracts that are not matured.

42. Investment Income

(1) The sources of investment income are listed below:

<u>Sources of Investment Income</u>	<u>Amount in Current Period</u>	<u>same period last year</u>
The adjustment based on the net profit & loss of investee enterprises under equity method at the end of the year	2,130,587.30	1,322,240.06
Income from holding and disposal of financial assets held for trading and those at fair value through profit or loss	49,613,750.00	63,731,676.24
Income from holding and disposal of financial liabilities held for trading and those at fair value through profit or loss	-9,985,020.01	-
Income from holding and disposal of available-for-sale financial assets	-	152,777.70
Interest income from the held-to-maturity investment and profit or loss from holding and disposal of financial assets.	-	-
Others	-	-
Total	41,759,317.29	65,206,694.00

Note: The decrease of 35.92% in investment income is resulted from the decreased Investment income from the settlement of some foreign exchange forward contracts.

(2) Investment income is listed by investee enterprises below:

<u>Name of Investee Enterprises</u>	<u>Amount in Current Year</u>	<u>Amount in Last Year</u>
Investment Income from stocks	0	4,560,626.24
Income from Central Bank's Notes	0	0
Income from selling available-for-sale financial assets	0	152,777.70
Gain from financial assets held for trading	39,628,729.99	59,171,050.00
South China Marine and Industrial Special Coating Co., Ltd.	317,000.02	373,843.85
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	1,871,532.18	1,039,362.29
Zhanjiang South Ocean Marine Services Inc.	-57,944.90	-90,966.08
Total	41,759,317.29	65,206,694.00

43. Non-operating Income

<u>Item</u>	<u>Amount in Current Year</u>	<u>Amount in Last Year</u>
Income from the disposal of non-current asset	8,269.53	286,748.63
Including: Income from the disposal of fixed assets	8,269.53	286,748.63
Penalty income	18,500.00	46,880.00
Compensation income	3,450.00	32,080.00
Government subsidies	817,226.50	29,831,437.38
Other Income	110,257.75	273,632.38
Total	957,703.78	30,470,778.39

Note 1. The main source of current-year non-operating income, which has decreased by 96.86%, is government subsidies.

Note 2. Details of government subsidies are listed below:

<u>Item</u>	<u>Amount in Current Year</u>	<u>Note</u>
New product development subsidy	379,508.30	-
Fiscal Subsidy	309,092.00	Export Subsidy
Tax refund due to self-developed software	128,626.50	-
Total	817,226.80	

FINANCIAL REPORTS

44. Non-operating Expenditures

Item	Amount in Current Year	Amount in Last Year
Losses from the disposal of non-current asset	8,112,229.37	1,259,016.56
Including: Losses from the disposal of fixed assets	8,112,229.37	1,259,016.56
Penalty expenses	22,225.31	293.96
Donation expenses	0	2,500.00
Compensations	0	175,848.77
Other expenses	362,863.03	532,426.48
Total	8,497,317.71	1,970,085.77

Note: The increase of 331.32% in Non-operating losses is resulted from the disposal of a pipeline production line.

45. Income Tax

Item	Amount in Current Year	Amount in Last Year
Income tax expense in current period	63,163,708.93	121,700,600.50
Deferred tax expense	-22,458,026.60	39,900,506.54
Total	40,705,682.33	161,601,107.04

Note: The decrease of 74.81% in income taxes compared to the beginning, is due to the changes of income tax rate and current net profits, which together caused a decrease of 58,536,891.57 in Income tax expense in current period. Besides, the decrease of deferred tax liabilities lead to a decrease of 62,358,533.14 Yuan compared to that of last year.

46. Minority Interests

Name of Minorities	Name of Investee Enterprises	% of Minority	Amount in Current Year	Amount in Last Year
CANAM Steel Structures Co., Ltd.	United Steel Structures, Ltd	49%	3,032,250.57	1,925,409.33
CSSC Guangzhou Huangpu shipyard Co., Ltd.	Guangzhou Masterwood Co., Ltd.	24%	-174,545.11	180,103.16
CSSC Guangzhou Huangpu shipyard Co., Ltd.	Guangzhou Guangli Marine Engineering Service Co., Ltd.	4.8%	-62,382.74	126,277.16
CSSC Guangzhou Huangpu shipyard Co., Ltd.	Guangzhou Xingshun Shipping Services Company Limited	0.816%	5,323.71	-
CSSC Guangzhou Huangpu shipyard Co., Ltd..	Guangdong GSI Elevator Limited	1.2%	-12,552.22	1,916.28
Ou Zhi Min	Fonkwang Developing Co., Ltd.	30%	940,046.33	157,217.86
CSSC Science & Technology Association Technology Consultation Service Corporation	Guangzhou Hongfan Information Technique Co., Ltd.	10%	149,344.06	139,608.41
China Shipbuilding IT Co., Ltd.	Guangzhou Hongfan Information Technique Co., Ltd.	26%	388,294.55	362,981.86
Quan Hua Tai etc.	Guangzhou Hongfan Information Technique Co., Ltd.	13%	194,147.28	181,490.93
Total			4,459,926.43	3,075,004.99

47. Other comprehensive income

Item	Amount in Current Period	Same Period Last Year
Gains from change of available-for-sale assets	119,138,125.00	-168,279,544.03

The comprehensive income was mainly change of the fair value of available-for-sale financial assets after deducted income tax enrolled capital surplus, according to the Ministry of Finance Accounting 【2009】 8 “the third explanation of Accounting Standard for Business Enterprises and Relevant Regulations”. The comprehensive income was increase by 170.80% compared with the same period last year because of fluctuation of market price.

FINANCIAL REPORTS

48. Supplementary Information of Cash Flow Statement

(1) Reconciliation of net income to cash flows from operating activities based on indirect method:

Supplementary Information	Amount in Current Period	Same Period Last Year
I. Reconciliation of net income to cash flows from operating activities:		
Net income	246,212,531.41	536,203,883.52
add: impairment of assets	528,814.06	-4,838,623.60
Depreciation of fixed assets, petroleum & natural gas, biological assets	43,647,087.76	42,857,267.04
Amortization of intangible assets	3,270,048.59	2,950,438.04
Amortization of long-term prepayments	-	-
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	8,092,124.04	526,011.46
Losses on scrapping of fixed assets ("-" for gains)	-	446,256.47
Losses on movement of fair value ("-" for gains)	26,991,382.76	-28,855,818.40
Financial expenses ("-" for gains)	-64,796,044.24	-214,304,652.89
Investments losses ("-" for gains)	-41,759,317.29	-65,206,694.00
Decrease in Deferred tax assets ("-" for increase)	-5,378,420.14	738,730.02
Increase in Deferred tax liabilities ("-" for decrease)	3,944,768.54	10,369,256.11
Decrease in inventories("-" for increase)	-407,927,409.76	-636,515,006.11
Decrease in operating receivables ("-" for increase)	409,992,922.34	-143,518,780.20
Increase in operating payables ("-" for decrease)	-337,185,858.93	-118,133,195.88
Others	-	-
Net cash flows from operating activities	-114,367,370.86	-617,280,928.42
II. Investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
III. Net increase in cash and cash equivalents:		
Cash at the end of the period	4,813,981,227.62	5,924,374,882.93
Less: Cash at the beginning of the period	5,197,630,827.85	6,739,631,979.44
Plus: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-383,649,600.23	-815,257,096.51

(2) Cash and cash equivalents are listed below:

Item	Amount in Current Period	Same Period Last Year
I. Cash	4,813,981,227.62	5,924,374,882.93
Including: Cash in treasury	185,503.94	214,820.13
Available-for-use bank deposit	4,811,606,796.09	5,923,755,294.07
Other available-for-use monetary fund	2,188,927.59	404,768.73
II. Cash equivalents		
Including: Bond Investment mature within 3 months		
III. Ending balance of cash and cash equivalents	4,813,981,227.62	5,924,374,882.93
Including: limited-for-use Cash and cash equivalents belongs to parent company or subsidiaries within the group	778,723,822.05	2,409,999,122.95

FINANCIAL REPORTS

(3) *Other items in cash flow statement*

A. *Other cash receipts relating to operating activities are listed below:*

Item	Amount in Current Period	Same Period Last Year
Appropriation of innovation ability construction	3,000,000.00	4,210,000.00
Other subsidies	2,126,753.75	613,000.00
Total	5,126,753.75	4,823,000.00

B. *Other cash payments relating to operating activities are listed below:*

Item	Amount in Current Period	Same Period Last Year
General and administrative expenses	17,116,170.71	24,405,119.61
Selling expenses	3,552,577.19	3,953,081.94
Manufacturing expenses	2,329,099.78	69,718,915.99
Total	22,997,847.68	98,077,117.54

C. *Other cash receipts relating to investing activities:*

Item	Amount in Current Period	Same Period Last Year
Interest income	43,918,126.92	51,927,738.52
marginal deposit for security	142,746,000.00	-

D. *Other cash payments relating to investing activities*

Item	Amount in Current Period	Same Period Last Year
marginal deposit for security	-	2,298,346,324.25

49. **Borrowing Costs**

Item	Amount in Current Period	Capitalization Rate
Borrowing costs recognized as expenses	32,929,458.54	-
Capitalized borrowing costs	-	-
Including: Capitalized borrowing costs of fixed assets	-	-
Capitalized borrowing costs of investment properties	-	-
Capitalized borrowing costs of inventories	-	-
Total	32,929,458.54	

50. **Foreign Currency Translation**

Item	Amount in Current Period
Difference from foreign currency translation recognized directly in income statement	5,350,353.78
Difference from foreign currency translation of financial reports that includes gain or loss from the disposal of the overseas operations directly recognized in income statement	-
Total	5,350,353.78

Notes to major items of financial statements of the Company

51. Accounts receivable

(1) Classification based on significance:

Classification	Ending balance			
	Original value	Percentage	Provision for bad debts	Net value
Individually significant balance	97,377,898.78	68.09	914,463.78	96,463,435.00
Individually insignificant but significant based on credit risk characteristics	10,464,379.30	7.32	1,074,272.51	9,390,106.79
Other insignificant balances	35,174,825.22	24.59	129,974.79	35,044,850.43
Total	143,017,103.30	100.00	2,118,711.08	140,898,392.22

Classification	Beginning balance			
	Original value	Percentage	Provision for bad debts	Net value
Individually significant balance	182,892,755.70	76.61	914,463.78	181,978,291.92
Individually insignificant but significant based on credit risk characteristics	20,973,325.49	8.78	1,074,272.51	19,899,052.98
Other insignificant balances	34,882,931.18	14.61	129,974.79	34,752,956.39
Total	238,749,012.37	100.00	2,118,711.08	236,630,301.29

Note 1: Individually significant receivables refer to the receivables with the amount of more than 10 million. The Company has assessed the significant receivables individually for impairment at the end of the year, 0.5% of the receivable balances shall be accounted as impairment amount in the condition that there is no indication of impairment for the receivables.

Note 2: Individually insignificant but significant based on credit risk characteristics refer to the receivables aging more than 1 year with insignificant amount.

Note 3: Other insignificant balances refer to the receivables aging within 1 year with insignificant amount.

(2) Classification based on ages:

Aging	Ending Balance			
	Amount	Percentage	Provision for bad debts	Net
Within 1 year	132,552,724.00	92.68	1,086,692.18	131,466,031.82
1-2 years (including 2 years)	5,365,654.89	3.75	61,153.52	5,304,501.37
2-3 years (including 3 years)	4,061,483.31	2.84	28,247.46	4,033,235.85
More than 3 years	99,767.48	0.07	5,144.30	94,623.18
Special	937,473.62	0.66	937,473.62	-
Total	143,017,103.30	100.00	2,118,711.08	140,898,392.22

Aging	Beginning balance			
	Amount	Percentage	Provision for bad debts	Net
Within 1 year	217,775,686.88	91.22	1,086,692.18	216,688,994.70
1-2 years (including 2 years)	13,357,500.52	5.59	61,153.52	13,296,347.00
2-3 years (including 3 years)	5,649,492.20	2.37	28,247.46	5,621,244.74
More than 3 years	1,028,859.15	0.43	5,144.30	1,023,714.85
Special	937,473.62	0.39	937,473.62	-
Total	238,749,012.37	100.00	2,118,711.08	236,630,301.29

FINANCIAL REPORTS

52. Other Receivables

(1) Classification based on significance:

Classification	Ending Balance			
	Amount	Percentage	Bad Debt Allowance	Net
Individually significant balance	111,244,693.52	89.75	9,260,845.14	101,983,848.38
Individually insignificant but significant based on credit risk characters	2,386,194.31	1.93	1,712.55	2,384,481.76
Other insignificant balances	10,314,077.89	8.32	34,090.55	10,279,987.34
Total	123,944,965.72	100.00	9,296,648.24	114,648,317.48

Classification	Beginning balance			
	Amount	Proportion	Bad Debt Allowance	Net
Individually significant balance	190,458,663.04	95.44	9,260,845.14	181,197,817.90
Individually insignificant but significant based on credit risk characters	2,242,509.24	1.12	1,712.55	2,240,796.69
Other insignificant balances	6,865,309.90	3.44	34,090.55	6,831,219.35
Total	199,566,482.18	100.00	9,296,648.24	190,269,833.94

Note 1: Individually significant balances refer to the other receivables with the amount of more than 10 million. The Company has assessed significant other receivables individually for impairment at the end of the year. For the receivables of Guangzhou International Trust and Investment amounted with RMB10,340,232.15, there is an indication of impairment for it, and then the bad debt allowance shall be accounted as RMB8,360,252.99.

Note 2: Individually insignificant but significant based on credit risk characteristics refer to the receivables aging more than 1 year with insignificant amount.

Note 3: Other insignificant balances refer to the receivables aging within 1 year with insignificant amount.

(2) Classification based on ages:

Aging	Ending Balance			
	Amount	Percentage	Bad Debt Allowance	Net
Within 1 year	111,218,539.26	89.74	934,682.71	110,283,856.55
1-2 years (including 2 years)	275,252.34	0.22	659.05	274,593.29
2-3 years (including 3 years)	100,135.53	0.08	342.13	99,793.40
More than 3 years	1,941,206.44	1.57	711.36	1,940,495.08
Special	10,409,832.15	8.39	8,360,252.99	2,049,579.16
Total	123,944,965.72	100.00	9,296,648.24	114,648,317.48

Aging	Beginning Balance			
	Amount	Percentage	Bad Debt Allowance	Net
Within 1 year	186,983,740.79	93.70	934,682.71	186,049,058.08
1-2 years (including 2 years)	131,810.80	0.07	659.05	131,151.75
2-3 years (including 3 years)	68,427.00	0.03	342.13	68,084.87
More than 3 years	2,042,271.44	1.02	711.36	2,041,560.08
Special	10,340,232.15	5.18	8,360,252.99	1,979,979.16
Total	199,566,482.18	100.00	9,296,648.24	190,269,833.94

53. Long-term Equity Investment

(1) Long-term equity investments are listed as follows in terms of category:

Item	Beginning balance	Increase	Decrease	Closing balance
Investment for subsidiary company	121,709,106.25	100,000,000.00	—	221,709,106.25
Investment for joint venture	4,303,575.28	259,055.12	—	4,562,630.40
Investment for associate company	1,000,000.00	—	—	1,000,000.00
Total	127,012,681.53	100,259,055.12	—	227,271,736.65

(2) Long-term investments under the cost method:

Investee	Initial amount	Beginning balance	Increase	Decrease	Ending balance	Percentage holding of investee's capital	Percentage holding of voting power
Glory Group Developing Company Co., Ltd.	10,700.00	26,443,792.13			26,443,792.13	1.00	1.00
Guangzhou Hongfan Information Technique Company Co., Ltd.	2,550,000.00	2,550,000.00			2,550,000.00	0.51	0.51
Guangzhou shipyard large mechanical equipment Co., Ltd.	30,000,000.00	30,000,000.00			30,000,000.00	1.00	1.00
Guangdong Shipyard International Elevator Company Co., Ltd.	19,950,000.00	19,950,000.00			19,950,000.00	0.95	0.95
Guangzhou Xingshun Shipping Service Company Co., Ltd.	500,000.00	500,000.00			500,000.00	0.83	0.83
Guangzhou United Steel Structures Co., Ltd.	37,522,079.55	37,522,079.55			37,522,079.55	0.51	0.51
Guangzhou Masterwood Shipbuilding Project Co., Ltd.	1,690,741.80	1,690,741.80			1,690,741.80	0.51	0.51
Guangzhou Guangli Marine Human Resource Service Co., Ltd.	3,052,492.77	3,052,492.77			3,052,492.77	0.80	0.80
Shenzhen Yuanzhou Service and Technology Industry Company	1,000,000.00	1,000,000.00			1,000,000.00	0.07	0.07
Zhongshan GSI Ship & Ocean Engineering Co., Ltd.	100,000,000.00	-	100,000,000.00		100,000,000.00	1.00	1.00
Total	215,476,014.12	122,709,106.25	100,000,000.00		222,709,106.25	-	-

(3) The details of the long-term equity investment under the equity method refer to Note IX.

54. Operating Income and Operating Cost

(1) Details for operating income and operating cost are listed as follows:

Items	Current year	Last year
Operating Income	2,928,394,544.42	2,849,279,612.20
Revenue from main operations	2,880,330,134.27	2,797,486,338.91
Revenue from other operations	48,064,410.15	51,793,273.29
Operating Cost	2,547,230,019.01	2,366,620,647.63
Cost of main operations	2,515,168,067.44	2,328,961,623.05
Cost of other operations	32,061,951.57	37,659,024.58

(2) Details are listed as follows in terms of category for production or business:

Category	Current year		Last year	
	Revenue	Cost	Revenue	Cost
ship building products	2,796,295,846.17	2,435,042,774.41	2,721,098,026.86	2,257,971,591.50
steel structure construction	36,273,077.64	34,633,800.31	3,000,809.49	3,185,958.60
mechanical and electronically products and others	47,761,210.46	45,491,492.72	73,387,502.56	67,804,072.95
Other business	48,064,410.15	32,061,951.57	51,793,273.29	37,659,024.58
Total	2,928,394,544.42	2,547,230,019.01	2,849,279,612.20	2,366,620,647.63

X CONNECTED PARTIES AND CONNECTED TRANSACTIONS

A. Connected parties

1. Parent company

Name of parent company	Registered address	Principle business	Registered capital	Organization code	Holding ratio	Representative ratio
China State Shipbuilding Corporation	No 1, Pudong Main Street, Shanghai City	investment and operation for state-owned assets	6,374,300,000.00	71092447-8	35.71%	35.71%

FINANCIAL REPORTS

2. *Subsidiary*

Details of subsidiary refer to Note XII.

3. *Joint venture and associate company*

Details of joint venture and associate company refer to VIII.

4. *Other connected parties*

Name of connected parties

Relationship with the Company

Anqing Marine Diesel Factory	controlled by the same final controller
Guangzhou Wenchong shipyard Co., Ltd.	controlled by the same final controller
Guangzhou Shipyard Co., Ltd.	controlled by the same final controller
CSSC Guangzhou Huangpu shipyard Co., Ltd.	controlled by the same final controller
CSSC Huanan Ship Machinery Co., Ltd.	controlled by the same final controller
Jiangxi Chaoyang Mechanical Factory	controlled by the same final controller
Jiangxi Marine Valve Factory	controlled by the same final controller
Changjiang zhongchuan instrument Co., Ltd.	controlled by the same final controller
CSSC Jiujiang Fire control Equipment Co., Ltd	controlled by the same final controller
CSSC Nanjing Lvzhou Machinery Co., Ltd	controlled by the same final controller
Shanghai Navigation Instrument Co., Ltd	controlled by the same final controller
CSSC Zhenjiang Equipment Co., Ltd	controlled by the same final controller
CSSC No. 9 Institute	controlled by the same final controller
China Shipping Trading Corporation	controlled by the same final controller
Marine Design & Research Institute of China	controlled by the same final controller
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	controlled by the same final controller
Huadong Zhonghua Shipbuilding (Group) Co., Ltd	controlled by the same final controller
Jiangnan Shipbuilding Group Co., Ltd	controlled by the same final controller
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	controlled by the same final controller
CSSC Integrated Technology Economy Institute	controlled by the same final controller
Guangxi Guijiang Shipyard Co., Ltd.	controlled by the same final controller
Jiujiang Haitian Equipment Manufacture Co., Ltd	controlled by the same final controller
CSSC International Trade Co., Ltd	controlled by the same final controller
Guangzhou Marine and Engineering Design & Research Institute	controlled by the same final controller
Shanghai Waigaoqiao Shipbuilding Co., Ltd	controlled by the same final controller
China United Shipbuilding Co., Ltd	controlled by the same final controller
CSSC Guangzhou Holding Co., Ltd.	controlled by the same final controller
Nationalized Xijiang shipbuilding	controlled by the same final controller

B *Connected Transactions*

1. *Selling goods and providing services*

<u>Name of connected parties</u>	<u>Current year</u>		<u>Last year</u>		<u>Pricing</u>
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	
South China Marine & Industrial Special Coating Ltd.	34,015.26	0.00	39,743.49	0.00	Market price
Guangzhou Wenchong Shipyard Ltd.	148,338.89	0.00	683,625.30	0.02	Market price
Guangzhou CSSC-Oceanline-CWS Marine Engineering Co., Ltd.	2,466,033.33	0.08	5,321,553.08	0.17	Market price
Guangzhou Shipyard Ltd.	4,624,144.55	0.15	2,963,488.14	0.10	Market price
CSSC Guangzhou Huangpu Shipyard Ltd.	14,246,603.79	0.45	5,007,287.60	0.16	Market price
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd		-	6,811,525.64	0.22	Market price
Guangzhou ship and ocean engineering design and research institute	62,153.81	0.00	85,923.29	0.00	Market price
CSSC Guangzhou Nansha-Longxue Shipbuilding Co., Ltd	29,920,125.93	0.95	10,357,211.13	0.34	Market price
China Shipping Trading Corporation Guangzhou shipping industry CO., Ltd	75,235.83	0.00	1,296,762.22	0.04	Market price
Jiangnan Heavy Industry Col, Ltd.	381,538.46	0.01	27,214,227.27	0.88	Market price
Shanghai Jiangnan CHngxing shipbuilding Co., Ltd.		-	149,572.65	0.00	Market price
Beijing CSSC information technology Co., Ltd.	705,692.31	0.02	-	-	Market price
Total	52,663,882.16	1.68	59,930,919.81	1.95	

FINANCIAL REPORTS

2. Commissions for Sales acted by connected parties

Name of connected parties	Current year	Last year	Pricing
China Shipping Trading Corporation	16,348,222.26	17,200,168.08	Market price
CSSC International Trade Co., Ltd.	1,133,287.50	5,038,185.75	Market price
Total	17,481,509.76	22,238,353.83	

3. Purchasing goods and services

Name of connected parties	Current year		Last year		Pricing
	Amount	Percentage	Amount	Percentage	
South China Marine & Industrial Special Coating Co., Ltd.	3,591,530.98	0.13			Marketprice
Anqing Marine Diesel Factory	12,000.00	0.00			Marketprice
Guangzhou Wenchong Shipyard Co., Ltd.		-	220,800.00	0.01	Marketprice
Guangzhou Shipyard Co., Ltd.	58,178,710.26	2.14	53,865,070.37	2.10	Marketprice
CSSC Guangzhou Huangpu Shipyard Co., Ltd.	374,320.92	0.01	351,921.85	0.01	Marketprice
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd.	-	-	751,673.10	0.03	Marketprice
Guangzhou shipping industry Co., Ltd.	978,199.77	0.04			Marketprice
CSSC Guangzhou Nansha-Longxue Shipbuilding Co., Ltd.	423,528.63	0.02			Marketprice
Guangzhou shipand ocean Engineering design and research institute		-	1,300,000.00	0.05	Marketprice
Guangxi Guijiang Shipyard Co., Ltd.	3,100,000.00	0.11			Marketprice
Nationalized Xijiang shipbuilding		-			Marketprice
CSSC Huanan Ship Machinery Co., Ltd.	7,690,256.41	0.28	8,934,957.26	0.35	Marketprice
Jiangxi Marine Valve Factory		-	57,500.00	0.00	Marketprice
Jiangxi Chaoyang Mechanical Factory	21,230.76	0.00			Marketprice
Jiujiang Haitian Equipment Manufacture Co., Ltd.	1,199,675.21	0.04			Marketprice
CSSC Jiujiang Fire control Equipment Co., Ltd.		-			Marketprice
CSSC Nanjing Lvzhou Machinery Co., Ltd.	12,937,884.61	0.48	8,457,802.42	0.33	Marketprice
Shanghai Marine Research & Design Institute	9,674,500.00	0.36	3,510,000.00	0.14	Marketprice
Shanghai Navigation Instrument Factory	66,500.00	0.00			Marketprice
CSSC No.9 Institute	400,000.00	0.01			Marketprice
CSSC Zhenjiang Equipment Co., Ltd.	30,590,726.49	1.12	49,314,235.05	1.92	Marketprice
CSSC No.11 Institute		-	35,000.00	0.00	Marketprice
China Shipbuilding Poly technic Economic Institute		-	1,288.00	0.00	Marketprice
China Shipping Trading Corporation		-			Marketprice
Huahai shipping goods Channel devices Co., Ltd.		-			Marketprice
Shanghai Navigation Instrument Factory		-			Marketprice
Systems Engineering Research Institute CSSC		-			Marketprice
Marine Design & Research Institute of China	3,880,000.00	0.14			Marketprice
Total	133,119,064.04	4.89	126,800,248.05	4.94	

Note: According to the "Integrated Services Contract" and its supplemental agreement signed between the Company and Guangzhou Shipyard Ltd, the Company should pay integrated service fees amount to RMB3,909,198.08 for the first half of year 2008, and the fees for the first half of year 2009 amount to RMB4, 090,525.02.

FINANCIAL REPORTS

4. Commissions arising from purchase acted by connected parties on behalf of the Company

Name of connected parties	Current Period	The Same Period Last year	Pricing
China Shipping Trading Corporation	3,010,424.83	–	Market Price
China United Shipbuilding Co., Ltd.	10,574.75	3,163,011.10	Market Price
Total	3,020,999.58	3,163,011.10	

5. Providing financial services

Name of related party	Ending balance of bank deposit		Interest revenue of the Company		Note
	Jan – Jun, 2009	Jan – Jun, 2008	Jan – Jun, 2009	Jan – Jun, 2008	
China Marine Finance Co., Ltd	21,825,467.06	27,488,265.93	34,895.41	114,870.94	Deposit

6. Guarantee provided by connected parties

Name	Guarantee	Current Period		Guarantee Period
		Amount of Guarantee	Guarantee Cost	
CSSC	Loan	USD36,379,000.00	1,115,726.55	1 year
CSSC Guangzhou Shipping Company	L/G	–	117,354.56	1 year
Total		USD36,379,000.00	1,233,081.11	

Name	Guarantee	Same Period Last year		Guarantee Period
		Amount of Guarantee	Guarantee Cost	
CSSC	Loan	USD145,344,000.00	4,136,797.62	1 year
CSSC Guangzhou Shipping Company	L/G	USD35,385,000.00	408,402.01	1 year
Total		USD180,729,000.00	4,545,199.63	

C Balance with connected parties

Name of related party	Account	Ending balance		Beginning balance	
		Amount	Percentage	Amount	Percentage
South China Marine&Industrial Special Coating Co., Ltd..	Accounts receivable	14,276.66	0.01	948.00	–
China Shipbuilding IT Co., Ltd.	Accounts receivable	42,000.00	0.02	42,000.00	0.01
CSSC Guijiang Shipyard Marine Design & Research Institute of China	Accounts receivable	–	–	9,632.80	–
Guangzhou CSSC-OC Eanline-CWS Marine Enerin Co., Ltd.	Accounts receivable	1,276,517.00	0.64	2,448,243.00	0.62
Guangzhou Shipyard Ltd.	Accounts receivable	2,511,847.03	1.25	240,675.39	0.06
CSSC Guangzhou Huangpu Shipyard Ltd.	Accounts receivable	2,845,097.62	1.42	4,044,595.54	1.02
CSSC Guangzhou Nancha-longxue Construction& Development Co.,Ltd.	Accounts receivable	4,234,824.00	2.11	30,880,000.00	7.77
Guangzhou shipping Industry Co., Ltd..	Accounts receivable	87,515.92	0.04	–	–
The Ninth Design and Research Institute	Accounts receivable	–	–	–	–
CSSC Guangzhou Nancha-longxue Shipbuilding Co., Ltd.	Accounts receivable	3,653,296.30	1.82	1,192,463.16	0.30
Jiangnan Heavy Industry Co., Ltd.	Accounts receivable	8,039,648.00	4.01	30,903,248.00	7.78
China Shipping Trading Co., Ltd.	Accounts receivable	–	–	–	–
Total Accounts Receivable		22,705,022.53	11.31	69,761,805.89	17.56

FINANCIAL REPORTS

Name of related party	Account	Ending balance		Beginning balance	
		Amount	Percentage	Amount	Percentage
CSSC Guijiang Shipyard Co., Ltd.	Advances to suppliers	390,000.00	0.10	–	–
Guangzhou Shipyard Co., Ltd.	Advances to suppliers	8,180,600.11	2.05	1,280,000.00	0.26
CSSC Guangzhou Huangpu Shipyard Co., Ltd.	Advances to suppliers	50,000.00	0.01	115,387,025.64	23.70
CSSC Huanan Marine Mechanical Co., Ltd.	Advances to suppliers	5,040,000.00	1.26	4,285,863.25	0.88
China United Shipbuilding Co., Ltd.	Advances to suppliers	–	–	–	–
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Advances to suppliers	–	–	–	–
CSSC Zhenjiang Equipment Co., Ltd.	Advances to suppliers	34,360,000.00	8.59	31,120,000.00	6.39
CSSC International Trade Co., Ltd.	Advances to suppliers	–	–	–	–
CSSC Nanjing Lvzhou Environment Protection Equipment Co., Ltd.	Advances to suppliers	855,000.00	0.21	–	–
Systems Engineering Research Institute, CSSC	Advances to suppliers	–	–	–	–
China Shipping Trading Corporation	Advances to suppliers	–	–	704,984.32	0.14
Marine Design& Research Institute of China	Advances to suppliers	950,000.00	0.24	582,000.00	0.12
CSSC Guangzhou Nancha-longxue Construction& Development Co., Ltd.	Advances to suppliers	102,800.00	0.03	102,800.00	0.02
Total Advances to Suppliers		49,928,400.11	12.48	153,462,673.21	31.51
South China Marine&Industrial Special Coating Co., Ltd.	Accounts payable	860,952.34	0.12	–	–
CSSC Guijiang Shipyard Co., Ltd.	Accounts payable	840,000.00	0.12	–	–
Guangzhou Shipyard Co., Ltd.	Accounts payable	8,905,032.57	1.22	7,831,017.91	0.94
CSSC Guangzhou Huangpu Shipyard Co., Ltd.	Accounts payable	200,000.00	0.03	–	–
Guangzhou shipping Industry Co., Ltd.	Accounts payable	520,232.84	0.07	–	–
CSSC Huanan Marine Mechanical Co., Ltd.	Accounts payable	5,527,940.00	0.76	11,870,500.00	1.43
Jiangxi Marine Valve Factory	Accounts payable	2,875.00	0.00	2,875.00	–
Jiujiang zhongchuan instrument Co., Ltd.	Accounts payable	50,000.00	0.01	50,000.00	0.01
CSSC Jiujiang Fire control Equipment Co., Ltd.	Accounts payable	293,500.00	0.04	–	–
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Accounts payable	1,028,908.00	0.14	–	–
CSSC Nanjing Lvzhou Machinery Co., Ltd.	Accounts payable	7,572,925.00	1.04	2,099,325.00	0.25
Shanghai Navigation Instrument Co., Ltd.	Accounts payable	38,325.00	0.01	41,025.00	–
Huudong Zhonghua Shipbuilding (Group) Co., Ltd.	Accounts payable	196,500.00	0.03	–	–
CSSC Zhenjiang Equipment Co., Ltd.	Accounts payable	16,340,000.00	2.25	16,869,231.20	2.03
CSSC No. 9 Institute	Accounts payable	426,000.00	0.06	26,000.00	–
China Shipping Trading Corporation	Accounts payable	-40,491.31	-0.01	-40,429.79	–
Marine Design& Research Institute of China	Accounts payable	3,557,000.00	0.49	259,000.00	0.03
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd.	Accounts payable	100,000.00	0.01	100,000.00	0.01
Huahai shipping goods Channel devices Co., Ltd.	Accounts payable	116,375.00	0.02	2,327,500.00	0.28
Systems Engineering Research Institute, CSSC	Accounts payable	11,665,000.00	1.60	11,665,000.00	1.40
Guangzhou CSSC-OC Eanline-CWS Marine Enerin Co., Ltd.	Accounts payable	–	–	217,200.00	0.03
China United Shipbuilding Co., Ltd.	Accounts payable	–	–	23,655,326.44	2.84
Total Accounts payable		58,201,074.44	8.00	76,973,570.76	9.25

FINANCIAL REPORTS

Name of related party	Account	Ending balance		Beginning balance	
		Amount	Percentage	Amount	Percentage
Guangzhou Economic Development Zone South China Marine & Industrial Special Coating Ltd.	Other payables		-	28,142.15	0.09
Guangzhou Shipyard Ltd.	Other payables	10,740.00	0.04	5,000.00	0.02
China United Shipbuilding Co., Ltd.	Other payables	469,396.39	1.64	469,396.39	1.44
The Ninth Design and Research Institute	Other payables	923,361.05	3.22	923,361.05	2.83
CSSC (Headquarters)	Other payables	1,620.00	0.01	-	
Total Other payables		1,405,117.44	4.91	1,425,899.59	4.38
Guangzhou Shipyard Ltd.	Advances from customers		-	1,178,400.00	0.58
CSSC Guangzhou Nancha-longxue Construction & Development Co., Ltd.	Advances from customers	81,523,257.07	38.79	63,491,221.07	31.19
Guangzhou CSSC-OC Eanline-CWS Marine Eanline Co., Ltd.	Advances from customers	18,893,000.00	8.99	4,048,500.00	1.99
Huudong Zhonghua Shhipbuilding (Group) Co., Ltd.	Advances from customers	7,600,000.00	3.62	7,600,000.00	3.73
Jiangnan Heany Industry CO., LTD.	Advances from customers	11,815,058.59	5.62	4,763,949.75	2.34
The Ninth Design and Research Institute	Advances from customers	1,250,000.00	0.59	1,250,000.00	0.61
Technology Research & Economy Development Institute, CSSC	Advances from customers	1,374,000.00	0.65	1,364,000.00	0.67
China Shipbuilding IT Co., Ltd.	Advances from customers	-	-	492,000.00	0.24
CSSC Guangzhou Nancha-longxue shipping Development Co., Ltd.	Advances from customers	625,000.00	0.30	625,000.00	0.31
Total Advances from customers		123,080,315.66	58.56	84,813,070.82	41.66

D The ending balance of allowance for receivables of connected parties

Name of connected parties	Account	Ending balance		Beginning balance	
		Amount	Percentage	Amount	Percentage
Guangzhou Shipyard Ltd.	Other receivables	-	-	-	-
South China Marine & Industrial Special Coating Ltd.	Accounts Receivable	4.74	0.00	4.74	0.00
China Shipbuilding IT Co., Ltd.	Accounts Receivable	210.00	0.00	210.00	0.00
CSSC Guijiang Shipyard	Accounts Receivable	-	-	-	-
Guangzhou Marine and Engineering Design & Research Institute	Accounts Receivable	48.16	0.00	48.16	0.00
Guangzhou Shipyard Ltd.	Accounts Receivable	1,203.38	0.03	1,203.38	0.03
CSSC Guangzhou Huangpu Shipyard Ltd.	Accounts Receivable	20,222.98	0.43	20,222.98	0.43
CSSC Guangzhou Nancha-longxue Construction & Development Co., Ltd.	Accounts Receivable	154,400.00	3.28	154,400.00	3.28
Guangzhou CSSC-OC Eanline-CWS Marine Eanline Co., Ltd.	Accounts Receivable	12,241.22	0.26	12,241.22	0.26
The Ninth Design and Research Institute	Accounts Receivable	-	-	-	-
CSSC Guangzhou Nancha-longxue Shipbuilding Co., Ltd.	Accounts Receivable	5,962.32	0.13	5,962.32	0.13
Jiangnan Heavy Industry Co., Ltd.	Accounts Receivable	154,516.24	3.29	154,516.24	3.29
China Shipping Trading Corporation	Accounts Receivable	-	-	-	-

XI CONTINGENCIES

The Company has no material contingencies at the end of the year to be disclosed.

XII SIGNIFICANT COMMITMENTS

1. Mortgage

Except time deposit used to mortgage, the Company has no material Significant Commitments to be disclosed As at June 30, 2009.

2. Undue Forward Contract

- (1) To circumvent foreign exchange rate risk, the Company signed foreign exchange forward contract with the bank. As of June 30, 2009, undue forward contracts of the Company accumulated to 23 contracts, the transaction amount amounted to USD279,500,000.00 and the contracted delivery period ranges from June 30, 2009 to June 30, 2010.
- (2) The Company signed EUR option contract with the bank, as of June 30, 2009, undue EUR option contracts accumulated to 4 contracts, totaling EUR5,000, 000.00, and the contracted exercising period ranges from July 9, 2009 to August 10, 2009.
- (3) The subsidiary company Rongguang Developing Co., Ltd. signed NDF contract with Standard Chartered Bank, Hong Kong Branch, which accumulated to 9 contracts, and the contracted settlement period ranges from April 14, 2010 to May 28, 2010.

The Company has no other material commitments as at the balance sheet date to be disclosed except those above-mentioned.

XIII SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

As at June 30, 2009, The Company has no material Subsequent events after the balance sheet date to be disclosed.

XIV OTHER SIGNIFICANT EVENTS

As at June 30, 2009, The Company has no Other Significant Events to be disclosed.

XV SUPPLEMENTAL INFORMATION

1. The differences between domestic and overseas financial reporting(at'0000s)

Item	Current Period		Same Period Last year	
	Net Assets	Net Profit	Net Assets	Net Profit
The financial statements prepared by CAS of China	288,564	24,175	256,902	53,313
Adjustments:	-	-	-	-
Investment Property impairment provision	-	-	-	-
Adjust held-to-maturity investments to its amortized value	-	-	-	-
Bonus accrued by subsidiaries	-	-	-	-
The financial statements prepared by HKFRS	<u>288,564</u>	<u>24,175</u>	<u>256,902</u>	<u>53,313</u>

2. Unusual items in profits or losses

In accordance with the "explanatory announcement for the Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1---Unusual items in Profits and losses"(the announcement of NO.43 【2008】 of China Securities Regulatory Commission),the unusual items in profits and losses of the Company are listed as follows:

Items	Current Period	Same Period Last year
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	-8,103,960.14	-972,267.93
Government subsidies recognized in the current profits and losses	817,226.80	11,226,626.22
Assets depreciation reserves accrued because of force majeure, such as natural disaster	-	-4,838,623.60
Gains/Losses from fair value changes of tradable financial assets and tradable financial liabilities, and investment income from disposal of tradable financial assets, tradable financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's main operation	12,637,347.23	92,587,494.64
Reverse of provision for receivable impairment which was tested individually	20,000.00	0
Other non-operating profits and losses	-252,880.59	-358,476.83
Subtotals(effect on income before tax)	5,117,733.30	97,644,752.50
Less: influence on income tax	767,660.00	24,411,188.13
Total influence on net profits	4,350,073.31	73,233,564.38
Including: attributable to minority interests	191,622.50	191,623.50
Influence on the net profits attributable to common shareholders of parent company	<u>4,158,450.81</u>	<u>73,041,940.88</u>
Net profits attributable to common shareholders of parent company after deducting exceptional items	<u>237,594,154.17</u>	<u>460,086,937.65</u>

FINANCIAL REPORTS

3. Return on Net Assets and Earning Per Share

In accordance with the "Regulations of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No.9---Calculation and Disclosing of Rate on Net Assets and Earning Per Share" and "Questions and Answers for the Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1---Unusual items in Profit and Losses" amended by the China Securities Regulatory Commission in 2007, the Company has calculated the rate of return on net assets and earnings per share. Details are listed as follows:

(1) Calculation Results

profits for according period	Current Period			
	Rate of return on net assets		Earning per share	
	Spreading out	Weighted average	Basic earning per share	Diluted earnings per share
net profits belonging to the common Shareholders (I)	8.38	8.58	0.49	0
net profits belonging to the common Shareholders after deducted non-often profits or losses(II)	8.23	8.44	0.48	0
profits for according period	Same Period Last year			
	Rate of return on net assets		Earning per share	
	Spreading out	Weighted average	Spreading out	Weighted average
net profits belonging to the common Shareholders (I)	20.75	20.20	1.08	0
net profits belonging to the common Shareholders after deducted non-often profits or losses(II)	17.91	18.33	0.93	0

(2) Calculation Process of Earnings per Share

Items	Number	Current Period	Same Period Last year
net profits belonging to the common Shareholders of the Company	1	241,752,604.98	533,128,878.53
non-often profits or losses belonging to the common shareholders of parent company deducted the tax	2	4,158,450.81	73,041,940.88
net profits belonging to the common shareholders of the Company after deducted non-often profits or losses	3=1-2	237,594,154.17	460,086,937.65
Total number of shares for the beginning of the year	4	494,677,580	494,677,580
Additional number of shares for increasing capital with accumulation fund or the distribution of dividends	5	-	0
Additional number of shares for initially issuing shares or debt for equity	6	-	0
	6	-	0
	6	-	0
months calculated from the next month of initially issuing shares or debt for equity to the last month of the accounting period	7	-	0
	7	-	0
	7	-	0
decreased number of shares for purchasing back or drawing back stocks for the accounting period	8	-	0
months calculated from the next month of decreasing shares to the last month for the accounting period	9	-	0
months for the accounting period	10	6	6
weighted average number of ordinary shares outstanding	11=4+5+6×7÷10-8×9÷10	494,677,580	494,677,580
Basic earnings per share (I)	12=1÷11	0.49	1.08
Basic earnings per share(II)	13=3÷11	0.48	0.93
interests for the potential dilutive ordinary shares recognized as expenditures	14	0	0
income tax rate	15	15%	25%
Diverting expenditures	16	-	-
additional number of shares for performing the right of warrants and share options	17	-	-
diluted earnings per share(I)	18=[1+(14-16)×(1-15)]÷(11+17)	-	-
diluted earnings per share(II)	19=[3+(14-16)×(1-15)]÷(11+17)	-	-

XVI AUTHORIZATION OF FINANCIAL STATEMENT

The financial statements have been approved by the board of directors' meeting held on August 20, 2009.

FINANCIAL REPORTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKAS 34

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,296,485	1,231,778
Prepayment for land use rights	5	153,559	–
Investment properties	5	87,004	89,137
Land use rights and leasehold land	5	74,690	75,196
Intangible assets	5	13,959	14,950
Interest in associates		35,839	33,708
Available-for-sale financial assets	6	1,900	1,900
Derivative financial instruments	7	–	44,890
Restricted cash	10	–	212,000
Total non-current assets		1,663,436	1,703,559
Current assets			
Inventories		976,381	832,683
Due from customers on construction contracts		517,396	283,014
Trade receivables	8	252,831	392,667
Other receivables	9	499,687	678,932
Available-for-sale financial assets	6	325,613	185,450
Derivative financial instruments	7	126,539	112,471
Term deposits with initial term of over three months	10	4,455,072	4,855,140
Restricted cash	10	729,218	723,463
Cash and cash equivalents	10	498,779	484,286
Total current assets		8,381,516	8,548,106
Total assets		10,044,952	10,251,665
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	11	1,146,655	1,146,655
Other reserves		487,745	368,607
Retained earnings		1,251,246	1,232,098
– Proposed dividend		–	222,605
– Others		1,251,246	1,009,493
		2,885,646	2,747,360
Minority interest in equity		99,475	95,505
Total equity		2,985,121	2,842,865
LIABILITIES			
Non-current liabilities			
Borrowings	12	36,039	207,632
Deferred income tax liabilities	13	47,196	48,629
Retirement benefit obligations		26,620	4,839
Total non-current liabilities		109,855	261,100
Current liabilities			
Due to customers on construction contracts		3,966,134	4,278,333
Trade payables	14	1,160,271	976,578
Other payables and accruals		278,417	323,176
Dividends payable		79,549	35
Current income tax liabilities		42,583	105,720
Borrowings	12	1,327,244	1,371,508
Derivative financial instruments	7	1,369	5,200
Provisions for warranty		94,409	87,150
Total current liabilities		6,949,976	7,147,700
Total liabilities		7,059,831	7,408,800
Total equity and liabilities		10,044,952	10,251,665
Net current assets		1,431,540	1,400,406
Total assets less current liabilities		3,094,976	3,103,965

The notes on pages 65 to 73 form an integral part of this condensed consolidated interim financial information.

FINANCIAL REPORTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
	Note		
Revenue		3,134,483	3,077,203
Cost of construction contracts		(2,468,491)	(2,294,935)
Cost of goods sold and services rendered		(289,103)	(310,567)
Cost of sales		(2,757,594)	(2,605,502)
Gross profit		376,889	471,701
Other gains – net		17,879	89,004
Selling and marketing costs		(3,740)	(4,196)
Administrative expenses		(158,255)	(106,568)
Other income		957	23,644
Other expenses		(8,496)	(2,200)
Operating profit	15	225,234	471,385
Finance income – net	16	59,554	225,152
Share of post-tax profits of associates		2,131	1,269
Profit before income tax		286,919	697,806
Income tax expense	17	(40,706)	(161,601)
Profit for the period		246,213	536,205
Other comprehensive income:			
Fair value gains/(losses) on available-for-sale financial assets, net of tax	6	119,138	(168,190)
Disposal of available-for-sale financial assets, net of tax		–	(90)
Other comprehensive income for the period, net of tax		119,138	(168,280)
Total comprehensive income for the period		365,351	367,925
Profit attributable to:			
– shareholders of the Company		241,753	533,130
– minority interest		4,460	3,075
		246,213	536,205
Total comprehensive income attributable to:			
– shareholders of the Company		360,891	364,850
– minority interest		4,460	3,075
		365,351	367,925
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB per share)			
– basic and diluted	18	0.4887	1.0777

The notes on pages 65 to 73 form an integral part of this condensed consolidated interim financial information.

FINANCIAL REPORTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		Unaudited					
		Attributable to shareholders of the Company					
Note	Share Capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total equity RMB'000	
	Balance at 1 January 2008	1,146,655	568,281	736,573	2,451,509	75,848	2,527,357
	Profit for the period	-	-	533,130	533,130	3,075	536,205
	Other comprehensive income:						
	Fair value losses on available-for-sale financial assets, net of tax	6	(168,190)	-	(168,190)	-	(168,190)
	Disposal of available-for-sale financial assets, net of tax		(90)	-	(90)	-	(90)
	Total comprehensive income for the six months ended 30 June 2008	-	(168,280)	533,130	364,850	3,075	367,925
	Dividends relating to 2007	19	-	(247,339)	(247,339)	-	(247,339)
	Balance at 30 June 2008	1,146,655	400,001	1,022,364	2,569,020	78,923	2,647,943
	Balance at 1 January 2009	1,146,655	368,607	1,232,098	2,747,360	95,505	2,842,865
	Profit for the period	-	-	241,753	241,753	4,460	246,213
	Other comprehensive income:						
	Fair value gains on available-for-sale financial assets, net of tax	6	119,138	-	119,138	-	119,138
	Total comprehensive income for the six months ended 30 June 2009	-	119,138	241,753	360,891	4,460	365,351
	Dividends relating to 2008	19	-	(222,605)	(222,605)	-	(222,605)
	Dividend paid by a subsidiary		-	-	-	(490)	(490)
	Balance at 30 June 2009	1,146,655	487,745	1,251,246	2,885,646	99,475	2,985,121

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

		Unaudited	
		Six months ended 30 June	
Note	2009 RMB'000	2008 RMB'000	
	Cash flows from operating activities – net	625,920	(2,709,414)
	Cash flows from investing activities		
	– purchases of property, plant and equipment and intangible assets	(112,309)	(133,383)
	– prepayment for land use rights	(153,559)	-
	– proceeds from sale of property, plant and equipment	6,200	192
	– payment of acquisition consideration	-	(15,360)
	– proceeds from disposal of available-for-sale financial assets	-	2,175
	Cash flows from investing activities – net	(259,668)	(146,376)
	Cash flows from financing activities		
	– proceeds from borrowings	947,080	2,886,385
	– repayments of borrowings	(1,154,385)	(524,207)
	– dividends paid to shareholders of the Company	(143,091)	(247,313)
	– dividend paid to minority interest	(490)	-
	Cash flows from financing activities – net	(350,886)	2,114,865
	Net increase/(decrease) in cash and cash equivalents	15,366	(740,925)
	Cash and cash equivalents at start of period	484,286	1,457,792
	Exchange losses on cash and cash equivalents	(873)	(332)
	Cash and cash equivalents at end of period	498,779	716,535

The notes on pages 65 to 73 form an integral part of this condensed consolidated interim financial information.

FINANCIAL REPORTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Guangzhou Shipyard International Company Limited (the “Company”) is a joint stock company established in the People’s Republic of China (the “PRC”) with limited liability. The address of its registered office is 40 South Fangcun Main Road, Guangzhou, the PRC.

The Company is listed on Shanghai Securities Exchange and The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was presented in thousands of units of Renminbi Yuan (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 August 2009.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2009, which comprise the condensed consolidated interim statement of financial position as at 30 June 2009, and the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flow for the six months ended 30 June 2009, accounting policies and the explanatory notes, has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2008, as set out in 2008 annual report of the Company dated on 10 March 2009.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted were consistent with those of the annual consolidated financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards, unless otherwise stated.

Taxes on income in the interim periods were accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations were mandatory for the financial year beginning 1 January 2009.

HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14 “Segment reporting” and aligns segment reporting with the requirements of the US standard SFAS 131, “Disclosures about segments of an enterprise and related information”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has applied HKFRS 8 from 1 January 2009 and this has resulted certain changes in the reportable segments presented, as the previously reported segments of shipbuilding, steel structure and other manufacturing, other operations have been changed to shipbuilding and related business, steel structure projects and all other segments, which have impact on the measurement of the Group’s segment revenue and segment results. Comparative figures for 2008 have been restated.

HKAS 1 (Revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All non-owner changes in equity is required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The Group has applied HKAS 1 (Revised) from 1 January 2009 and has elected to present one statement of comprehensive income.

HKAS 23 (Revised), “Borrowing costs”. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group has applied HKAS 23 (Revised) retrospectively from 1 January 2009 and there has been no significant impact on the measurement of the Group’s assets and liabilities.

Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following new standards, amendments to standards and interpretations were mandatory for the financial year beginning 1 January 2009, but were not currently relevant for the Group.

- HKFRS 2 (amendment), “Share-based payment”.
- HKAS 32 (amendment), “Financial instruments: presentation” and HKAS 1 (amendment), “Presentation of financial statements” – “Puttable financial instruments and obligations arising on liquidation”.
- HK(IFRIC) 9 (amendment), “Reassessment of embedded derivatives” and HKAS 39 (amendment), “Financial instruments: Recognition and measurement”.
- HK(IFRIC) 13, “Customer loyalty programmes”.
- HK(IFRIC) 15, “Agreements for the construction of real estate”.
- HK(IFRIC) 16, “Hedges of a net investment in a foreign operation”.

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors ("BOD"). BOD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The BOD considers the business from a product perspective, from which management assesses the performance of shipbuilding and related business, steel structure projects and other businesses. Other businesses mainly comprised of machinery and other manufacturing, painting services, trading of computer and other related services, none of which, both individually and in aggregate, were of a sufficient size to be reported separately.

The BOD assesses the performance of the operating segments based on measures of segment revenue and segment results. Other information provided to the BOD is measured in a manner consistent with that in the financial statements.

Sales between segments were carried out based on terms agreed. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

Turnover consists of sales from shipbuilding and related business, steel structure projects and other businesses, which were RMB2,835,560,000, RMB189,258,000 and RMB109,665,000 for the six months ended 30 June 2009 and RMB2,766,333,000, RMB210,784,000 and RMB100,086,000 for the six months ended 30 June 2008 respectively.

The segment revenue and results for the six months ended 30 June 2009 were as follows:

	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Combined RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Total revenue	2,844,577	195,334	460,656	3,500,567	–	3,500,567
Inter-segment revenue	(9,017)	(6,076)	(350,991)	(366,084)	366,084	–
Revenue (from external customers)	2,835,560	189,258	109,665	3,134,483	–	3,134,483
Segment results	209,130	7,001	9,924	226,055	(821)	225,234
Finance income	96,325	469	69	96,863	–	96,863
Finance costs	(36,240)	(142)	(927)	(37,309)	–	(37,309)
Share of post-tax profits of associates	259	–	1,872	2,131	–	2,131
Income tax expense	(37,692)	(2,063)	(951)	(40,706)	–	(40,706)
Profit for the period						246,213
Segment results include:						
Depreciation and amortisation	(41,105)	(1,318)	(5,206)	(47,629)	–	(47,629)
Write down of inventories	–	(549)	–	(549)	–	(549)

The segment revenue and results for the six months ended 30 June 2008 were as follows:

	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Combined RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Total revenue	2,771,417	210,965	344,962	3,327,344	–	3,327,344
Inter-segment revenue	(5,084)	(181)	(244,876)	(250,141)	250,141	–
Revenue (from external customers)	2,766,333	210,784	100,086	3,077,203	–	3,077,203
Segment results	456,300	13,080	2,793	472,173	(788)	471,385
Finance income	317,022	281	77	317,380	–	317,380
Finance costs	(91,274)	(806)	(148)	(92,228)	–	(92,228)
Share of post-tax profits of associates	283	–	986	1,269	–	1,269
Income tax expense	(159,567)	(1,310)	(724)	(161,601)	–	(161,601)
Profit for the period						536,205
Segment results include:						
Depreciation and amortisation	(40,089)	(2,008)	(4,318)	(46,415)	–	(46,415)

FINANCIAL REPORTS

4 SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities at 30 June 2009 were as follows:

	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Combined RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Total segment assets	9,034,005	686,670	536,371	10,257,046	(212,094)	10,044,952
Total segments assets include: Investments in associates	4,562	–	31,277	35,839	–	35,839
Total segments liabilities	6,376,190	503,540	392,195	7,271,925	(212,094)	7,059,831

The segment assets and liabilities at 31 December 2008 were as follows:

	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Combined RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Total segment assets	9,223,282	613,366	491,536	10,328,184	(76,519)	10,251,665
Total segments assets include: Investments in associates	4,303	–	29,405	33,708	–	33,708
Total segments liabilities	6,693,550	435,517	356,252	7,485,319	(76,519)	7,408,800

The additions to non-current assets (other than financial instruments) were as follows:

	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Combined RMB'000	Inter- segmental elimination RMB'000	Consolidated RMB'000
Six months ended 30 June 2009	234,234	5,321	36,614	276,169	–	276,169
Six months ended 30 June 2008	65,933	206	62,935	129,074	–	129,074

The Group does not have significant reliance on certain major customers. Revenues from major external customers by geographical location were as follows:

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Denmark	1,680,582	837,228
Mainland China	406,522	673,329
Germany	292,904	–
Hong Kong	259,930	144
Greece	188,198	358,635
Malta	60,998	680,748
Sweden	–	354,419
Others	245,349	172,700
	3,134,483	3,077,203

Revenues were allocated based on the places/countries in which customers were located.

4 SEGMENT INFORMATION (CONTINUED)

Non-current assets (other than financial instruments) located by geographical location were as follows:

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Mainland China	1,644,485	1,427,533
Hong Kong	17,051	17,236
	<u>1,661,536</u>	<u>1,444,769</u>

The non-current assets were allocated based on where the assets were located.

5 PROPERTY, PLANT AND EQUIPMENT, PREPAYMENT FOR LAND USE RIGHTS, INVESTMENT PROPERTIES, LAND USE RIGHTS AND LEASEHOLD LAND, INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Prepayment for land use rights RMB'000	Investment properties RMB'000	Land use rights and leasehold land RMB'000	Intangible assets RMB'000	Total RMB'000
Six months ended 30 June 2008						
Opening net book amount at 1 January 2008	1,049,953	–	94,161	76,108	15,921	1,236,143
Additions	128,094	–	–	–	980	129,074
Disposals	(1,682)	–	–	–	–	(1,682)
Depreciation and amortisation	(43,670)	–	(991)	(794)	(960)	(46,415)
Closing net book amount at 30 June 2008	<u>1,132,695</u>	<u>–</u>	<u>93,170</u>	<u>75,314</u>	<u>15,941</u>	<u>1,317,120</u>
Six months ended 30 June 2009						
Opening net book amount at 1 January 2009	1,231,778	–	89,137	75,196	14,950	1,411,061
Additions	122,610	153,559	–	–	–	276,169
Disposals	(12,468)	–	(1,149)	(287)	–	(13,904)
Depreciation and amortisation	(45,435)	–	(984)	(219)	(991)	(47,629)
Closing net book amount at 30 June 2009	<u>1,296,485</u>	<u>153,559</u>	<u>87,004</u>	<u>74,690</u>	<u>13,959</u>	<u>1,625,697</u>

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Beginning of the period	187,350	577,074
Disposals	–	(2,142)
Fair value gains/(losses) transferred to equity	140,163	(224,253)
End of the period	327,513	350,679
Less non-current portion:	<u>(1,900)</u>	<u>(1,900)</u>
Current portion	<u>325,613</u>	<u>348,779</u>

Available-for-sale financial assets represent listed corporate shares of China Merchants Bank, China Merchants Energy Shipping Co., Ltd. and other unlisted equity interests of private issuers.

The fair value gains, net of tax, amounting to RMB119,138,000 for the six months ended 30 June 2009 were credited to other reserves (six months ended 30 June 2008: RMB168,190,000 of losses).

Current portion of the available-for-sale financial assets represent the listed corporate to be disposed within 12 months.

FINANCIAL REPORTS

7 DERIVATIVE FINANCIAL INSTRUMENTS

	Assets as at		Liabilities as at	
	30 June 2009 RMB'000	31 December 2008 RMB'000	30 June 2009 RMB'000	31 December 2008 RMB'000
Forward foreign exchange contracts	126,539	157,361	(1,369)	(5,200)
Less non-current portion:				
Forward foreign exchange contracts	-	(44,890)	-	-
Current portion	126,539	112,471	(1,369)	(5,200)

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2009 were RMB2,647,742,000 (31 December 2008: RMB2,189,465,000).

8 TRADE RECEIVABLES

At 30 June 2009 and 31 December 2008, the ageing analyses of the trade receivables were as follows:

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Not exceeding 1 year	229,956	361,388
More than 1 year but not exceeding 2 years	9,323	26,194
More than 2 years but not exceeding 3 years	8,325	3,979
More than 3 years	5,227	1,106
	252,831	392,667

The general credit terms of trade receivables were:

Operations

Shipbuilding and related business
Steel structure projects
Other operations

Credit terms

Within one month after issue of invoice
Normally one to six months
Normally one to six months

9 OTHER RECEIVABLES

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Prepayments for trading materials, equipment and subcontract fee	399,955	486,868
Subsidy receivables	40,904	40,904
Other taxes recoverable	42,868	89,214
Deposit for acquisition (Note a)	-	50,000
Others	15,960	11,946
	499,687	678,932

(a) Cash deposit was paid to China Beijing Equity Exchange for the purpose of tendering for the equity interests in Guangzhou Wenchong shipbuilding limited. The deposit was collected in cash since the Company terminated the acquisition in this interim period.

FINANCIAL REPORTS

10 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS, RESTRICTED CASH, CASH AND CASH EQUIVALENTS ("BANK BALANCES AND CASH")

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Bank balances and cash	5,683,069	6,274,889
Less: Restricted cash	(729,218)	(935,463)
–Current	(729,218)	(723,463)
–Non-current	–	(212,000)
Term deposits with initial term of over three months	(4,455,072)	(4,855,140)
Cash and cash equivalents	498,779	484,286

The restricted cash was held in bank accounts as guarantee deposits for forward contract transactions and bank borrowings.

11 SHARE CAPITAL AND PREMIUM

	As at 1 January 2008, 30 June 2008 and 1 January 2009		Conversion (Note a)		As at 30 June 2009	
	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000	Number of shares (thousands)	Amount RMB'000
Share capital registered, issued and fully paid						
Circulating State Shares subject to trading restrictions	176,651	176,651	(176,651)	(176,651)	–	–
Ordinary A Shares	160,629	160,629	176,651	176,651	337,280	337,280
Ordinary H Shares	157,398	157,398	–	–	157,398	157,398
	494,678	494,678	–	–	494,678	494,678
Share premium		651,977				651,977
Total		1,146,655				1,146,655

(a) The circulating State Shares subject to trading restrictions have become tradable at the Shanghai Stock Exchange since 26 May 2009, three years after the completion of the PRC State Share Reform on 24 May 2006.

12 BORROWINGS

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Non-current		
Bank borrowings	36,039	207,632
Current		
Bank borrowings		
– Short-term bank borrowings	797,518	478,026
– Current portion of long-term bank borrowings	529,726	893,482
	1,327,244	1,371,508
Total borrowings	1,363,283	1,579,140

13 DEFERRED INCOME TAX LIABILITIES

Taking into consideration the offsetting of balances within the same tax jurisdiction the Directors have recognised the deferred tax assets and liabilities for the following temporary differences:

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Provision and impairment of assets	4,211	5,393
Staff benefits	5,586	1,418
Fair value gains on derivatives financial instruments	(17,962)	(22,824)
Fair value gains on available-for-sale financial assets	(41,424)	(20,398)
Unrealised exchange gains	–	(12,218)
Others	2,393	–
	(47,196)	(48,629)

FINANCIAL REPORTS

14 TRADE PAYABLES

At 30 June 2009 and 31 December 2008, the ageing analyses of the trade payables were as follows:

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Not exceeding 1 year	1,155,546	967,068
More than 1 year but not exceeding 2 years	1,506	8,413
More than 2 years but not exceeding 3 years	3,056	759
More than 3 years	163	338
	1,160,271	976,578

15 OPERATING PROFIT

The following items have been credited/charged to the operating profit during the interim period:

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Credited:		
Gains on derivative financial instruments – net	12,638	88,027
Subsidy income for expenses compensations	817	4,833
Subsidy income for shipbuilding	–	18,605
Gain from disposal of financial assets at fair value through profit or loss	–	4,561
Gain from disposal of available-for-sale financial assets	–	33
Available-for-sale financial assets transfer out from other reserve	–	120
Reversal of impairment for trade receivables	20	408
Gain from disposal of investment properties, land use rights and leasehold land	408	–
Charged:		
Depreciation and amortisation charges	47,629	46,415
Write down of inventories	549	–
Employee benefit expenses, include directors' emoluments	386,549	314,218
Loss on disposal of property, plant and equipment	8,112	1,490

16 FINANCE INCOME – NET

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Interest income	96,754	133,945
Interest expense	(37,309)	(92,228)
Exchange gain from financing activities	109	183,435
	59,554	225,152

17 INCOME TAX EXPENSE

Taxation on the PRC profit has been calculated on the estimated assessable profit for the six months ended 30 June 2009 at the rates of taxation prevailing in the PRC.

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Current income tax – the PRC enterprise income tax	63,164	121,008
Deferred income tax	(22,458)	40,593
	40,706	161,601

17 INCOME TAX EXPENSE (CONTINUED)

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2009 is 15% (the estimated tax rate for the six months ended 30 June 2008 was 25%).

Since 1993, being the first batch of mainland entities listed on the Hong Kong stock exchange, nine entities including the Company have been granted by the Ministry of Finance and the State Administration of Taxation to be taxed at the preferential income tax rate of 15%. Accordingly, the Company was subject to income tax at the rate of 15% up to year 2006. On 19 June 2007, the State Administration of Taxation ordered local tax authorities to terminate the above preferential income tax rate arrangement with immediate effect. In accordance with the advice of the in-charge tax authority, the Company's income tax rate for year 2007 was 33%. Management of the Company has assessed the implication of prior year income tax and considers that there should not be material financial impact arising from this tax matter to the Company.

Effective 1 January 2008, the Company and the subsidiaries established in the PRC shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of PRC (hereinafter the "new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the corporate income tax rate applicable to the Company and the subsidiaries established in the PRC should be 25% from 1 January 2008.

Pursuant to an approval granted by the local tax authorities, the Company is qualified as Guangdong New/High Tech Enterprise ("NHTE"), and is entitled to the 15% preferential income tax rate from 2008 to 2010.

18 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of RMB241,753,000 (six months ended 30 June 2008: RMB533,130,000) and the weighted average number of 494,677,580 (six months ended 30 June 2008: 494,677,580) ordinary shares in issue during the period.

19 DIVIDENDS

During the period, a dividend of RMB222,605,000 for the year ended 31 December 2008 was declared in 2009 (2008: RMB247,339,000).

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

20 CAPITAL COMMITMENTS

Capital expenditure at the statement of financial position date but not yet incurred is as follows:

	As at	
	30 June 2009 RMB'000	31 December 2008 RMB'000
Contracted but not provided for	77,722	102,381
Authorised but not contracted for	22,602	31,944
Total commitment of property, plant and equipment, land use rights and leasehold land	100,324	134,325

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

CSSC, the immediate shareholder of the Company which owns 35.71% of the Company's shares, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to CSSC group companies, directly or indirectly controlled by the PRC government, were also regarded as related parties of the Group. Neither CSSC nor the PRC government publishes financial statements available for public use.

The following significant transactions were carried out with related parties:

(i) Sales of goods and services

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Sales of goods:		
– to companies controlled by CSSC	1,941	36,679
– to other state-controlled enterprises	245,017	105,238
	246,958	141,917
Sales of services:		
– to companies controlled by CSSC	50,723	23,252

FINANCIAL REPORTS

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Purchases of goods:		
– from companies controlled by CSSC	101,294	105,145
– from other state-controlled enterprises	561,528	574,144
	<u>662,822</u>	<u>679,289</u>
Purchase of services:		
– from companies controlled by CSSC	31,825	21,656
– from other state-controlled enterprises	27,919	4,202
	<u>59,744</u>	<u>25,858</u>

(iii) Payment of expenses and other charges

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Vessel sales commissions payable:		
– to companies controlled by CSSC	17,482	22,238
– to other state-controlled enterprises	880	2,102
Other expenses payable:		
– to companies controlled by CSSC	8,310	11,502
Interest expense payable:		
– to state-controlled banks	14,979	76,159
	<u>41,651</u>	<u>112,001</u>

(iv) Interest income and other income

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Interest income from bank balances and cash		
– from state-controlled banks	73,931	105,896
Realised gain on forward foreign exchange contracts		
– from state-controlled banks	49,614	32,952
	<u>123,545</u>	<u>138,848</u>

(v) Key management compensation

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Emolument, salaries and other short-term employee benefits	2,297	1,059
Post-employment benefits	79	75
	<u>2,376</u>	<u>1,134</u>

DOCUMENTS AVAILABLE FOR INSPECTION

1. Financial statements with signatures and stamps of legal representative, chief accountant and accounting department heads.
2. The originals of announcements made in “Shanghai Securities News”, the website of Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange of Hong Kong Limited (www.hkexnews.hk), and the Company (www.chinagsi.com) during the period under review and related company documents.