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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 : 00317 A Stock Code : 600685

GSI GSI



Interim Report

2010

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I. IMPORTANT NOTICE

1. 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.
2. All the directors attended the twentieth meeting of the sixth term of the Board of Directors held on August 26, 2010, at which this report was approved by unanimous vote.
3. Mr. Li Zhushi, Chairman of the Board of Directors, Mr. Chen Liping, Chief Accountant of the Company and Mr. Hou Zengquan, Manager of Financial Center of the Company, declare and confirm the authenticity and completeness of the financial reports included in this report.
4. Unless otherwise stated, financial data contained in this report is extracted from the accounts prepared by the Group (“the Company and its subsidiaries”) in accordance with PRC Accounting Standards for Business Enterprises and Relevant Regulations (“PRC Accounting Standards and Regulations”).
5. The Company has no capital appropriated by the controlling shareholder or connected parties, and has not provided any external guarantees in violation of the Company’s decision-making procedures during the period under review.
6. The Audit Committee of the Company has reviewed and confirmed the financial reports in the interim report for the first six months of 2010.
7. 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.

II. OVERVIEW OF THE COMPANY

1. GENERAL INFORMATION

Registered Chinese Name of the Company:	廣州廣船國際股份有限公司
Abbreviation of Chinese Name of the Company:	廣船國際
Registered English Name of the Company:	Guangzhou Shipyard International Company Limited
Abbreviation of English Name of the Company:	GSI
Legal Representative of the Company:	Mr. Li Zhushi
Secretary to the Board of Directors:	Mr. Li Zhidong
Address:	40 South Fangcun Main Road, Liwan District, Guangzhou, P.R.C.
Tel:	(8620) 8189 1712 ext. 2962
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E-Mail Address:	lzd@chinagsi.com
Authorized Securities Representative:	Ms. Yang Ping
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Tel:	(8620) 8189 1712 ext. 2995
Fax:	(8620) 8189 1575
E-Mail Address:	yangping@chinagsi.com
The Company’s Registered Address and Office:	40 South Fangcun Main Road, Liwan District, Guangzhou The People’s Republic of China
Postal code:	510382
The Company’s Principal Place of Business in Hong Kong:	28/F, Three Pacific Place 1 Queen’s Road East, Hong Kong
URL of the Company:	www.chinagsi.com
E-Mail Address:	gsi@chinagsi.com
Publications for Disclosing Information:	Shanghai Securities News
URL for Publishing the Report:	www.sse.com.cn, www.hkexnews.hk, www.chinagsi.com
Place for Inspection of the Interim Report:	The Board of Directors’ Office
Place of Listing of the Company’s Shares	
A Shares	Shanghai Stock Exchange
Abbreviated Name:	Guangzhou Shipyard International
Stock Code:	600685
H Shares	The Stock Exchange of Hong Kong Limited
Abbreviated Name:	Guangzhou Shipyard International
Stock Code:	00317

2. MAJOR FINANCIAL DATA AND INDICATORS

(1) Prepared under the PRC Accounting Standards and Regulations

Unit: RMB

Items	Unaudited	Audited	Change (%)
	As at June 30, 2010 (Consolidated)	As at December 31, 2009 (Consolidated)	
Total assets	10,643,190,217.17	9,805,223,077.98	8.55
Shareholders' equity attributable to shareholders of the Company	3,299,141,197.93	3,168,840,358.56	4.11
Net assets per share attributable to shareholders of the Company	6.67	6.41	4.11

Items	Unaudited		Change (%)
	For six months ended June 30,		
	2010 (Consolidated)	2009 (Consolidated)	
Operating profit	310,752,647.94	294,457,827.67	5.53
Total profit	402,703,975.85	286,918,213.74	40.35
Net profit attributable to shareholders of the Company	341,324,211.36	241,752,604.98	41.19
Net profit attributable to shareholders of the Company after deduction of exceptional items	331,643,172.46	237,594,154.17	39.58
Basic earnings per share	0.69	0.49	41.19
Basic earnings per share after deduction of exceptional items	0.67	0.48	39.58
Diluted earnings per share	—	—	—
Weighted average return on net assets (%)	10.68	8.58	Increased by 2.1 percent
Net cash flow from operating activities	47,469,635.26	-114,367,370.86	Not applicable
Net cash flow per share from operating activities	0.10	-0.23	Not applicable

Unit: RMB

Exceptional income items	Amount	Note
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	114,835.47	Mainly was the profit from disposal of fixed assets.
Government subsidies recognized in the current profits and losses	13,010,224.84	Mainly were subsidies of software produced by the Group and new productions.
Gains/Losses 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	-2,188,480.77	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	2,400.00	Receipt of account receivables which were written off.
Other non-operating profits and losses except for the items disclosure above	651,925.34	
Subtotals (effect on income before tax)	11,590,904.88	
Less: influence on income tax	1,738,635.73	
Total influence on net profits	9,852,269.15	
Less: influence on attributable to minority interests	171,230.25	
Influence on the net profits attributable to common shareholders of parent company	9,681,038.90	
Net profits attributable to common shareholders of parent company after deducting exceptional items	331,643,172.46	

(2) Prepared in accordance with HKAS 34

Unit: RMB'000

Items	Unaudited	Audited	Change (%)
	As at June 30, 2010 (Consolidated)	As at December 31, 2009 (Consolidated)	
Current assets	8,666,781	8,092,169	7.10
Current liabilities	6,979,426	6,482,900	7.66
Total assets	10,677,875	9,804,407	8.91
Shareholders' equity (excluding non-controlling interests)	3,299,141	3,168,841	4.11
Net assets per share (RMB)	6.67	6.41	4.11
Gearing ratios (%)	68.27	66.78	2.23

Items	Unaudited		Change (%)
	For six months ended June 30,		
	2010 (Consolidated)	2009 (Consolidated)	
Profit attributable to shareholders of the Company	341,324	241,753	41.19
Earnings per share (RMB)	0.6900	0.4887	41.19
Return on net assets (%)	10.35	8.38	23.51

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

III. CHANGES OF SHARE CAPITAL AND SHAREHOLDERS' INFORMATION

1. CHANGES OF SHARE CAPITAL

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

2. SHAREHOLDERS' INFORMATION

(1) As at June 30, 2010, the total number of shareholders of the Company was 72,040, including 71,649 shareholders of listed A-shares and 391 shareholders of listed H-Shares.

(2) As at June 30, 2010, top 10 shareholders (top 10 shareholders of freely transferable shares) of the Company were as follows:

Unit: share

Shareholder	Change during the period under review	Number of shares at the end of the period under review	Percentage (%)	Shares pledged or locked up	Nature of shareholders	Share classification
China State Shipbuilding Corporation	–	176,650,615	35.71	None	State-owned Shares	A Shares
HKSCC Nominees Limited	-4,966,880	146,537,509	29.62	Unknown	Foreign legal entity shares	H Shares
China AMC Stable Growth Fund	3,899,902	3,899,902	0.79	Unknown	Other	A Shares
Da Rosa Jose Augusto Maria	3,000,000	3,000,000	0.61	Unknown	Foreign nature person shares	H Shares
Chan Kwok Tai Eddie	–	2,250,000	0.45	Unknown	Foreign nature person shares	H Shares
Harvest in Shanghai and Shenzhen 300 Index Securities Investment Fund	-40,700	1,056,821	0.21	Unknown	Other	A Shares
Sun Xuexin	481,860	878,800	0.18	Unknown	Other	A Shares
Li Yongmian	–	801,806	0.16	Unknown	Other	A Shares
China AMC CSI300 Index Fund	-327,520	772,001	0.16	Unknown	Other	A Shares
Ling Fong	–	660,000	0.13	Unknown	Foreign nature person shares	H Shares

Except that China AMC Stable Growth Fund and China AMC CSI300 Index Fund are funds managed by China AMC Fund Manage Company, the Company is not aware of whether the top 10 listed shareholders 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".

(3) Apart from the shareholders disclosed above, as at June 30, 2010, the following company, other than the directors, supervisors and senior management 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 (%)
Mirae Asset Global Investments (Hong Kong) Limited	9,436,000	5.99	1.91

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

IV. INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. CHANGE IN SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at June 30, 2010, 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, 2009.

2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The 2009 Annual General Meeting held on May 25, 2010 approved Mr. Miao Jian to resign as non-executive director of the Company due to job relocation, and elected Mr. Cui Ming as non-executive director of the Company. Mr. Cui will serve for a period of one year, until conclusion of the Company's annual general meeting for 2010, and his annual emolument will be RMB80,000.

3. 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.

4. STAFF AND THE REMUNERATION POLICY

As at June 30, 2010, the number of employees on the payroll of the Company was 3,429. 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.

V. REPORT OF THE BOARD OF DIRECTORS

(I) DISCUSSION AND ANALYSIS OF OPERATION DURING THE PERIOD UNDER REVIEW

During the first half of 2010, though the shipbuilding market became partially active, the segment market of handy-size tanker, which is the main operation of the Company, remains depressive since the global financial crisis broke out in 2008.

During the period under review, several special vessels such as semi-submersible vessels and Ro/Ro passenger vessels went into construction; the vessels in compliance with the requirements of PSPC were in process of construction, and successfully gained PSPC certificate from classification societies; completed the lengthening project of dry dock, implemented tandem shipbuilding method which promoted capacity utilization; optimized the budget management, strengthened target cost management and the direct charge decreased by 10% compared with that of the same period last year; enhanced research on new standards, optimized allocation of ship types, developed vessels with low cost and reserved potential ship types actively; the block manufacturing center in Zhongshan City entered into substantive construction phase; promoted the strategy implementation, integrated resources and established Heavy Machinery Division to execute the development strategy of heavy machinery operation.

Affected by simultaneous construction of several first-building vessels of several types, the new regulations such as PSPC, the torrential rains as well as the depressive shipbuilding market, the construction of vessels-in-process became more difficult, the shipbuilding progress delayed and shipbuilding cycles postponed, which jointly resulted in the decrease of the operating income of the Company compared with that of the same last year. Meanwhile, the reduced cost of shipbuilding materials and equipments contributed to the increase in gross profit and net profit.

During the period under review, the operating income (turnover) of the Group amounted to RMB2,894 million (of which, the principal operating income amounted to RMB2,842 million) representing a decrease of 7.68% 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 RMB341 million, representing an increase of 41.19% compared with that of the same period last year. The earnings per share amounted to RMB0.69.

(II) PRINCIPAL OPERATION INFORMATION

1. Major operation information by products

Unit: RMB

Products	Operating income	Operating costs	Operating gross 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	2,620,474,594.38	2,239,928,336.16	14.52	-6.29	-8.01	Increased by 1.6 percent
Steel structure	60,721,525.33	50,623,380.74	16.63	-64.39	-67.24	Increased by 7.26 percent
Electrical & mechanical products and others	160,996,506.04	125,280,582.33	22.18	27.57	27.66	decreased by 0.06 percent
Total	2,842,192,625.75	2,415,832,299.23	15.00	-8.11	-10.12	Increased by 1.90 percent

During the period under review, the connected transactions in relation to products and labor services supplied to the controlling shareholder CSSC and its subsidiaries by the Company amounted to RMB64,147,686.95.

Shipbuilding operation

During the first half of 2010, the Group completed and delivered 7 vessels, commenced construction work on 7 vessels, and launched 9 vessels. The main clients are from European countries such as Denmark, Greece, Italy, Malta and other important domestic clients. The major products built during the period under review were 39,000dwt, 50,500dwt, and 52,300dwt and 55,000dwt chemical/product oil tanker, 50,000dwt semi-submersible vessels and Ro/Ro passenger vessels. Moreover, the Group secured new shipbuilding orders for 2 vessels with a total tonnage of 110,000dwt from a domestic owner. As at June 30, 2010, the Group has accumulated orders for building 47 vessels with a total tonnage of 1,988,900 dwt.

The shipbuilding income decreased as compared with the same period last year, which was mainly due to the decreased volume of shipbuilding as compared with the same period last year, which resulted in less revenue from payments in line with completed construction stages. The increase of the gross margin was mainly benefited from the reduced cost of shipbuilding materials and equipments over that of the same period last year.

Non-shipbuilding operations

In accordance with the development strategy of the Group and strategic plan of heavy machinery operation, the Group integrated its non-shipbuilding operation resource, forming three core businesses of complete sets of equipments & ship accessories processing, heavy steel structures and electrical & mechanical products during the period under review, and established Heavy Machinery Division and secured orders to build two shield machines for Guangdong No. 2 Hydropower Engineering Co., Ltd as well as orders of ship unloaders and reclaimers from Thyssenkrupp Group. During the period under review, the Company completed 10,493.9 tons steel structure, and sold 225 hydraulic shearing machines and 230 elevators.

The income from steel structure decreased compared with that of the same period 2009, which was mainly due to the shortage of orders as affected by global financial crisis. Income from electrical & mechanical products increased during the period under review, mainly due to the improved hydraulic shearing machine market and elevator market in the first half of 2010.

2. Geographical Statement of Operation

Unit: RMB

Area	Operating income	Change (± %)
Malta	4,860,069.05	-92.03
Denmark	1,448,479,148.35	-13.81
Italy	215,975,641.63	71.43
U.S.A.	31,315,276.62	-47.05
Hong Kong	76,912,789.39	-70.41
Greece	349,383,116.05	85.65
Australia	9,996,515.25	-83.34
Angola	11,277,433.54	100.00
Other	956,400.45	357.66
Mainland China	693,036,235.42	89.85
Total	2,842,192,625.75	-8.11

3. Problems and difficulties of operation and their solutions

During the period under review, the Company was still facing with grim situation of difficulties in delivering vessels. In view of that, the Company focused on deliveries of vessels, adjusted the production progress, strengthened the coordination of shipbuilding resources and production technology preparation, promoted the application of production management and shipbuilding efficiency analysis, enhanced the communication with ship-owners & supervisors and on-site technical service, researched tandem shipbuilding method for improving the efficiency and shortening the shipbuilding cycles, endeavored to alleviate the impact of unfavorable factors to achieve the deliveries of the vessels.

(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 RMB54.95 million, representing a decrease of 80.11% compared with that of last year (RMB276.26 million). The major invested projects were as follows:

Unit: RMB'0000

Item	Amount	Progress	Income
Prophase fee of Zhongshan block manufacturing center	1757	Under construction	Not yet generate income
Longxue Electro-mechanic Processing Center	279	Under construction	Not yet generate income
New coating workshop	250	Completed	Not yet generate income
Lengthening projects of the tracks of 80T and 400T cranes	1222	Partially completed	Not yet generate income
Other projects	1987	Under construction	Not yet generate income

(IV) FINANCIAL POSITION AND ANALYSIS OF OPERATIONS

1. Balance sheet items

Unit: RMB

Item	As at June 30, 2010	As at December 31, 2009	Change (± %)	Reasons of change
Tradable financial assets	2,654,649.57	63,993,056.22	-95.85	The deliveries of partial matured derivative instruments and the change of the fair value as resulted from fluctuation in exchange rates.
Notes receivable	-	300,000.00	-100.00	Received the matured notes.
Accounts receivable	204,096,569.32	334,867,278.77	-39.05	Received the previous progress payments of vessels.
Other receivable	176,942,723.87	115,243,348.09	53.54	The increased products subsidies receivable during this period.
Short-term borrowings	1,962,187,886.79	1,465,361,484.13	33.90	The increased foreign exchange loans for the foreign exchange payments of importing materials and equipments.
Notes payable	493,468,202.99	360,901,710.85	36.73	The Company continuously adopted the bank noted for settlements to ensure the rational utilization of the capital.
Advances from customers	204,484,789.53	127,281,207.61	60.66	The advanced production fees of steel structures such as hatch covers and shield machines.
Accrued employee compensation	7,027,975.96	22,201,256.78	-68.34	Annual bonus as provid in 2009 be paid.
Taxes payable	28,701,905.96	68,690,776.51	-58.22	The input value-added tax higher than output value-added taxes.
Interest payable	5,809,078.13	1,878,526.18	209.24	The increased long-term and short-term borrowings.
Other payable	73,727,519.67	27,751,512.24	165.67	The first payment for selling the property in Xinjiang.
Dividend payable	94,492,726.83	12,785,975.61	639.03	The annual dividend payable of A Shares for 2009.
Non-current liabilities due within one year	-	170,705,000.00	-100.00	Returned back loans at term or in advance.
Long-term borrowings	266,474,916.11	-	100.00	The foreign currency loans for avoiding exchange rate risk.
Deferred income tax liabilities	30,786,686.02	52,923,326.47	-41.83	The change in fair value of derivative instruments and available-for-sale financial assets at the end of the period.
Other non-current liabilities	34,340,204.67	13,760,555.79	149.56	New national appropriation projects of scientific research during the period under review.

2. Income statement items

Unit: RMB

Item	The first half of 2010	The first half of 2009	Change (%)	Reasons of change
Operation tax & surcharge	10,634,199.17	7,931,881.19	34.07	The increased surcharge caused by exporting reimbursement.
Impairment loss	-2,400.00	528,814.06	-100.45	The provision for impairment of inventory made by subsidiaries of the Company in the same period last year.
Gains from fair value changes	-61,305,204.17	-26,991,382.76	127.13	The deliveries of partial matured forward foreign exchange forward contracts and the change of the fair value of the undelivered contracts as resulted from fluctuation in exchange rates.
Investment income	62,088,967.38	41,759,317.29	48.68	The increased investment income from the deliveries of mature forward foreign exchange contracts.
Non-operating income	92,215,692.62	957,703.78	9,528.83	The increase in production subsidies.
Non-operating expenditure	264,364.71	8,497,317.71	-96.89	Fewer disposals of disabled fixed assets compared with that of same period last year.
Income tax	60,611,251.88	40,705,682.33	48.90	1) The increase in the total profit caused the income tax for the period under review increased by RMB5.3 million, and 2) The deferred income tax increased by RMB14.6 million for fewer deferred income tax liabilities items.

3. Cash flow statement items

Unit: RMB

Item	The first half of 2010	The first half of 2009	Change (%)	Reasons of change
Net cash flow from operating activities	47,469,635.26	-114,367,370.86	141.51	The increased income from sale of production and labor service during the period under review.
Net cash flow from investing activities	-1,152,914,610.26	89,458,175.84	-1388.78	The increase in pledged fixed deposit.
Net cash flow from financing activities	536,325,415.91	-361,715,691.10	248.27	The increase in bank loans.

(V) DETAILED INFORMATION ON CHARGES ON ASSETS OF THE GROUP

As at June 30, 2010, fixed deposit amounted to RMB2,318,624,938.93 has been charged as warrant money and guarantee for foreign loans. Apart from disclosure above, no other assets of the Group are charged.

(VI) PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2010, as several specialized vessels and vessels in compliance with requirements of PSPC will be in construction, the effect of first-building vessels of several types and difficulties in deliveries of vessels are expected to continue, as well as the postponed shipbuilding production schedule for the first six months, the Company will face great challenges during the second half of 2010. In view of such situation, the Company will carefully and prudently plan block production to ensure its orderly supply, strengthen workplace management to alleviate the workplace bottleneck; enhance the management of key production points of slipway, dry dock and quays, and take full advantage of tandem shipbuilding of dry dock to shorten the shipbuilding cycles; strengthen quality control and on-site technical service to achieve deliveries of the vessels with all-out efforts.

Besides, the Company will continue to carry on the optimization and serialization of large handy-size tankers, strengthen research on new regulations and rules; focus on the two 50,000dwt class semi-submersible vessels, actively develop the domestic market; enhance communication with clients to ensure orders in hand and secure new orders.

Moreover, the Company will promote the efficiency and capacity ratio analysis, strengthen the fundamental management; enhance energy conservation & emission reduction to increase production efficiency; strengthen cost control, enhance fund management, and take protective measures against exchange rate risk; speed up the construction of the block manufacturing center in Zhongshan City, actively seek workplace for expanding production capacity and solving the capacity bottleneck to achieve stable and sustainable development.

VI. 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 improved its corporate governance structure and standardized its operations.

Pursuant to the requirement of *Notice in relation to information disclosure special inspection activities of listed company* issued by Guangdong Securities Regulatory Bureau, the Company carried out inspection to the information disclosure system and insider information management as well as their performance, and rectified the existing problems. Besides, in accordance with relevant requirements of *Notice in relation to annual report of 2009 and relevant work* issued by China Securities Regulatory Commission, the Company established an accountability system for significant errors in the annual report disclosures, to improve the information disclosure and insider information management.

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 2009 and the first quarter of 2010 of the Group. The Nomination Committee of the Board held a meeting to review and select the candidates for 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 2009 AGM held on May 25, 2010, the 2009 scheme of profit distribution of the Company is: (1) Deduct 10% as statutory public welfare fund, which amounted to RMB51,272,858.06, (2) Pay a dividend of RMB0.28 on each ordinary share, on the basis of 494,677,580 in issue shares, and the total dividend will amount to RMB138,509,722.40. The dividends of A-share and H-share have been issued on July 12, 2010 and July 6, 2010 respectively.

(III) THE BOARD OF DIRECTORS OF THE COMPANY ADVICES NO PROFIT DISTRIBUTION AND NO CAPITAL INCREMENT FOR THE FIRST HALF OF 2010.

(IV) THE IMPLEMENTATION OF CASH DIVIDENDS POLICY

In accordance with the Articles of Association of the Company, the cumulative cash dividends paid by the Company for the last three years shall not be less than 30% of the total average distributable profits for the last three years on the premise that the annual net profit and cash flow fulfill the Company's normal operation and development. The paid cash dividend accounted for 30.02% in the total distributable profit by the Company for 2009, while the cumulative paid cash dividends accounted for 89.20% in the total average distributable profits for the latest three years.

(V) SIGNIFICANT LITIGATION OR ARBITRATION EVENT

The Company and Guangzhou International Trust Investment Company ("GZITIC"), Hong Kong Guanghong Int'l Co., Ltd ("HKGH") entered into a "Creditor's Right Transfer Agreement" on August 17, 2005, according to which GZITIC transferred the creditor's right amounting to RMB10.64 million of HKGH owned by Guangzhou International Trust Investment Development Co., Ltd., a subsidiary of GZITIC, to the Company. At the same time, the Company and HKGH entered into a "Debt Offset Agreement", which stated that HKGH would transfer seven cars to the Company before September 30, 2005; while the rest of debts would be settled by HKGH's equity interest in Guanghong Electronic (Shenzhen) Co., Ltd. which is controlled by HKGH.

The Company convened litigation against HKGH at the Intermediate People's Court of Guangzhou on May 23, 2008. HKGH was ordered to pay back the debt amounting to RMB10.64 million and corresponding interest to the Company within ten days after the judgment took effect. However, the court rejected the request of the Company that Mr. Huang Jinchao should undertake joint liability up to amount of RMB0.6 million. The Company had appealed to the High People's Court of Guangdong province.

The High People's Court of Guangdong province made final order on September 21, 2009, rejecting the Company's appeal and upheld the order of the Intermediate People's Court of Guangzhou. In accordance with the final order, HKGH should pay back the debt amounting to RMB10,640,232.15 and corresponding interest to the Company within ten days after the judgment took effect. Currently, the case has entered the enforcement implementation procedure.

Apart from disclosure above, no significant litigation arbitration events occurred during the period under review.

(VI) SHARES OF OTHER LISTED COMPANY POSSESSED BY THE COMPANY AND ITS INVESTMENT INFORMATION

Unit: RMB

Stock code	Abbreviation	Initial investment cost	Proportion in the interest of the listed company (%)	Book value as at June 30, 2010	Profit and loss during the period under review	Changes in shareholders of the Company	Accounting subject	Source of the shareholding
600036	Merchants Bank	27,483,602.50	0.081	226,473,526.50	–	–	Available-for-sale financial assets	Purchasing
601872	Merchants Energy Shipping	37,100,000.00	0.29	40,600,000.00	200,000.00	–	Available-for-sale financial assets	Purchasing
Total		46,860,150.00	–	267,073,526.50	200,000.00	–	–	–

(VII) PROPERTY AND INTEREST TRANSFER

- The thirteenth meeting of the sixth term of the Board of Directors approved the Company to put up a commercial property located in Beijing Road, New District, Urumqi, Xinjiang Province for sale at a price not less than the valuation price of RMB40.4425 million. The property which belonged to GZITIC was in compensation for monies owed to the Company. The Company had put up the property for sale at the China Beijing Equity Exchange. The property was sold at the price of RMB42 million in February 2010. As at June 30, 2010, an account receivable amounting to RMB9.1 million remains to be paid, expected to be received after transfer formalities completed and relevant tax paid.
- The sale of the sixth and seventh floors of the office building located at 126 Gexin Road, Haizhu District, Guangzhou to China State Shipbuilding Corporation No. 605 Institute (the "No. 605 Institute"), a connected party of the Company, please refer to item 4 in Significant Connected Transaction.

(VIII) SIGNIFICANT CONNECTED TRANSACTIONS

The Company's continuing connected transactions under the Chapter 14A of the Rules of the Stock Exchange of Hong Kong Limited constituted of routine connected transaction and comprehensive service contract, which are set out in Connected Transactions in the note (VI) to the financial statements prepared under PRC Accounting Standards and Regulations contained in this report.

1. Routine connected transactions

Unit: RMB

No.	Content and category	Transaction amount	Proportion in the same type of transactions (%)	Pricing basis	Settlement
1	Total amount of products and services provided by the Group to CSSC Group	64,147,686.95			
1.1	Electrical and mechanical engineering equipment and metallic materials	4,301,204.07	8.37	Market price or agreed price	Through the bank
1.2	Utilities	811,236.14	1.58	Cost plus management fee	Through the bank
1.3	Labor supply, design and technology services	59,035,246.74	2.04	Not less favorable compared with independent third parties	Through the bank
2	Total amount of products and services provided by CSSC Group to the Group	280,916,837.79			
2.1	Electrical and mechanical engineering equipment and metallic materials, ship-building accessories and equipment use on ships	262,216,910.17	17.55	Market price or agreed price, and not less favorable than terms available from independent third parties	Through the bank
2.2	Labor supply, design and technology services	18,699,927.62	0.76	Cost plus management fee or market price	Through the bank
3	Financial services supplied from CSSC Group				
3.1	Deposits	182,003,457.18	4.78	Interest rates on deposits and loans published by the People's Bank of China	Through the bank
3.2	Interest on deposits	718,261.95	1.04		
3.3	Loans				
3.4	Interest on loans				
4	Total guarantee fees for guarantee supplied to the Group from CSSC Group			Agreed fee, at rates not less favorable than that provided by the independent third parties	Through the bank
5	Total sales agency fees	17,311,871.18	46.27	No more than 1% of contract price in accordance with international practice	Through the bank
6	Total purchases agency fees	1,819,793.99	0.12	1% to 2% of contract price in accordance with international practice	Through the bank

Since the Company was founded, the Group had engaged in various continuing connected transactions with the CSSC Group due to the nature of assembly shipbuilding. Such transactions themselves are of an operational nature and in the normal and usual course of business of the Group. They allow the Group to leverage the reputation and bargaining power of the CSSC Group to provide a steady source of materials, labor, design and technology service resources, and such transactions are with flexibilities. During the period under review, relevant routine connected transactions between the Group and CSSC Group were carried out in accordance with the framework agreement for connected transactions for 2010 to 2012 entered into on December 29, 2009, which was approved by the first extraordinary general meeting of 2009.

2. Comprehensive Services Contract

The Company and Guangzhou Shipyard Company Limited ("Guangzhou Shipyard") entered into the Comprehensive Services Contract on October 28, 2008. Pursuant to the Comprehensive Services Contract, Guangzhou Shipyard agreed to provide the Group, the staff and their family members with medical services, catering services, infant care and nursery, training programs for skilled labor and management of staff quarters (the "Comprehensive Services"). The actual transaction amount for the Comprehensive Services for the first half of 2010 was RMB3,764,236.86.

3. Connected transactions of non-operating credits or debts

Unit: RMB

Connected party	Relationship	Fund provided to connected parties		Fund provided by connected parties	
		Amount	Balance	Amount	Balance
Guangzhou Shipyard Co., Ltd.	Controlled by the same parent company	–	–	2,170.00	10,570.00
Existing reason	Business need				
Settlement situation	Normal				
Relevant commitments	Not applicable				
The impact on the operating results and financial position of the Company	Have not make significant impact on the operating results and financial position of the Company				

4. Acquisition or sale of assets constituting connected transactions

Approved by the sixteenth meeting of the sixth term of the Board of Directors, the Company entered into a Real Estate Sale and Purchase Contract with No. 605 Institute on December 20, 2009 to sell the sixth and seventh floors with a gross floor area of 1,265.0782 square meters (the "Real Estate") of the office building located at 126 Gexin Road, Haizhu District, Guangzhou (the "Office Building") at a price of RMB8.509 million (the evaluation value assessed by a professional evaluating agency was RMB8.009 million). The sale of the Real Estate is expected to reduce the daily administration expenses of the Company and would also help to improve the assets utilization and income of the Company. As at the end of the period under review, the Company has received the payment amounting to RMB6,254,500 and the balance is expected to be received after relevant formalities completed.

(XI) SIGNIFICANT CONTRACTS AND PERFORMANCES

The twentieth meeting of the sixth term of the Board on August 26, 2010 approved the Company to enter into an assets lease contract with Jiangsu Shenghua Shipbuilding Co., Ltd. and its controlling shareholder. The Board is in the view that the asset lease contract will settle capacity shortage and help the increase of shipbuilding operation of the Company in a short term.

Except as disclosed above, 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 DISMISSAL OF THE AUDITORS

Approved by the Annual General Meeting of 2009, the Company re-appointed Ascenda Certified Public Accountants Limited and PricewaterhouseCoopers as the domestic auditors and international auditors of the Company respectively for the year 2010.

(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 was no inspection, administrative penalty by China Securities Regulatory Commission nor public criticism by stock exchange of the Company and its directors, supervisors, senior management, controlling shareholders and actual controller.

(XIII) OTHER SIGNIFICANT EVENTS

- Approved by the fourteenth meeting of the sixth term of the Board of Directors, the Company fully participated in China Merchants Bank's right issue on March 9, 2010, and paid RMB17.7235 million for allocation of 2,002,650 shares.
- Approved by the eighteenth meeting of the sixth term of the Board of Directors, the Company has established the Heavy Machine Division in accordance with the strategy of the Company, for promoting heavy machine operations such as steel structures, complete sets of equipments & ship accessories as well as mechanical & electrical products.
- As at June 30, 2010, the Group had no significant contingent liabilities.
- Gearing ratio**
 As at June 30, 2010, the gearing ratio of the Group was 68.15% (66.78% at the beginning of the period). The change is mainly due to the increase in the total liabilities, of which, the bank loans increased rather significantly.
- There is no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the period under review.

VII. FINANCIAL REPORTS (Unaudited)

Balance Sheet June, 30 2010

unit: RMB

Item	Note	Consolidated		Parent	
		End. Balance	Beg. Balance	End. Balance	Beg. Balance
Current assets:					
Cash and cash equivalents	V 1	6,127,287,969.43	5,452,246,037.69	5,902,316,164.80	5,245,021,720.52
Trading securities	V 2	2,654,649.57	63,993,056.22	2,654,649.57	54,702,853.82
Notes receivable	V 3		300,000.00		50,000.00
Accounts receivable	V 4	204,096,569.32	334,867,278.77	255,969,653.82	378,803,393.71
Advances to suppliers	V 5	377,819,058.83	299,139,760.51	431,073,957.27	340,822,635.50
Interest receivable	V 6	70,643,883.22	82,320,687.20	70,706,383.22	82,419,687.20
Dividend receivable		4,800,000			13,250,055.33
Other receivables	V 7	176,942,723.87	115,243,348.09	320,826,936.03	241,801,283.19
Inventories	V 8	1,638,951,988.60	1,354,540,485.87	1,409,969,135.16	1,174,277,741.11
Current portion of non-current assets					
Other current assets					
Total current assets		8,603,196,842.84	7,702,650,654.35	8,393,516,879.87	7,531,149,370.38
Non-current assets:					
Available-for-sale financial assets	V 9	269,773,526.50	337,360,250.00	269,773,526.50	337,360,250.00
Held-to-maturity Investment					
Long-term receivable					
Long-term equity investment	V 11	40,051,852.87	41,879,608.90	385,957,745.89	226,970,397.30
Investment properties	V 12	73,561,810.59	74,362,445.37	73,561,810.59	74,362,445.37
Fixed assets	V 13	1,268,358,833.15	1,252,405,778.57	1,035,824,833.68	1,132,395,747.50
Construction in process	V 14	291,270,649.10	295,198,915.22	47,524,234.98	72,809,133.41
Project material					
Liquidation of fixed assets		561,060.93		561,060.93	
Biological assets					
Oil and gas assets					
Intangible assets	V 15	85,370,109.06	88,834,722.65	79,758,918.10	83,223,531.69
Development expenditure					
Goodwill					
Long-term prepayments					
Deferred tax assets	V 16	11,045,532.13	12,530,702.92	9,472,916.73	9,909,677.25
Other non-current assets:					
Total non-current assets		2,039,993,374.33	2,102,572,423.63	1,902,435,047.40	1,937,031,182.52
Total assets		10,643,190,217.17	9,805,223,077.98	10,295,951,927.27	9,468,180,552.90
Current liabilities:					
Short-term borrowings	V 18	1,962,187,886.79	1,465,361,484.13	1,885,357,567.00	1,405,787,762.56
Trading financial liabilities	V 19				
Notes payable	V 20	493,468,202.99	360,901,710.85	493,468,202.99	360,901,710.85
Accounts payable	V 21	717,802,881.41	709,751,054.23	702,231,415.93	692,370,670.80
Advances from customers	V 22	204,484,789.53	127,281,207.61	148,479,905.11	77,174,971.21
Accrued employee compensation	V 23	7,027,975.96	22,201,256.78	1,955,554.66	16,108,835.48
Taxes payable	V 24	28,701,905.96	68,690,776.51	36,247,806.94	70,950,650.82
Interest payable	V 25	5,809,078.13	1,878,526.18	5,809,078.13	1,877,926.18
Other payables	V 26	73,727,519.67	27,751,512.24	55,603,333.96	55,530.29
Dividend payable	V 27	94,492,726.83	12,785,975.61	94,492,726.83	20,066,248.98
Current portion of long-term liabilities	V 28		170,705,000.00		170,705,000.00
Other current liabilities	V 29	3,186,923,190.73	3,368,133,623.01	3,186,923,190.73	3,377,250,204.55
Total current liabilities		6,774,626,158.00	6,335,442,127.15	6,610,568,782.28	6,193,249,511.72
Long-term liabilities:					
Long-term borrowings	V 30	266,474,916.00		266,474,916.00	
Bonds payable					
Long-term payables					
Special purpose payables	V 31	24,570,000.00	24,570,000.00	24,570,000.00	24,570,000.00
Estimated liabilities	V 32	124,343,176.00	121,547,344.07	124,343,176.00	121,547,344.07
Deferred tax liabilities	V 16	30,786,686.02	52,923,326.47	30,786,686.02	51,390,443.07
Other long-term liabilities	V 33	34,340,204.67	13,760,555.79	34,340,204.67	13,760,555.79
Total long-term liabilities		480,514,982.69	212,801,226.33	480,514,982.69	211,268,342.93
Total liabilities		7,255,141,140.69	6,548,243,353.48	7,091,083,764.97	6,404,517,854.65
Shareholders' (Owners') equity:					
Paid-in capital (or Share Capital)	V 34	494,677,580.00	494,677,580.00	494,677,580.00	494,677,580.00
Capital surplus	V 35	824,169,648.58	896,683,298.17	824,169,648.58	896,683,298.17
Less: treasury stock					
Special reserve					
Surplus reserve	V 36	304,296,742.00	304,296,742.00	303,120,929.83	303,120,929.83
Undistributed profit	V 37	1,675,997,227.35	1,473,182,738.39	1,582,900,003.89	1,369,180,890.25
Translation difference					
Interest belonging to parent		3,299,141,197.93	3,168,840,358.56	3,204,868,162.30	3,063,662,698.25
Non-controlling interest		88,907,878.55	88,139,365.94		
Total shareholders' (Owners') equity		3,388,049,076.48	3,256,979,724.50	3,204,868,162.30	3,063,662,698.25
Total liabilities & shareholders' equity		10,643,190,217.17	9,805,223,077.98	10,295,951,927.27	9,468,180,552.90

Income Statement
For the year ended June 30, 2010

unit: RMB

Item	Note	Consolidated		Parent	
		Current period	Last period	Current period	Last period
I. Total revenue	V 38	2,893,604,210.42	3,134,482,784.42	2,747,829,845.76	2,928,394,544.42
II. Total costs	V 38	2,471,862,971.38	2,719,916,138.87	2,346,587,494.25	2,547,230,019.01
Taxes and levies on operations	V 40	10,634,199.17	7,931,881.19	7,995,462.32	5,940,579.58
Selling expenses		27,004,027.82	27,317,470.41	23,834,857.90	24,688,156.12
General and administrative expenses		130,835,721.61	163,894,630.99	110,767,559.01	147,715,221.15
Financial expenses	V 41	-56,699,194.29	-64,796,044.24	-61,898,367.04	-62,622,777.18
Impairment loss	V 42	-2,400.00	528,814.06		
Plus: gains/losses from fair value changes	V 43	-61,305,204.17	-26,991,382.76	-52,048,204.25	-32,414,415.60
Investment income	V 44	62,088,967.38	41,759,317.29	48,335,690.49	40,397,785.11
Including: Share of profit/loss of associates and jointly controlled entities		2,972,243.97	2,130,587.30	377,348.59	259,055.12
III. Operating Profit		310,752,647.94	294,457,827.67	316,830,325.56	273,426,715.25
Plus: non-operating Profits	V 45	92,215,692.62	957,703.78	94,803,066.90	492,185.24
Less: Non-operating losses	V 46	264,364.71	8,497,317.71	177,108.90	8,432,312.66
Including: losses on disposal of non-current assets		8,375,456.00	8,112,229.37	57,004.56	8,068,362.63
IV. Profit before tax		402,703,975.85	286,918,213.74	411,456,283.56	265,486,587.83
Less: Income tax	V 47	60,611,251.88	40,705,682.33	59,227,447.52	37,692,238.44
V. Net profit/loss		342,092,723.97	246,212,531.41	352,228,836.04	227,794,349.39
Net profit before being consolidated					
Attributable to the parent company		341,324,211.36	241,752,604.98	352,228,836.04	227,794,349.39
Attributable to Non-controlling Interests		768,512.61	4,459,926.43		
VI. EPS					
Basic EPS	V 48	0.69	0.49		
Diluted EPS		-	-		
VI. Other Comprehensive Income	V 49	-72,513,649.59	119,138,125.00	-72,513,649.59	119,138,125.00
VIII. Total Comprehensive Income		269,579,074.38	365,350,656.41	279,715,186.45	346,932,474.39
Attributable to the parent company		268,810,561.77	360,890,729.98	279,715,186.45	346,932,474.39
Attributable to Non-controlling Interests		768,512.61	4,459,926.43		

Cash Flow Statement
For the year ended June 30, 2010

unit: RMB

Item	Note	Consolidated		Parent	
		Current period	Last period	Current period	Last period
I. Cash flows from operating activities:					
Cash received from the sale of goods or rendering of services		3,485,978,925.28	2,884,299,113.39	2,661,829,597.94	2,219,063,868.67
Refunds of taxes		218,445,955.55	288,653,368.24	217,064,015.32	288,475,802.95
Other cash receipts relating to operating activities	V 50	59,059,809.31	17,281,959.21	24,563,319.49	5,126,753.75
Sub-total of cash inflows		3,763,484,690.14	3,190,234,440.84	2,903,456,932.75	2,512,666,425.37
Cash paid for goods and services		3,069,184,192.62	2,696,046,361.17	2,354,553,108.43	2,317,261,977.27
Cash paid to and on behalf of employees		413,788,035.78	376,459,357.68	202,068,789.51	202,566,244.51
Payments of all types of taxes		125,934,740.97	209,098,245.17	95,910,502.41	178,675,516.61
Other cash payments relating to operating activities	V 50	107,108,084.51	22,997,847.68	203,897,888.83	58,438,979.52
Sub-total of cash out flows		3,716,015,053.88	3,304,601,811.70	2,856,430,289.18	2,756,942,717.91
Net cash flows from operating activities		47,469,636.26	-114,367,370.86	47,026,643.57	-244,276,292.54
II. Cash flows from investing activities:					
Cash received from disposal of investments					
Cash received from return on investment		59,175,849.11	146,861,492.77	61,280,522.93	147,116,492.77
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		32,621,346.75	4,373,573.04	32,594,596.75	167,946.14
Proceeds from disposal of subsidiaries and operations, net					
Proceeds from other investing activities	V 50	77,058,194.65	186,611,549.82	79,457,431.43	186,299,850.10
Total cash inflow from investing activities		168,855,390.51	337,846,615.63	173,332,551.11	333,584,289.01
Payments for fixed assets, intangible assets and other long-term assets		53,651,203.31	248,388,439.79	43,213,078.29	91,497,058.02
Payments for investments		17,723,452.50		54,590,805.33	100,000,000.00
Payments for acquiring subsidiaries and operations, net					
Payments for other investing activities	V 50	1,250,359,344.96		1,242,311,198.99	
Total cash outflow for investing activities		1,321,734,000.77	248,388,439.79	1,340,115,082.61	191,497,058.02
Net cash flows from investing activities		-1,152,878,610.26	89,458,175.84	-1,166,782,531.50	142,087,230.99
III. Cash flows from financing activities:					
Proceeds from capital contributions					
Incl: proceeds from capital contributions from minority interests					
Proceeds from borrowings		1,745,847,980.03	797,081,905.77	1,504,515,253.00	746,882,625.00
Proceeds from debt issue					
Other proceeds relating to financing activities		399,540.32	13,495,800.37		
Total cash inflow from financing activities		1,746,247,520.35	810,577,706.14	1,504,515,253.00	746,882,625.00
Repayments of borrowings		1,143,095,876.06	1,004,401,197.53	917,665,409.10	955,197,600.00
Distribution of dividends or profits and interests payments		61,995,247.68	167,507,447.66	49,264,802.36	166,401,678.57
Incl. Dividend and profits paid to minority interests					
Payments for other financing activities	V 50	4,830,980.70	384,752.05	9,209.50	27,806.94
Total cash outflow for financing activities		1,209,922,104.44	1,172,293,397.24	966,939,420.96	1,121,627,085.51
Net cash flows from financing activities		536,325,415.91	-361,715,691.10	537,575,832.04	-374,744,460.51
IV. Effect of exchange rate changes on cash		-2,545,619.91	2,975,285.89	-2,836,698.82	1,022,556.48
V. Net increase(decrease) in cash and cash equivalents		-571,629,178.00	-383,649,600.23	-585,016,754.71	-475,910,965.58
Add: Cash and cash equivalents at the beginning of the year		4,380,328,209.50	5,197,630,827.85	4,174,852,057.51	5,088,610,548.91
VI. Cash and cash equivalents at the end of the year		3,808,699,031.50	4,813,981,227.62	3,589,835,302.80	4,612,699,583.33

Consolidated Statement of Changes in Equity
For the year ended June 30, 2010

Item	Paid-in (Share) capital	Capital reserves	Treasury stock	Shareholders' (Owners') Equity Attributable to the Parent Company					Undistributed profit	Non-controlling interest	Total equity
				Special reserves	Surplus reserves	Emergency funds	Others	Interest			
I. Balance at the end of last period	494,677,580.00	896,683,298.17	-	304,296,742.00	-	-	-	1,473,182,738.39	88,139,365.94	3,256,979,724.50	
Add: Increase (decrease) in profit due to changes in accounting policies											
Prior period errors adjustments											
Others											
II. Balance – at the beginning of this period	494,677,580.00	896,683,298.17	-	304,296,742.00	-	-	-	1,473,182,738.39	88,139,365.94	3,256,979,724.50	
III. Increase (decrease) in equity in current year											
(i) Net profit		-72,513,649.59						202,814,488.96	768,512.61	131,069,351.98	
(ii) Other comprehensive income		-72,513,649.59						341,324,211.36	768,512.61	342,092,723.97	
Subtotal of (i) (ii)		-72,513,649.59						341,324,211.36	768,512.61	-72,513,649.59	
(iii) Shareholders' contribution and withdrawal											
1. Capital Contributions											
2. Share-based payment											
3. Others											
(V) Profit distribution											
1. Provision of surplus reserves											
2. Provision of Emergency funds											
3. Profit distributed to owners (or shareholders)								-138,509,722.40		-138,509,722.40	
4. Others											
(VI) Transfers within owner's equity											
1. Transfers from capital reserves to share capital											
2. Transfers from surplus reserves to share capital											
3. Transfers from surplus reserves to undistributed profits											
4. Others											
(VII) Special reserve											
Current year provision											
Current year employ											
IV. Balance at the end of this period	494,677,580.00	824,169,648.58		304,296,742.00				1,675,997,227.35	88,907,878.55	3,388,049,076.48	

Last period

Item	Shareholders' (Owners') Equity Attributable to the Parent Company							Total equity		
	Paid-in (Share) capital	Capital reserves	Treasury stock	Special reserves	Surplus reserves	Emergency funds	Undistributed profit		Others	Non-controlling interest
I. Balance at the end of last period	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										
Others										
II. Balance – at the beginning of this period	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 equity in current year		129,123,712.50			51,272,858.06		241,084,134.30		-7,366,195.80	414,114,509.06
(i) Net profit							514,961,903.36		5,854,249.52	520,816,152.88
(ii) Other comprehensive income		129,123,712.50								129,123,712.50
(iii) Shareholders' contribution and withdrawal		129,123,712.50								649,939,865.38
1. Capital Contributions										
2. Share-based payment										
3. Others										
(V) Profit distribution										
1. Provision of surplus reserves					51,272,858.06		-273,877,769.06		-13,220,445.32	-235,825,356.32
2. Provision of Emergency funds					51,272,858.06		-51,272,858.06			
3. Profit distributed to owners (or shareholders)							-222,604,911.00		-13,220,445.32	-235,825,356.32
4. Others										
(VI) Transfers within owner's equity										
1. Transfers from capital reserves to share capital										
2. Transfers from surplus reserves to share capital										
3. Transfers from surplus reserves to undistributed profits										
4. Others										
(VII) Special reserve										
Current year provision										
Current year employ										
IV. Balance at the end of this period	494,677,580.00	896,683,298.17			304,296,742.00		1,473,182,738.39		88,139,365.94	3,256,979,724.50

**Parent Company's Statement of Changes in Equity
For the year ended June 30, 2010**

unit: RMB

Item	Paid-in (Share) capital	Capital reserves	Current period		Undistributed profit	Total equity
			Less: Treasury stock	Surplus reserves		
I. Balance at the end of last period	494,677,580.00	896,683,298.17		303,120,929.83	1,369,180,890.25	3,063,662,698.25
Add: Increase (decrease) in profit due to changes in accounting policies						
Prior period errors adjustments						
Others						
II. Balance – at the beginning of this period	494,677,580.00	896,683,298.17		303,120,929.83	1,369,180,890.25	3,063,662,698.25
III. Increase (decrease) in equity in current year		-72,513,649.59			213,719,113.64	141,205,464.05
(i) Net profit					352,228,836.04	352,228,836.04
(ii) Other comprehensive income		-72,513,649.59				-72,513,649.59
Subtotal of (i) (ii)		-72,513,649.59			352,228,836.04	279,715,186.45
(iii) Shareholders' contribution and withdrawal						
1. Capital Contributions						
2. Share-based payment						
3. Others						
(V) Profit distribution					-138,509,722.40	-138,509,722.40
1. Provision of surplus reserves						
2. Provision of Emergency funds						
3. Profit distributed to owners (or shareholders)					-138,509,722.40	-138,509,722.40
4. Others						
(VI) Transfers within owner's equity						
1. Transfers from capital reserves to share capital						
2. Transfers from surplus reserves to share capital						
3. Transfers from surplus reserves to undistributed profits						
4. Others						
(VII) Special reserve						
Current year provision						
Current year employ	494,677,580.00	824,169,648.58		303,120,929.83	1,582,900,003.89	3,204,868,162.30

Item	Paid-in (Share) capital	Capital reserves	Last year		Undistributed profit	Total equity
			Less: Treasury stock	Surplus reserves		
I. Balance at the end of last period	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						
Others						
II. Balance – at the beginning of this period	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 equity in current year		129,123,712.50		51,272,858.06	512,728,580.60	129,123,712.50
(i) Net profit		129,123,712.50		51,272,858.06	238,850,811.54	419,247,382.10
(ii) Other comprehensive income					512,728,580.60	512,728,580.60
Subtotal of (i) (ii)		129,123,712.50			129,123,712.50	129,123,712.50
(iii) Shareholders' contribution and withdrawal		129,123,712.50			512,728,580.60	641,852,293.10
1. Capital Contributions						
2. Share-based payment						
3. Others						
(V) Profit distribution						
1. Provision of surplus reserves				51,272,858.06	-273,877,769.06	-222,604,911.00
2. Provision of Emergency funds				51,272,858.06	-51,272,858.06	
3. Profit distributed to owners (or shareholders)					-222,604,911.00	-222,604,911.00
4. Others						
(VI) Transfers within owner's equity						
1. Transfers from capital reserves to share capital						
2. Transfers from surplus reserves to share capital						
3. Transfers from surplus reserves to undistributed profits						
4. Others						
(VII) Special reserve						
Current year provision						
Current year employ	494,677,580.00	896,683,298.17		303,120,929.83	1,369,180,890.25	3,063,662,698.25

NOTES TO THE FINANCIAL STATEMENTS

I BRIEF INTRODUCTION TO THE COMPANY

The Company was reorganized in 1993 from Guangzhou Shipyard, and incorporated in the PRC as a joint stock limited company. Upon approval, the Company was registered as a Sino-foreign joint limited company on October 21, 1994. The business license registration number of the Company was changed to 440101400025144 as of December 7, 2009. The Company's registered capital amounts to RMB494,677,580.00, its registered address is No.40, South Fangcun Main Road, Liwan District, Guangzhou, 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. 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 ultimate controlling party is State-owned Assets Supervision and Administration Commission of the State Council.

II SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATIONS AND PRIOR ERRORS

1. Basis of Financial Statements Preparation

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.

2. State of Compliance

The financial statements have been prepared in conformity with China Accounting Standards for Business Enterprise, truly and fully reflecting the Company's financial conditions as at June 30, 2010, operating results, cash flows and related information for the period then ended.

3. Accounting Period

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

4. Bookkeeping Currency

Accounting records are maintained in Renminbi.

5. Business Combination

(1) Business combination involving enterprises under common control

For a business combination involving enterprises under common control, assets and liabilities acquired by the acquirer in the business combination shall be accounted at book value of the party been absorbed at combination date. The difference between the initial investment cost and the carrying amount of cash paid (or the aggregate face value of share issued) shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

(2) Business combination not involving enterprises under common control

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.

For entities acquired not under common 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 common control entities, 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.

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.

6. 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.

When the Company prepares consolidated financial statements, if the accounting policies and accounting period applied by the subsidiaries and the Company is not consistent. The Company shall standardize the accounting policies of its subsidiaries so that uniform accounting policies are used.

7. Cash and Cash Equivalents

Cash equivalents in the cash flow statement 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.

8. 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 item 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 item 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.

9. Financial Instruments

(1) Classification, recognition and measurement

The Company classifies its financial assets into following categories: at fair value through profit or loss, loans and receivables (refers to Note 8), and held-to-maturity. The classification depends on the purpose and for which the financial assets were acquired and the ability of holding.

The Company classifies its financial liabilities into following categories: at fair value through profit or loss.

(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 or loss. Considerations that include declared dividends or matured interests are recognized as receivables respectively. Dividends and interest received during the 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 derecognizing, difference between the fair value and the initial measurement of the financial asset is recognized as investment income, concurrently adjustment made for gain or loss arising from change in fair value.

(b) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated on initial recognition as available for sale or those financial assets that are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables.

The initial cost of these financial assets is stated at the sum of their fair value and related transaction costs. If the consideration includes bond interests that is matured but not received or dividends that is declared but not paid, it should be recognized as separate receivables. Throughout the holding period, interest income or cash dividend received are recognized as investment income. At the balance sheet date, the financial assets are measured at fair value and their changes in fair value are charged to capital surplus-other capital surplus.

If the fair value of available-for-sale financial assets declines persistently and substantially, and the declination is not expected to be temporary, the impairment loss is recognized in profit or loss as "Asset Impairment Loss", and the amount is at the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, with any cumulative impairment loss on that financial asset previously recognized in owner's equity.

In case of disposal, investment income should be recognized and measured at the difference between the carrying value and the consideration paid, with cumulative change of fair value allocated to the part derecognized, which is previously recognized in owner's equity.

(c) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those designed as at fair value through profit or loss, are recognized if one of following are met: (1) the financial liability is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (2) the financial liability is designated as at fair value through profit or loss due to the arrangement of strategic investment or risk management. (3) the financial liability is not an effective hedging derivative.

(d) Other financial liabilities

Other financial liabilities are financial liabilities other than those at fair value through profit or loss, including debentures, trading payables, and long-term payables etc. Other financial liabilities are initially measured at the sum of their fair value and related transaction costs, and subsequently measured at amortized cost.

Financial liabilities of the Company other than those at fair value through profit or loss, such as financial guarantee contract, shall be initially measured at the sum of their fair value and related transaction costs. Subsequent measurement shall be the higher of the amount recognized under "Accounting Standard for Business Enterprises No.13 – Contingencies" and the amortized balance under "Accounting Standard for Business Enterprises No.14 – Revenue".

(2) Recognition and measurement of transfer of financial assets

The transfer of financial asset includes two circumstances as follows:

- (A) The company transfers the right to another party for receiving the cash flow of the financial asset; and
- (B) The company transfers the financial asset to another party, but maintains the right to receive the cash flow of the financial asset and undertakes the obligation to pay the cash flow it receives to the final recipient, and meets the conditions as follows at the same time:
 - (a) The company is not obliged to make any payment to the final recipient until it receives the cash flow which is equivalent to the financial asset. For any short-term payment made by the company on behalf of others, if the company has the right to recover the full amount of the payment and charge interests according to the market bank loan interest rate of the same period, the conditions shall be deemed to have been satisfied.
 - (b) In accordance with the contractual stipulations, the company can't sell the financial asset or use it as a guaranty, but it may use it as a guarantee for paying the cash flow to the final recipient.
 - (c) The company is obliged to pay the cash flow it receives to the final recipient in a timely manner. The company has no right to make a re-investment with the cash flow, but in accordance with the contractual stipulations, it may make investment with cash or cash equivalent by using the cash flow it receives during the interval of between 2 consecutive payments. If the company makes a reinvestment in accordance with the contractual stipulations, it shall pay the proceeds by investment to the final recipient in accordance with the contractual stipulations.

Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

Where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively:

- (A) If it gives up its control over the financial asset, it shall stop recognizing the financial asset;
- (B) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

(3) Conditions of stop recognizing the financial liability

The company should stop recognizing the financial liability entirely or partly when the current obligation is settled entirely or partly, and the difference between the book value and the consideration (including non-cash assets or financial liability incurred) should be recognized as profit or loss.

(4) Determination of fair value

If there is an active market for a financial instrument, the quoted price in the active market shall be used to establish fair value. If no active market exists, valuation techniques are applied to determine fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models, by making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(5) Impairment of financial assets

At the reporting date the company should inspect all the financial assets except those of at fair value through profit or loss.

If the fair value of available-for-sale financial assets have decrease significantly and continuously, and the decrease is not temporarily, impairment loss should be recognized according to the difference of costs of investment minus the received principal, amortization and current fair value.

10. Accounts receivable

Initial amount is recorded at consideration of contract value. In cases where debtors are bankrupt or dead, unrecoverable even after settlement out of litigation and liquidation or out of legacy; where there are no other obligators, or overdue debtors failed to meet their debt obligations, the receivables are recognized as bad debts, with approval under appropriate procedures.

(1) Single significant receivables

Receivables over 10,000,000.00 are recognized as significant.

On balance sheet date, the Company shall assess the significant receivables individually for impairment, and recognize the amount of impairment loss at the difference between discounted present value of future cash flow and the carrying amount, recording bad debt allowance. If there is no indication of impairment, receivables together with the insignificant amounts shall be assessed collectively, and the allowance is provided based upon ratio of 0.5% of its ending balance.

(2) Portfolios with significant risk

Insignificant receivables aged over 1 year or there is indication of impairment, are categorized into risk portfolios of significant risk. If there is no indication of impairment, receivables together with the insignificant amounts shall be assessed collectively, and the allowance is provided based upon ratio of 0.5% of its ending balance.

(3) Other insignificant receivables

0.5% of the receivable balances shall be accounted as impairment amount.

When the Company finance with receivables by factoring, pledge or discounting, the Company shall bear the repayment responsibility in case the ultimate overdue debtors failed to meet their debt obligations, the receivables shall be treated as pledge for loans; if the Company has no repayment responsibility, the transfer should be recognized and the profit or 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.

11. 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.

12. Long-term Equity Investments

(1) Classification, recognition and measurement

The Company's long-term equity investments include investments in subsidiaries, in associates, in jointly controlled entities, and in other long-term equity investments.

Investments in subsidiaries

Investments in subsidiaries are valued at the initial acquisition cost. The initial measurement of a long-term equity investment acquired through a business combination is described in Note IV (27) Business Combination. Subsequent addition or decrease in the investment should be reflected as adjustments to the cost of investment.

Long-term equity investments will be accounted for using the cost method subsequently, and adjusted to equity method when preparing consolidated financial statements. Except considerations on acquisition include declared cash dividend or profit distributions, cash dividend or profit distributions declared by the investee will be recognized as investment income in the current period.

Investments in associate companies and jointly controlled enterprises

When the Company can exercise jointly control or significant influence over the investee, the long-term equity investment shall be accounted for using the equity method. Jointly 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 the Company can exercise joint control over the investee with other parties, 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 policies. Where the Company 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 share of 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 acquisition, the Company recognizes its share of the net profits or losses made by the investee as investment income or losses, and adjusts 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 a investee unit that does not have a common control or significant influence, and there is not active market quotations, the fair value measurement can not applied to long-term equity investments reliably, then valuation of that long-term investment will based initial investment cost, and follow-up measurement will adopt cost method.

(2) Impairment of long-term equity investments

At balance sheet date, if there is indication of impairment resulted from market prices decline substantially or the operation conditions of investee companies getting worse, recoverable amount should be measured at the higher of the fair value after subtracting the costs of disposal of the net and the present value of estimated future cash flows. If the recoverable amount of long-term equity investments is less than book value, then the company will record book value write down to its recoverable amount, and recognizes amount of write downs as impairment loss through profit or loss. At the same time, make a provision for impairment of assets, at the same time, corresponding provisions for asset impairment must be made. Once impairment of long-term equity investments is recognized, it can not be reversed in later accounting period.

13. 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 fee, 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:

Classifications	Estimated useful life (Year)	Estimated net salvage value (%)	Annual depreciation rate
Buildings	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 carrying value on the balance sheet date, the carrying 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 carrying value of it as well as the relevant taxes from the disposal income, and include the residual amount in the current profits and losses.

14. Fixed Assets

Fixed assets refer to tangible assets that have been used for more than one accounting year, including other equipment 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 where 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 is calculated 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, and then makes adjustment 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. Once impairment of fixed assets is recognized, 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 deduct the carrying amount and related taxes in profit or loss for the current period.

15. Construction-in-progress

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

16. 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.

17. Intangible Assets 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 considerations paid and related charges. Once the contracted value is not fair value, the acquisition cost should be value 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

18. Provisions

An obligation related to contingency will be recognized as a provision when all of the following conditions are satisfied:

- (a) The obligation is a present obligation of the Company;
- (b) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (c) The amount of the obligation can be measured reliably.

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.

19. Revenue

Sale of goods

Revenue from the sale of goods is recognised 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. 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 recognised 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.

22. Lease

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Other than a finance lease, is an operating lease. At present, the company runs operating lease only.

(1) The Company as lessor

Lease income from operating leases shall be recognized by the Company in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred by the Company shall be charged to profit or loss for the current period.

(2) The Company as lessee

Lease payment under an operating lease shall be recognized by the Company on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to profit or loss for the current period. Initial direct costs incurred by the Company shall be charged to profit or loss for the current period.

23. Pension Funds

The Company has design business pension funds plan according the 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 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 which was set up in the bank and managed by enterprise pension funds committee.

24. Changes in Accounting Policies, and Accounting Estimates and Corrections of Errors

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

III TAXATION

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

1. Turnover Tax and Surcharge

Categories	Taxation Basis	Tax Rate
Business Tax	Transportation and construction installation	3%
	Other services	5%
Value-added Tax	The sale of goods and provision of processing, repairing, repair services	17%
	Sales except the oil and gas exports	0%
Urban Maintenance and Construction Tax	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

Companies	Tax Rate
Guangzhou Shipyard International Company Limited	15%
Rongguang Developing Co., Ltd.	17.5%
Fonkwong Developing Co., Ltd.	17.5%
Guangzhou Hongfan Technology Co., Ltd.	15%
Other subsidiary company	25%

The Company and its subsidiary Guangzhou Hongfan Technology 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 Technology Co., Ltd. are together taxed at 15% for three years since January 1, 2008.

3. Real Estate Tax

Real estate tax used by the Company is based on the 70% of the original cost of the buildings and calculated at the tax rate of 1.2%; for those leased, it was based on the rental income and calculated at the tax rate of 12%.

4. Individual Income Tax

The Company pays and withholds individual income tax for its employees.

IV BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. As at June 30, 2010, information of the Company's subsidiary companies was displayed as follows:

(1) Enterprises acquired under common control

Subsidiaries	Type of subsidiary	Registration Place	Industry	Registered Capital ('000)	Legal representative	Business Scope
Guangzhou Masterwood Shipbuilding Co., Ltd.	Subsidiary of holding company	Guangzhou	Furniture manufacturing	USD600	Jin Lichao	Manufacture and sales of all kind of furniture
Guangzhou Xinsun Shipping Service Co., Ltd.	Subsidiary of holding company	Guangzhou	Installation, welding, fitting, coating, repairing of hull structure	RMB2,000	Li Yongqiang	Installation, welding, fitting, coating, repairing of hull structure
Guangzhou United Steel Structures Co., Ltd.	Subsidiary of holding company	Guangzhou	Production and sales of steel structure	USD8,850	Chen Jianrong	Production and sales of steel structure, installation of structures
Guangdong GSI Elevator Co., Ltd.	Subsidiary of holding company	Guangzhou	Elevator installation	RMB21,000	Wang Lijian	Installation, welding, fitting of elevator
Guangzhou Hongfan Information Technique Co., Ltd.	Subsidiary of holding company	Guangzhou	Developing of computer software, system integration and sales	RMB5,000	Wang Lijian	Developing of computer software, system integration and sales
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Subsidiary of holding company	Guangzhou	Labor service supply	RMB500	Qin Tinggui	Provincial labor employment introduction, marine installation
Guangzhou Hongfan Hotel Co., Ltd.	Subsidiary of holding company	Guangzhou	Restaurant	RMB10,000	Wang Lijian	Lodge, restaurant
Glory Group Developing Co., Ltd.	wholly-owned subsidiary	Hong Kong	Trading	HKD30,000	Hang Guangde	Trading
Fonkwang Developing Co., Ltd.	wholly-owned subsidiary	Hong Kong	Trading	HKD200	Chen Liping	Trading
Guangzhou GSI Large-size Machinery Equipment Co., Ltd.	wholly-owned subsidiary	Guangzhou	Designing, manufacturing and installing	RMB188,610	Zhong Jian	Designing, manufacturing, installing and selling marine auxiliaries, set of heavy machinery
Zhongshan GSI Marine Engineering Co., Ltd.	wholly-owned subsidiary	Guangzhou	Manufacture of hull fitting and ocean project equipment	RMB100,000	Wang Lijian	Designing, manufacturing, installing and selling marine auxiliaries (fishing use excluded), steel structure, general machine, cast metal components, fiberglass, hull fitting and ocean project equipment

Subsidiaries	Holding Ratio		Representative Ratio	Investment at the End of the Period	Other item substantially constitute investment	Consolidated (Y/N)
	Direct	Indirect				
Guangzhou Masterwood Shipbuilding Co., Ltd.	51%	25%	76%	1,690,742.00	–	Y
Guangzhou Xinsun Shipping Service Co., Ltd.	83%	16.184%	99.184%	1,666,600.00	–	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 Shipbuilding 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 GSI Large-size Machinery Equipment Co., Ltd.	100%		100%	188,610,000.00	–	Y
Zhongshan GSI Marine Engineering Co., Ltd.	100%		100%	100,000,000.00	–	Y

Subsidiaries	Type of company	Organization code	Minority interest	Amount of minority interest to offset minority loss	Amount of parent equity to offset extra minority shareholder loss that exceed the proportion minority shareholder should bear
Guangzhou Masterwood Shipbuilding Co., Ltd.	Sino-foreign joint venture	61841220-X	160,708,9.57	-	-
Guangzhou Xinsun Shipping Service Co., Ltd.	State holding	231249006	84,872.87	-	-
Guangzhou United Steel Structures Co., Ltd.	Sino-foreign joint venture	61843570-0	7,764,631,6.09	-	-
Guangdong GSI Elevator Co., Ltd.	State holding	23112891-7	388,578.16	-	-
Guangzhou Hongfan Information Technique Co., Ltd.	State holding	70825764-5	6,506,464.02	-	-
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd	State holding	19047465-2	271,753.84	-	-
Guangzhou Hongfan Hotel Co., Ltd.	State holding	63320352-9	91,247.38	-	-
Glory Group Developing Co., Ltd.	State holding	190445392		-	-
Fonkwang Developing Co., Ltd.	State holding	190440559	2,402,804.00	-	-
Guangzhou GSI Large-size Machinery Equipment Co., Ltd.	State holding	68132734-X		-	-
Zhongshan GSI Marine Engineering Co., Ltd.	State holding	684420937		-	-

2. Changes of Consolidation Scope

There are no changes of consolidation scope this period.

V NOTES TO SIGNIFICANT ITEM IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Cash Equivalents

Item	Ending balance			Beginning balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
1. CASH						
RMB	106,027.70	1.0000	106,027.70	118,699.87	1.0000	118,699.87
USD	3,567.80	6.7909	24,228.57	2,417.80	6.8282	16,509.22
HKD	61,601.47	0.8724	53,741.12	35,867.95	0.8805	31,581.73
GBP	917.25	10.2135	9,368.33	917.25	10.9780	10,069.57
EUR	954.84	8.2710	7,897.48	954.84	9.7971	9,354.66
Subtotal			201,263.20			186,215.05
2. BANK						
RMB	3,699,843,683.87	1.0000	3,699,843,683.87	4,204,423,156.46	1.0000	4,204,423,156.46
USD	11,617,993.56	6.7909	78,896,632.48	23,807,463.78	6.8282	162,562,124.16
HKD	9,756,829.40	0.8724	8,511,857.99	10,367,005.02	0.8805	9,128,147.92
EUR	2,534,517.89	8.2710	20,962,997.46	388,471.36	9.7971	3,805,892.77
Subtotal			3,808,215,171.8			4,379,919,321.31
3. Other monetary funds						
RMB	2,318,871,534.43	1.0000	2,318,871,534.43	1,072,140,501.33	1.0000	1,072,140,501.33
Subtotal			2,318,871,534.43			1,072,140,501.33
Total			6,127,287,969.43			5,452,246,037.69

Note 1: The ending balance of other monetary funds included credit card deposit RMB220,675.50 and fixed deposit RMB2,318,624,938.93 as guaranty.

Note 2: As at June 30, 2010, there is no pledge, frozen risk related to the Company's cash except those shown above.

Note 3: As at June 30, 2010, the company Deposit RMB182,003,457.18 in CSSC Financial CO. CSSC Financial CO., one of subsidiaries of CSSC, is a non-bank financial institution authorized by People's Bank of China.

2. Trading Financial Assets

Item	Ending Fair Value	Beginning Fair Value
Financial assets designated as at fair value through current profit or loss	2,654,649.57	63,993,056.22
Total	2,654,649.57	63,993,056.22

Note 1: There is no significant restriction on the liquidity of financial assets at fair value through profit or loss.

Note 2: The decrease of 95.85% in balance compared to the beginning is resulted from the fluctuation of fair value caused by the changes of exchange rate, and the settlement of matured forward contracts.

3. Notes Receivable

(1) details of notes receivables are listed as below:

Item	Ending Balance	Beginning Balance
Bank Acceptance	0	300,000.00
Total	0	300,000.00

4. Accounts Receivable

(1) Classification based on significance:

Classification	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Individually significant balance	117,571,102.26	55.94	771,446.56	116,799,655.70
Individually insignificant but significant based on credit risk characteristics	24,901,218.44	11.85	4,903,756.37	19,997,462.07
Other insignificant balances	67,683,001.72	32.21	383,550.17	67,299,451.55
Total	210,155,322.42	100	6,058,753.10	204,096,569.32

Classification	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Individually significant balance	244,948,640.92	71.76	1,204,009.12	243,744,631.80
Individually insignificant but significant based on credit risk characteristics	19,707,231.47	5.77	4,911,067.43	14,796,164.04
Other insignificant balances	76,710,033.10	22.47	383,550.17	76,326,482.93
Total	341,365,905.49	100.00	6,498,626.72	334,867,278.77

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 insignificant receivables aging more than 1 year or those with signs of impairment.

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

Foreign currency included in the balance:

Items	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	11,859,449.76	6.790900	80,536,337.38	14,515,839.83	6.8282	99,117,057.53
HKD	1,360,139.32	0.872400	1,186,585.54	1,263,559.32	0.8805	1,112,563.98
EUR				4,269,536.74	9.7971	41,829,078.40
AUD	5,656,385.17	0.851200	4,814,715.06	5,656,385.17	0.8555	4,839,037.51
Total			86,537,637.98			146,897,737.42

(2) Classification based on aging:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	185,254,314.98	82.9	1,587,559.30	183,666,755.68
1-2 year (Inclusive)	9,227,935.54	6.71	27,583.61	9,200,351.93
2-3 year (Inclusive)	6,068,076.62	2.93	23,166.15	6,044,910.47
Over 3 year	3,773,681.22	4.64	16,307.78	3,757,373.44
Special	5,831,525.06	2.82	4,404,136.26	1,427,388.80
Total	210,155,533.42	100.00	6,058,753.10	204,096,569.32

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	321,658,674.02	94.23	1,587,559.30	320,071,114.72
1-2 year (Inclusive)	5,516,722.83	1.62	27,583.61	5,489,139.22
2-3 year (Inclusive)	4,633,231.14	1.36	23,166.15	4,610,064.99
Over 3 year	3,261,556.37	0.96	16,307.78	3,245,248.59
Special	6,295,721.13	1.83	4,844,009.88	1,451,711.25
Total	341,365,905.49	100.00	6,498,626.72	334,867,278.77

(3) Write off receivable

Name	Related party	Ending balance	Aging	Amount writing off	Reason
Shunde Yucheng Municipal Engineering Company	N	937,473.62	3-4 years	437,473.62	Uncollectable
Guangdong Lianzhou 6th Construction	N	2400.00	4-5 years	2,400.00	Business licenses cancelled
Total		939,873.62		439,873.62	

(4) Up to June 30, 2010, there are no account receivables of shareholders holding 5% or more than 5% of the voting stocks.

(5) Top 5 balances:

Name	Relationship with the company	Ending balance	Aging	Proportion (%)
Motia Compagnia D	External customer	61,167,673.57	Within 1 year	29.54
Jiangnan Heavy Industry Co., LTD	Ultimate control of CSSC	18,801,569.32	Within 1 year	9.08
General Armament Department of Chinese Navy	External customer	13,707,000.00	Within 1 year	6.62
Asia Aluminum (China) Company	External customer	13,574,250.34	Within 1 year	6.55
Beijing GEA Resource Technology Co.,LTD	External customer	10,320,609.03	Within 1 year	4.98
Total		117,571,102.26		56.77

(6) Balance with related party

Balance with related party is RMB40,188,788.00, which takes up 19.99% of total amount. Details are shown in Note IX(C)

5. Advances to suppliers

(1) Classification based on aging:

Aging	Ending Balance		Beginning Balance	
	Amount	Ratio	Amount	Ratio
Within one year	297,853,261.72	78.83	236,667,084.65	79.12
1-2 years(Inclusive)	62,175,496.38	16.46	61,915,094.92	20.70
2-3 years(Inclusive)	17,790,300.73	4.71	557,580.94	0.18
Total	377,819,058.83	100.00	299,139,760.51	100.00

Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	6,640,245.02	6.8267	45,330,775.36	3,828,159.24	6.7926	26,003,132.21
EUR	12,661,250.40	9.3296	118,123,848.42	4,185,386.28	10.0948	42,250,537.15
Total			163,454,623.78			68,253,669.36

(2) Top 5 balance

Suppliers' Name	Relationship with the company	Ending balance	Proportion	Time of payment	Reason
Dalian Marine Diesel Engine Factory	External supplier	128,483,000.00	27.24	2009	On equipment
CSSC Heavy Industry 704 Research Institute	External supplier	52,277,500.00	11.08	2008	On equipment
Zhenjiang CSSC Equipment Ltd.	Under the Same Control of CSSC	48,600,000.00	10.30	2009	On equipment
Chongqing Steel Ltd	External supplier	23,815,000.00	5.05	2009	On material
Guangzhou Shipyard Co., Ltd.	Under the Same Control of CSSC	13,315,691.38	2.82	2009	On construction
Total		266,491,191.38	56.50		

(3) Significant balances aged over 1 year are displayed as below:

Suppliers	Ending Balance	Aging	Unsettled Reason
Guangzhou Panyu Yuanhang Propeller Company	2,849,595.00	1-2 years	Contract undue
CSSC Huanan Shipping Machine Co., Ltd	2,520,000.00	1-2 years	Contract undue
China Machine Industry Construction Company	1,910,000.00	1-2 years	Contract undue
Dalian Freezing Machine Company	1,309,500.00	1-2 years	Contract undue
CSSC Zhenjiang Generate Equipment Co., Ltd	860,000.00	1-2 years	Contract undue
Total	9,449,095.00		

(4) Up to June 30, 2010, there is no advances to suppliers of shareholders holding 5% or more than 5% of the voting stocks as at June 30, 2010, balance of advances to suppliers with related party amounts to RMB81,486,408.26, which takes up 17.28% of the total balance. Details refer to Notes VI(C).

6. Interest Receivables

Borrowers	Ending Balance	Increase	Decrease	Beginning Balance
Fixed deposit interest	82,320,687.20	66,164,335.19	77,841,139.17	70,643,883.22
Total	82,320,687.20	66,164,335.19	77,841,139.17	70,643,883.22

There is no overdue interest at the end of the period.

7. Other Receivables

(1) Classification based on significance:

Classification	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Individually significant balance	162,065,217.03	86.89	9,487,358.15	152,577,858.88
Individually insignificant but significant based on credit risk characteristics	5,441,353.98	2.92	10,710.16	5,430,643.82
Other insignificant balances	19,004,341.69	10.19	70,120.52	18,934,221.17
Total	186,510,912.70	100.00	9,568,188.83	176,942,723.87

Classification	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Individually significant balance	108,645,501.58	87.05	9,487,358.15	99,158,143.43
Individually insignificant but significant based on credit risk characteristics	2,142,032.00	5.67	10,710.16	2,131,321.84
Other insignificant balances	14,024,003.34	7.28	70,120.52	13,953,882.82
Total	124,811,536.92	100.00	9,568,188.83	115,243,348.09

Note 1: Individually significant receivables refer to the receivables with the amount of more than 10 million.

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.

Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	0	0	0	1,500.00	6.8346	10,251.90
Total	0	0	0	1,500.00		10,251.90

(2) Classification based on aging:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	170,733,786.57	91.54	1,197,225.68	169,536,560.89
1-2 year (Inclusive)	2,365,135.76	1.27	7,549.96	2,357,585.80
2-3 year (Inclusive)	721,381.69	0.39	938.07	720,443.62
Over 3 year	2,354,836.53	1.26	2,222.13	2,352,614.40
Special	10,340,232.15	5.54	8,360,252.99	1,979,979.16
Total	186,515,372.70	100.00	9,568,188.83	176,947,183.87

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	112,329,272.77	90.00	1,197,225.68	111,132,047.09
1-2 year (Inclusive)	1,509,992.00	1.21	7,549.96	1,502,442.04
2-3 year (Inclusive)	187,614.00	0.15	938.07	186,675.93
Over 3 year	444,426.00	0.36	2,222.13	442,203.87
Special	10,340,232.15	8.28	8,360,252.99	1,979,979.16
Total	124,811,536.92	100.00	9,568,188.83	115,243,348.09

(3) Significant or individual insignificant but single assess of impairment

Name	Ending Balance	Bad Debt Allowance	Ratio	Reason
Hong Kong Guanghong International Corp	10,340,232.15	8,360,252.99	80.85	Note 1
Total	10,340,232.15	8,360,252.99	80.85	

Note1: Trusted deposits has 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 September 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. Up to June 30, 2010 The Company had not realized the creditor's rights, and shall pay attention to further following up.

(4) Up to June 30, 2010, there are no other receivables of shareholders holding 5% or more than 5% of the voting stocks; balance of other receivables with related party amounts to RMB2,331,891.90, which takes up 1.32% of the total balance. Details refers to Note VI(C)

(5) Top 5 balance

Item	Content	Relationship with the company	Ending balance	Aging	Proportion
Product Subsidy	Product subsidy	Others	151,724,984.88	Within 1 year	81.35
Guangzhou Notional Investment Corp.	Trust deposit	External customer	10,340,232.15	Over 5 years	5.54
Guangzhou Shipping and Ocean Engineering Research Institute	Sell house	under the Same Control of CSSC	2,254,500.00	Within 1 year	1.21
Shanghai Waigaoqiao Bonded Area Custom	Tariff bail	Other	3,033,760.59	Within 1 year	1.63
Huangpu Former Customs	Tariff bail	External customer	2,378,690.00	Within 1 year	1.28
Total			169,732,167.62		91.00

(6) The increase of 53.54% in balance compared to the beginning is mainly resulted from the taking back of export rebates.

8. Inventories

(1) Classification of inventories are listed as below:

Item	Ending Balance			Beginning Balance		
	Book value	Impairment	Net value	Book value	Impairment	Net value
Raw Materials	560,697,279.51	11,313,113.21	549,384,166.30	443,406,536.23	12,454,663.89	430,951,872.34
Work-in-Process	1,074,418,381.89	276,115.95	1,074,142,265.94	897,671,911.84	276,115.95	897,395,795.89
Commodity/Finished Goods	4,564,540.95	-	4,564,540.95	4,359,626.59	-	4,359,626.59
Revolving Materials	0	-	0	-	-	-
Goods in transit	11,070,760.95	209,745.54	10,861,015.41	22,042,936.59	209,745.54	21,833,191.05
Total	1,650,750,963.3	11,798,974.70	1,638,951,988.60	1,367,481,011.25	12,940,525.38	1,354,540,485.87

(2) Movement of provision for impairment:

Categories	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Raw Materials	12,454,663.89	0		1,141,550.68	11,313,113.21
Work-in-Process	276,115.95	0		0	276,115.95
Goods in transit	209,745.54	0		0	209,745.54
Total	12,940,525.38	0		1,141,550.68	11,798,974.7

9. Available-for-sale Financial Assets

(1) Classifications of available-for-sale financial assets are listed as below:

Item	Ending Fair Value	Beginning Fair Value
Equity instruments	269,773,526.50	337,360,250.00
Total	<u>269,773,526.50</u>	<u>337,360,250.00</u>
Less: Impairment provisions for available-for-sale financial assets	0	0
Net Value	<u>269,773,526.50</u>	<u>337,360,250.00</u>

(2) Details about bonds available-for-sale:

Item	Ending Fair Value	Beginning Fair Value
China Merchants Energy Shipping Co., Ltd	40,600,000.00	56,600,000.00
China Merchants Bank Co., Ltd	226,473,526.50	278,060,250.00
Membership of Wuhan Gold and Silver Golf Club	2,700,000.00	2,700,000.00
Total	<u>269,773,526.50</u>	<u>337,360,250.00</u>

Note: As at June 30, 2010, the holding stocks on "CMES" and "CMBC" are unrestricted outstanding shares. The fair value of above-mentioned stocks is based on their closing price of June 30, 2010. The company has paid RMB17,723,452.50 for 2,002,650 stocks of CMBC for allotment.

10. Investment in Joint venture and Association

Main joint venture and association of the company are shown as follows:

Investee	Type of company	Registration Place	Legal representative	Industry	Holding Ratio	Representative Ratio	Registered Capital
Association							
South China Marine and Industrial Special Coating Co., Ltd	Limited company	Guangzhou	Gu Guang	Coating of engineering	25%	25%	6,888,240.00
Zhanjiang South Ocean Marine Services Inc.	Limited company	Zhanjiang	Chen Miaogeng	Repair of navy device	40%	40%	2,000,000.00
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	State owned business	Zhenjiang	Yang Jiafeng	Manufacture of equipment	32%	32%	85,000,000.00

Investee	Ending total assets	Ending total liability	Ending total net assets	Current year revenue cumulative	Current year net profit	Organization code
Association						
South China Marine and Industrial Special Coating Co., Ltd	17,542,876.70	1,932,020.01	15,610,856.69	16,136,766.29	1,750,687.58	618428789
Zhanjiang South Ocean Marine Services Inc.	1,872,061.39	100.00	1,871,961.39	840,590.00	-150,808.27	749150668
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	190,039,982.60	65,116,893.94	124,923,088.66	81,986,242.34	8,109,048.07	782067313

11. Long-term Equity Investment

(1) Long-term equity Investment are shown as follows:

Investee	Measurement	Initial Investment	Beginning Balance	Increase ("-"for decrease)	Ending balance
Shenzhen Yuanzhou Science & Technology Industry	Cost Method	1,000,000.00	1,000,000.00		1,000,000.00
CSSC Information Co., Ltd.	Cost Method	900,000.00	900,000.00		900,000.00
South China Marine and Industrial Special Coating Co., Ltd	Equity Method	1,722,060.00	3,449,192.62	437,671.90	3,886,864.52
Zhanjiang South Ocean Marine Services Inc.	Equity Method	800,000.00	812,098.43	-60,323.31	751,775.12
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	Equity Method	15,558,800.00	35,718,317.85	-2,205,104.62	33,513,213.23
Total		<u>19,980,860.00</u>	<u>41,879,608.90</u>	<u>-1,827,756.03</u>	<u>40,051,852.87</u>

Investee	Holding ratio	Representative ratio	Impairment	Current year impairment provision	Current year cash bonus
Shenzhen Yuanzhou Science & Technology Industry	7%	7%			
CSSC Information Co., Ltd.	15%	15%			
South China Marine and Industrial Special Coating Co., Ltd	25%	25%			
Zhanjiang South Ocean Marine Services Inc.	40%	40%			
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	32%	32%			4,800,000.00
Total					<u>4,800,000.00</u>

12. Investment Property

(1) Investment property of the company under cost model are as follows this year:

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Total Original Costs	99,085,165.29	–	–	99,085,165.29
House and Buildings	99,085,165.29	–	–	99,085,165.29
2. Accumulated Depreciation (Amortization)	7,378,319.65	800,634.78	–	8,178,954.43
House and Buildings	7,378,319.65	800,634.78	–	8,178,954.43
3. Net value before impairment	91,706,845.64	–	–	90,906,210.86
House and Buildings	91,706,845.64	–	–	90,906,210.86
4. Provision for Impairment	17,344,400.27	–	–	17,344,400.27
House and Buildings	17,344,400.27	–	–	17,344,400.27
5. Net Value	74,362,445.37	–	–	73,561,810.59
House and Buildings	74,362,445.37	–	–	73,561,810.59

Note 1: Current year amortization is 800,634.78.

13. Fixed Assets

(1) Movements of fixed assets and accumulated depreciation are listed as below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
(1) Total original cost	2,072,989,138.25	148,697,015.32	126,292,480.67	2,095,393,672.90
1. House and Buildings	980,679,722.84	118,539,804.63	120,025,896.75	979,193,630.72
2. Machinery Equipment	1,006,373,387.27	29,756,316.29	5,461,740.92	1,030,667,962.64
3. Transportation Vehicles	33,932,684.94	193,921.57	757,943.00	33,368,663.51
4. Other	52,003,343.20	206,972.83	46,900.00	52,163,416.03
(2) Accumulated depreciation	820,583,359.68	24,066,497.59	17,615,017.52	827,034,839.75
1. House and Buildings	265,862,887.45	14,846,703.39	12,416,221.39	268,293,369.45
2. Machinery Equipment	514,320,557.36	-10,476,480.22	4,433,097.28	499,410,979.86
3. Transportation Vehicles	14,004,995.63	280,935.19	720,205.85	13,565,724.97
4. Other	26,394,919.24	19,415,339.23	45,493.00	45,764,765.47
(3) Net value before impairment	1,252,405,778.57	–	–	1,268,358,833.15
1. House and Buildings	714,816,835.39	–	–	710,900,261.27
2. Machinery Equipment	492,052,829.91	–	–	531,256,982.78
3. Transportation Vehicles	19,927,689.31	–	–	19,802,938.54
4. Other	25,608,423.96	–	–	6,398,650.56
(4) Accumulated impairment	–	–	–	–
(5) Net value	1,252,405,778.57	–	–	1,268,358,833.15
1. House and Buildings	714,816,835.39	–	–	710,900,261.27
2. Machinery Equipment	492,052,829.91	–	–	531,256,982.78
3. Transportation Vehicles	19,927,689.31	–	–	19,802,938.54
4. Other	25,608,423.96	–	–	6,398,650.56

Note 1: Accumulated impairment during the year amounted to RMB24,066,497.59.

Note 2: Total fixed asset transferred from construction-in-progress during the year amounted to RMB58,882,777.92.

Note 3: There are no temporary idle fixed assets.

Note 4: The decreased amount of fixed asset is mainly resulted from discarding and selling.

14. Construction-in-Progress

(1) Construction-in-progress are shown as follows:

Item	Ending balance			Beginning balance		
	Amount	Depreciation	Net value	Amount	Depreciation	Net value
Ground and install preparation project	0	–	0	6,227,890.04	–	6,227,890.04
Dock prolong	1,474,465.09	–	1,474,465.09	1,403,479.01	–	1,403,479.01
Dock prolong 80T, 400T (1st period)	22,807,767.09	–	22,807,767.09	11,236,739.72	–	11,236,739.72
Drain out project of road outside machine progress centre	0	–	0	1,779,071.22	–	1,779,071.22
Improvement of secrecy net	1,970,288.77	–	1,970,288.77	2,201,744.78	–	2,201,744.78
Support facilities prophase fees of small and medium ship construction outfit project	0	–	0	2,340,251.24	–	2,340,251.24
Zhongshan shipyard base prophase fees	241,325,340.64	–	241,325,340.64	223,946,109.81	–	223,946,109.81
Changzhou dock dolphin construction	4,651,239.41	–	4,651,239.41	3,249,601.96	–	3,249,601.96
Longxue base work shop prophase fees	0	–	0	3,944,347.23	–	3,944,347.23
Longxue base work shop	4,316,720.08	–	4,316,720.08	7,063,185.22	–	7,063,185.22
Electric device and road light outside machine progress centre	1,289,964.54	–	1,289,964.54	10,520,560.89	–	10,520,560.89
Materials departments alteration	750,804.59	–	750,804.59	–	–	–
Old dock steady	1,269,339.29	–	1,269,339.29	0	–	0
1 air compressor (200 cube)	1,012,196.43	–	1,012,196.43	0	–	0
2 air compressor (100 cube)	1,027,715.36	–	1,027,715.36	0	–	0
Environment improvement (period 2)	1,358,665.29	–	1,358,665.29	0	–	0
Other little project	10,042,483.30	–	10,042,483.30	21,285,934.10	–	21,285,934.10
Total	291,270,649.10	–	291,270,649.10	295,198,915.22	–	295,198,915.22

(2) Basic Status and Movements of significant project:

Item	Budget	Capital source	Beginning Balance		Increase	
			Amount	Including: Capitalized interest	Amount	Including: Capitalized interest
Ground and install preparation project	23,210,000.00	Other source	6,227,890.04	-	2,504,405.31	
Dock prolong	28,320,000.00	Other source	1,403,479.01	-	70,986.08	
Dock prolong 80T,400T (1st period)		Other source	11,236,739.72	-	12,219,492.96	
Drain out project of road outside machine progress centre	3,000,000.00	Other source	1,779,071.22	-	0.00	
Improvement of secrecy net	3,050,000.00	Other source	2,201,744.78	-	210,646.53	
Support facilities prophase fees of small and medium ship construction outfit project	8,120,000.00	Other source	2,340,251.24	-	-2,340,251.24	
Zhongshan shipyard base prophase fees	793,140,000.00	Other source	223,946,109.81	-	17,574,512.36	
Changzhou dock dolphin construction	7,200,000.00	Other source	3,249,601.96	-	1,401,637.45	
Longxue base work shop prophase fees	720,000.00	Other source	3,944,347.23	-		
Longxue base work shop	92,720,000.00	Other source	7,063,185.22	-	1,503,400.00	
Electric device and road light outside machine progress centre	17,000,000.00	Other source	10,520,560.89	-	1,289,964.54	
Materials departments alteration	1,400,000.00	Other source	0.00	-	1,044,158.44	
Old dock steady	9,000,000.00	Other source	0.00	-	1,269,339.29	
1 air compressor (200 cube)	8,750,000.00	Other source	0.00	-	1,012,196.43	
2 air compressor (100 cube)	148,752.14	Other source	0.00	-	1,176,467.50	
Environment improvement (period 2)	0	Other source	0.00	-	1,358,665.29	
Other little project	25,902,341.66	Other source	21,285,934.10	-	14,658,890.86	
Total	1,021,681,093.80		295,198,915.22	-	54,954,511.80	

Item	Decrease		Ending Balance		Progress rate	Investment per Budget
	Amount	Including: Transfer to Fixed Asset	Amount	Including: Capitalized interest		
Ground and install preparation project	8,732,295.35	-	-	-	Completed	
Dock prolong	-	-	1,474,465.09	-	Partly completed	5.21%
Dock prolong 80T,400T (1st period)	648,465.59	-	22,807,767.09	-	Partly completed	80.54%
Drain out project of road outside machine progress centre	1,779,071.22	-	-	-	Completed	
Improvement of secrecy net	442,102.54	-	1,970,288.77	-	In progress	64.60%
Support facilities prophase fees of small and medium ship construction outfit project	-	-	-	-	Completed	0.00%
Zhongshan shipyard base prophase fees	195,281.54	-	241,325,340.63	-	In progress	30.43%
Changzhou dock dolphin construction	-	-	4,651,239.41	-	In progress	64.60%
Longxue base work shop prophase fees	3,944,347.23	-	-	-	Completed	0.00%
Longxue base work shop	6,276,205.91	-	2,290,379.31	-	Partly completed	2.47%
Electric device and road light outside machine progress centre	10,520,560.89	-	1,289,964.54	-	In progress	7.59%
Materials departments alteration	293,353.85	-	750,804.59	-	In progress	53.63%
Old dock steady	-	-	1,269,339.29	-	In progress	14.10%
1 air compressor (200 cube)	-	-	1,012,196.43	-	In progress	11.57%
2 air compressors (100 cube)	148,752.14	-	1,027,715.36	-	In progress	11.75%
Environment improvement (period 2)	-	-	1,358,665.29	-	In progress	61.76%
Other little project	25,902,341.66	-	10,042,483.30	-	In progress	
Total	58,882,777.92		291,270,649.10			

15. Intangible Assets

(1) Amortization and impairment of intangible assets:

Item	Beginning Balance	Increase during Current Year	Decrease during Current Year	Ending Balance
(1) Total Costs	140,690,953.86			140,690,953.86
1. Land use right	79,395,716.06			79,395,716.06
2. Technology without patent	61,295,237.80			61,295,237.80
(2) Total Accumulated Amortization	51,856,231.21	3,464,613.59		55,320,844.80
1. Land use right	21,157,637.97	739,228.38		21,896,866.35
2. Technology without patent	30,698,593.24	2,725,385.21		33,423,978.45
(3) Net value before impairment	88,834,722.65			85,370,109.06
1. Land use right	58,238,078.09			57,498,849.71
2. Technology without patent	30,596,644.56			27,871,259.35
(4) Provision for impairment for intangible assets				
(5) Total book value of intangible assets	88,834,722.65			85,370,109.06
1. Land use right	58,238,078.09			57,498,849.71
2. Technology without patent	30,596,644.56			27,871,259.35

(2) Amortization during the period amounted to RMB3,464,613.59.

16. Deferred Tax Assets and Liabilities

(1) Details of deferred tax assets are listed as below:

Item	Ending Balance		Beginning Balance	
	Temporary Difference	Deferred Tax Assets	Temporary Difference	Deferred Tax Assets
Impairment Provision	31,584,005.60	6,310,216.22	42,068,108.29	7,358,626.51
Prepaid housing subsidy	5,006,835.00	751,025.25	6,236,550.00	935,482.50
Housing allowance for retirees	22,723,479.27	3,408,521.89	23,607,825.20	3,541,173.78
Medical insurance for retirees within 10 years	1,882,903.80	282,435.57	2,327,298.73	349,094.81
Early retiree benefits	1,955,554.67	293,333.20	2,308,835.47	346,325.32
Total	<u>63,152,778.34</u>	<u>11,045,532.13</u>	<u>76,548,617.69</u>	<u>12,530,702.92</u>

(2) Details of deferred tax liabilities are listed as below:

Item	Ending Balance		Beginning Balance	
	Temporary Difference	Deferred Tax Assets	Temporary Difference	Deferred Tax Assets
Derivatives	2,654,649.53	398,197.43	56,235,737.20	9,738,311.47
Net movement on fair value of available-for-sale financial assets	<u>202,589,923.93</u>	<u>30,388,488.59</u>	<u>287,900,100.00</u>	<u>43,185,015.00</u>
Total	<u>205,244,573.46</u>	<u>30,786,686.02</u>	<u>344,135,837.20</u>	<u>52,923,326.47</u>

Note: The decrease of 41.83% in balance of deferred tax assets compared to the beginning is resulted from changes of fair value of derivatives and available-for-sale financial assets.

Provision for Assets Impairment

Item	Beginning Balance	Accruals	Decrease during Current Year		Ending Balance
			Reverse	Write-off	
Bad Debts	16,066,815.55			439,873.62	15,626,941.93
Provision for Inventories Impairment	12,940,525.38			1,141,550.68	11,798,974.70
Provision for Investment Property Impairment	17,344,400.27			0	17,344,400.27
Total	<u>46,351,741.20</u>			<u>1,581,424.30</u>	<u>44,770,316.90</u>

17. Restrictions on Ownership of Assets

Details of assets with restrictions on ownership are listed as below:

Classification	Beginning Balance	Increase during Current Year	Decrease during Current Year	Ending Balance	Reasons
(1) Assets used as security					
1. Fixed deposit	1,071,916,027.18	1,836,668,911.75	589,960,000.00	2,318,624,938.93	Pledge
Total	<u>1,071,916,027.18</u>	<u>1,836,668,911.75</u>	<u>589,960,000.00</u>	<u>2,318,624,938.93</u>	

18. Short-term Borrowings

Categories	Ending Balance	Beginning Balance	Notes
Pledged borrowings	1,555,998,917.00	798,899,400.00	
Credit Borrowings	<u>406,188,969.79</u>	<u>666,462,084.13</u>	
Total	<u>1,962,187,886.79</u>	<u>1,465,361,484.13</u>	

Note1: Pledged borrowings took CD as a pledge.

Note2: The increase of 33.90% compared to the beginning balance is mainly resulted from new foreign currency borrowings to meet the need of import.

19. Trading Financial Liabilities

Item	Ending Fair Value	Beginning Fair Value
The financial liability is designated as at fair value through profit or loss	0	0
Total	<u>0</u>	<u>0</u>

20. Notes Payable

Classification	Ending Balance	Beginning Balance	Notes
Bank acceptance	493,468,202.99	360,901,710.85	
Total	<u>493,468,202.99</u>	<u>360,901,710.85</u>	

Note: The increase of 36.73% compared to the beginning balance is mainly resulted from changes in clearing form.

21. Accounts Payable

Item	Ending Balance	Beginning Balance
Total	717,802,881.41	709,751,054.23
Including: Age over 1 year	<u>30,196,972.32</u>	<u>29,851,550.20</u>

(1) As at June 30, 2010, accounts age over 1 year are displayed as below:

Suppliers	Amount	Content	Unsettled Reason
Lianjian-Fanguang JV Limited Company	<u>2,669,843.10</u>	Goods	Dispute, not settled

(2) Up to June 30, 2010, there are no account payables of shareholders holding 5% or more than 5% of the voting stocks; Balance of accounts payable with related party amounts to RMB81,804,813.65, which takes up 12.12% of the total balance. details refer to Note VI(C).

(3) Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	0	0	0	24,989.50	6.8282	170,633.31
EUR	0	0	0	365,655.00	9.7971	3,582,358.60
Total	<u>0</u>	<u>0</u>	<u>0</u>			<u>3,752,991.91</u>

22. Advances from Customers

Item	Ending Balance	Beginning Balance
Total	204,484,789.53	127,281,207.61
Including: Age over 1 year	<u>102,158,951.49</u>	<u>20,945,821.33</u>

(1) As at June 30, 2010, accounts age over 1 year are displayed as below:

Suppliers	Amount	Content	Unsettled Reason
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	21,328,746.67	Design fee	Uncompleted
Asia Aluminum (China) Company	3,061,409.02	Advance Construction Receipts	Uncompleted
China Construction the Eighth Industry Equipment Installment Co.,Ltd	1,992,000.00	Advance Construction Receipts	Uncompleted
Jiantao (Lianzhou) Copper Toil Co.,Ltd	1,588,200.00	Advance Construction Receipts	Uncompleted
CSSC Guangzhou Longxue Shipyard Co.,Ltd	625,000.00	Advance Construction Receipts	Uncompleted
Total	<u>28,595,355.69</u>		

(2) Up to June 30, 2010, there are no advances of shareholders holding 5% or more than 5% of the voting stocks; Balance of accounts payable with related party amounts to RMB23,368,956.67, which takes up 11.42% of the total balance. Details refer to note VI(C).

(3) Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USE	1,869,303.61	6.8348	12,776,251.62	462,856.93	6.8327	3,162,549.54
HKD	13,587,615.82	0.8796	11,951,693.11	1,129,880.00	0.8806	994,959.04
EUR	7,315,165.79	9.4824	69,365,253.95	1,574,973.88	10.037	15,807,992.66
Total			<u>94,093,198.68</u>			<u>19,965,501.24</u>

23. Accrued Employee Benefits

(1) Details of accrued employee benefits are displayed below:

Item	Beginning Balance	Increase during Current Year	Decrease during Current Year	Ending Balance
Employee wages or salaries, bonuses, allowances and subsidies	14,820,000.00	313,835,501.98	328,655,501.98	0.00
Employee welfare	5,072,421.30	13,970,181.89	13,970,181.89	5,072,421.30
Social security		66,451,357.38	66,451,357.38	
Inc: medical insurance		38,375,222.41	38,375,222.41	
Basic endowment assurance		18,543,801.18	18,543,801.18	
Supplementary pension		7,865,293.31	7,865,293.31	
Unemployed insurance		533,151.94	533,151.94	
Work injury insurance		611,539.66	611,539.66	
Maternity insurance		522,348.88	522,348.88	
Public accumulation fund for housing construction		34,776,186.50	34,776,186.50	
Union & Education funds		6,784,621.71	6,784,621.71	
Compensation for dismiss of labor relationship	2,308,835.48	298,299.25	651,580.07	1,955,554.66
Total	<u>22,201,256.78</u>	<u>436,116,148.71</u>	<u>451,289,429.53</u>	<u>7,027,975.96</u>

Note: The 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.

24. Taxes and Expenses Payable

Categories	Ending Balance	Beginning Balance
Value-added Tax	-42,360,598.99	3,568,317.99
Business Tax	670,889.54	1,068,662.79
Corporate Income Tax	55,447,431.29	48,667,188.84
Individual income tax	1,840,705.91	4,155,555.88
City Maintenance and Construction Tax	2,234,019.41	3,280,489.61
Land Appreciation Tax	2,171,256.14	282,031.82
Real estate tax	4,614,437.18	2,885,124.07
Education surcharge	949,780.14	1,366,097.30
Flood control and maintain expenses	2,987,236.30	3,433,647.10
Others	146,749.04	-16,338.89
Total	<u>28,701,905.96</u>	<u>68,690,776.51</u>

Note: The decrease of 58.22% compared to the beginning balance is mainly resulted from the negative VAT, because input tax is greater than output tax.

25. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings	0	0
Interest on short-term borrowings	5,809,078.13	1,878,526.18
Total	<u>5,809,078.13</u>	<u>1,878,526.18</u>

26. Dividends Payable

Investors	Ending Balance	Beginning Balance	Unsettled over 1 year Reason
Canam Steel Structures Limited (shareholder of subsidiary of Guangzhou United Steel Structures Limited)	0	12,730,445.32	
Unpaid A share dividend	94,492,726.83	55,530.29	
Total	<u>94,492,726.83</u>	<u>12,785,975.61</u>	

The increase of 639.03% compared to the beginning balance is mainly resulted from unissued dividend of A-share and the dividend has been issued on July 6.

27. Other Payables

Item	Ending Balance	Beginning Balance
Total	<u>73,727,519.67</u>	<u>27,751,512.24</u>
Including: Age over 1 year	<u>10,826,589.52</u>	<u>11,523,681.86</u>

(1) Up to June 30, 2010, there are no other payables of shareholders holding 5% or more than 5% of the voting stocks; Balance of accounts payable with related party amounts to RMB10,570.00. Details refer to note VI(C).

(2) Major account balances are displayed as below:

Item	Ending Balance	Nature or Content
Supplementary pension	3,252,424.65	Supplementary pension
Retiree medical insurance	2,327,298.76	Medical insurance
Certified public accountants	1,998,996.11	Mediator
Monetary retiree housing subsidy	800,000.00	Unpaid portion
Housing assistance	789,300.00	Unpaid portion
Total	<u>9,168,019.52</u>	

(3) Significant accounts age over 1 year are displayed as below:

Item	Amount	Nature or Content	Unsettled Reason
Supplementary pension	3,252,424.65	Supplementary pension	Leave without draw
Monetary retiree housing subsidy	800,000.00	Unpaid portion	Gone abroad
Renfawei scientific and technological progress bonus fund	441,496.53	Agency fund	Uncompleted
Mutual help fund	153,480.00	Agency fund	Uncompleted
Total	<u>4,646,370.26</u>		

28. Current Portion of Long-term Liabilities

(1) Mature in 1 year:

Item	Ending balance	Beginning balance
Long-term borrowings mature in 1 year	0	170,705,000.00
Total	0	170,705,000.00

29. Other Current Liabilities

Item	Ending Balance	Beginning Balance
Long-term contract settlement	3,186,923,190.73	3,368,133,623.01
Total	3,186,923,190.73	3,368,133,623.01

30. Long-term Borrowings

(1) Details of long-term borrowings are listed as below:

Categories	Ending Balance	Beginning Balance
Pledged borrowings	266,474,916.00	0
Credit Borrowings	0	0
Total	266,474,916.00	0

The 100% increase of the ending balance is resulted from holding of foreign loans to control exchange risk.

31. Special purpose payable

Item	Beginning balance	Increase	Decrease	Ending balance	Note
High-speed Ro/Ro passenger vessels	6,720,000.00			6,720,000.00	船财[2001]13号
Semi-submersible vessel	17,850,000.00			17,850,000.00	船工计[2002]350号
Total	24,570,000.00			24,570,000.00	

The above projects have been completed and the special purpose payable belongs to the state exclusively. According to resolution of board of directors, these special purpose payables can be converted into investment of CSSC.

32. Provision

Item	Beginning balance	Increase	Decrease	Ending balance
Product quality warranties	97,939,518.84	42,706,383.86	39,026,205.97	101,619,696.73
Unpaid retiree housing subsidy	23,607,825.23	160,970.25	1,045,316.21	22,723,479.27
Total	121,547,344.07	42,867,354.11	40,071,522.18	124,343,176.00

33. Other Non-current Liabilities

Item	Ending balance	Beginning balance	Note
Deferred income (CSSC)	2,850,000.00	3,000,000.00	船工计[2009]307号
Deferred income (CSSC)	352,500.07	265,833.39	船工科[2007]668号
Deferred income (Guangzhou Economic and Commercial Technical Committee)	9,419,229.41		穗经贸技术[2006]106号
Deferred income (Guangzhou Economic and Commercial Technical Committee)	1,635,205.44	1,706,301.36	粤经贸技术[2004]664号
Deferred income (Guangzhou Economic and Commercial Technical Committee)	1,590,000.00	1,620,000.00	穗经贸函[2005]484号、 粤经贸技术[2005]1064号
Deferred income (Guangzhou Environment Protect Bureau)	1,685,526.30	1,768,421.04	穗环[2006]115号
Deferred income (Guangzhou Technology Division/Finance Bureau)	5,691,044.00	5,400,000.00	
Deferred income (Guangzhou Economic and Commercial Technical Committee)	1,958,333.33		
Deferred income (Guangzhou Technical Bureau/Finance Bureau)	9,158,366.12		
Total	34,340,204.67	13,760,555.79	

The 149.56% of the ending balance is resulted from the new scientific research project appropriation.

34. Share Capital

Classification	Beginning Balance		Increase/Decrease				Ending Balance		
	Number of Shares	Proportion%	Issue New Shares	Stock Dividend	Capitalization of Capital Reserve	Others	SUM	Number of Shares	Proportion %
1. State-owned Shares	176,650,615	35.71						176,650,615	35.71
2. RMB Ordinary Shares	160,628,965	32.47						160,628,965	32.47
3. Foreign Capital Stocks listed domestically	157,398,000	31.82						157,398,000	31.82
TOTAL	<u>494,677,580</u>	<u>100.00</u>						<u>494,677,580</u>	<u>100.00</u>

All above-mentioned shares are freely transferable shares.

35. Capital Reserves

Movement of capital reserves in current year are listed as below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
Premium of Share Capital	651,385,281.95	–	–	651,385,281.95
Others	245,298,016.22	–	72,513,649.59	172,784,366.63
Total	<u>896,683,298.17</u>	<u>–</u>	<u>72,513,649.59</u>	<u>824,169,648.58</u>

Note: The decrease of capital reserves is mainly resulted from changes of fair value of available-for-sale financial assets and increase is mainly resulted from difference between investment on subsidiary and fair value of fixed assets used for the investment.

36. Surplus Reserves

Details of the movement of surplus reserves in current year are listed as below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
Statutory Surplus Reserves	285,370,354.57			285,370,354.57
Arbitrary Surplus Reserves	18,926,387.43			18,926,387.43
Total	<u>304,296,742.00</u>			<u>304,296,742.00</u>

The Company is required to transfer 10% of the profit after taxation.

37. Undistributed Profit

Changes of undistributed profit in current year are listed as below:

Item	Current Year	Last Year
Ending balance of undistributed profit last year	1,473,182,738.39	1,232,098,604.09
Add: Increase (decrease) in profit due to changes in accounting policies		
Corrections of prior period errors		
Beginning balance of undistributed profit of current year	1,473,182,738.39	1,232,098,604.09
Add: Current net profit	341,324,211.36	514,961,903.36
Less: Profit appropriation – Statutory surplus Reserves	0	51,272,858.06
Profit appropriation – Ordinary stock dividends	138,509,722.40	222,604,911.00
Ending balance of undistributed profit	<u>1,675,997,227.35</u>	<u>1,473,182,738.39</u>

The Company has held the Board Meeting on May 25, 2010, on which the proposal of profit distribution has been passed. That is, the Company shall release cash dividends RMB138,509,722.40 rated RMB0.28 per share on the base of total shares amounted 494,677,580.

38. Revenue and Cost

(1) Details of revenue and costs are listed below:

Item	Current Period	Last Period
Revenue	2,893,604,210.42	3,134,482,784.42
Including: Income from principal activities	2,842,192,625.75	3,093,000,471.89
Other Operating Income	51,411,584.67	41,482,312.53
Costs	2,471,862,971.38	2,719,916,138.87
Including: Cost of Goods Sold	2,415,832,299.2	2,687,712,887.16
Other Operating Expenses	<u>56,030,672.15</u>	<u>32,203,251.71</u>

(2) Classification of principal activities are listed as below:

Type of Businesses	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Shipbuilding products	2,620,474,594.38	2,239,928,336.16	2,796,295,846.17	2,435,042,774.41
Steel Structure projects	60,721,525.33	50,623,380.74	170,501,947.00	154,532,909.97
Mechanical & electrical products and others	160,996,506.04	125,280,582.33	126,202,678.72	98,137,202.78
Total	<u>2,842,192,625.75</u>	<u>2,415,832,299.23</u>	<u>3,093,000,471.89</u>	<u>2,687,712,887.16</u>

(3) Operating income from principal activities

Area	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
The Republic of Malta	4,860,069.05	3,964,994.45	60,997,676.99	49,179,391.51
German	-	-151,211.55	292,904,050.72	264,474,175.70
Denmark	1,448,479,148.35	1,210,545,287.49	1,680,582,198.85	1,459,285,755.61
Macao	-	-	-	-
Italy	215,975,641.63	164,891,273.45	125,986,061.81	106,997,484.55
USA	31,315,276.62	26,197,567.76	59,146,476.37	50,410,566.24
Hong Kong	76,912,789.39	74,154,696.99	259,929,713.45	231,920,067.34
Greece	349,383,116.05	283,037,319.30	188,198,342.41	158,005,823.10
Sweden	-	-	-	-4,524,448.83
Liberia	-	-	-	-3,051,862.85
Australia	9,996,515.25	10,211,568.53	60,007,151.32	-
Angola	11,277,433.54	9,990,572.66	-	52,385,824.36
Other	956,400.45	953,076.92	208,976.58	208,205.13
China	693,036,235.42	632,037,153.23	365,039,823.39	322,421,905.30
Total	<u>2,842,192,625.75</u>	<u>2,415,832,299.23</u>	<u>3,093,000,471.89</u>	<u>2,687,712,887.16</u>

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

Item	Amount in Current	Proportion(%)
No.1	803,803,449.45	27.78
No.2	349,383,116.05	12.07
No.3	332,943,511.81	11.51
No.4	276,799,950.90	9.57
No.5	246,284,500.87	8.51
Total	<u>2,009,214,529.08</u>	<u>69.44</u>

39. Details of Construction Contracts

Contract Item	Total Amount	Accumulated Cost Incurred	Total gross profit that has been confirmed (loss "·")	The amount of the purchase price that have been settled	Estimated Loss	The reasons for estimated loss
50500 serious	8,170,037,247.22	3,015,878,689.40	570,361,752.36	4,223,530,165.55		
51800 serious	319,809,747.09	291,506,550.18	29,088,673.04	320,595,223.22		
39000 serious	2,034,912,142.13	774,623,592.71	126,333,960.72	1,105,256,123.93	0.00	
ro-ro serious	2,072,000,000.00	265,765,635.19	0.00	725,200,000.00	0.00	
50000 serious	2,148,800,000.00	1,108,817,681.57	39,242,958.13	1,457,824,020.00	0.00	
52300 serious	2,701,242,880.00	24,756,457.13	0.00	612,553,075.25	0.00	
Special	2,025,040,000.00	170,541,081.44	10,492,452.37	647,410,000.00	0.00	
Total	<u>19,471,842,016.44</u>	<u>5,651,889,687.62</u>	<u>775,519,796.62</u>	<u>9,092,368,607.95</u>	<u>0.00</u>	

40. Taxes and levies on operations

Category	Current Period	Last Period	Tax base
Business tax	2,261,032.03	1,684,802.73	Service revenue
City Maintenance And Construction Tax	5,861,123.40	4,372,482.41	Business + Vat payable
Education surcharge	2,512,043.74	1,874,596.05	Business + Vat payable
TOTAL	<u>10,634,199.17</u>	<u>7,931,881.19</u>	

Note: The increase of 34.07% compared to last period is resulted from increase of tax item.

41. Financial Expenses

Item	Current Period	Last Period
Interest Expenses	16,422,228.22	32,929,458.54
Less: Interest Income	68,576,879.94	96,754,838.09
Change in exchange rate	-6,266,362.81	-5,350,353.78
Transaction fees and other charges	1,721,820.24	4,379,689.09
Total	<u>-56,699,194.29</u>	<u>-64,796,044.2</u>

42. Impairment

Details of impairment are listed as below:

<u>Item</u>	<u>Current Period</u>	<u>Last Period</u>
Bad Debts	-2,400.00	-20,069.14
Provision for Inventories Impairment	0	548,883.20
Provision for Investment Property Impairment	0	0
Total	<u>-2,400.00</u>	<u>528,814.06</u>

43. Gains/Losses from fair value changes

<u>Sources of change in fair value</u>	<u>Current Period</u>	<u>Last Period</u>
Trading Financial Assets	-61,305,204.17	-26,991,382.76
Inc: derivative	-61,305,204.17	-26,991,382.76
Trading Financial Liabilities	0	0
Inc: derivative	0	0
Total	<u>-61,305,204.17</u>	<u>-26,991,382.76</u>

The decrease of 127.13% in gains/losses from fair value changes results from settlement of some foreign exchange forward contracts, and from the fluctuation of fair value on the contracts that are not matured.

44. Investment Income

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

<u>Sources of Investment Income</u>	<u>Current Period</u>	<u>Last Period</u>
The adjustment based on the net profit of investee enterprises under cost method		
The adjustment based on the net profit of investee enterprises under equity method at the end of the year	2,972,243.98	2,130,587.30
Income from holding of available-for-sale financial assets	200,000.00	
Income from holding and disposal of financial assets held for trading and those designated as at fair value through profit or loss	58,916,723.40	49,613,750.00
Income from holding and disposal of financial liabilities held for trading and those designated as at fair value through profit or loss	0	-9,985,020.01
Income from disposal of available-for-sale financial assets		
Other Investment Income		
Total	<u>62,088,967.38</u>	<u>41,759,317.29</u>

Note: The increase of 48.68% is mainly resulted from delivery of forward foreign exchange contract; Other investment income is stock dividend of CMBC under available-for-sale financial assets.

(2) Investee enterprises under cost method:

<u>Investee</u>	<u>Current Period</u>	<u>Last Period</u>	<u>Reason for fluctuation</u>
Shenzhen Yuanzhou Company	0	0	
Total	<u>0</u>	<u>0</u>	

(3) Investee enterprises under equity method:

<u>Investee</u>	<u>Current Period</u>	<u>Last Period</u>	<u>Reason for fluctuation</u>
South China Marine and Industrial Special Coating Co., Ltd	437,671.90	317,000.02	Increased profit
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	2,594,895.39	1,871,532.18	Increased profit
Zhanjiang South Ocean Marine Services Inc.	-60,323.31	-57,944.90	
Total	<u>2,972,243.98</u>	<u>2,130,587.3</u>	

45. Non-operating Income

<u>Item</u>	<u>Current Period</u>	<u>Last Period</u>
Sub-total of income from the disposal of non-current asset	198,590.03	8,269.53
Including: Income from the disposal of fixed assets	198,590.03	8,269.53
Fine Income	118,214.00	18,500.00
Compensate	0	3,450.00
Government Subsidies	91,184,567.10	817,226.50
Other Income	714,321.49	110,257.75
Total	<u>92,215,692.62</u>	<u>957,703.78</u>

Details of government subsidies

Item	Current Period	Last Period	Note
Product subsidy	78,174,342.26	309,092.00	–
New product subsidy	12,625,167.12	379,508.00	–
Self produced software tax drawback	385,057.72	128,626.50	–
Total	91,184,567.10	817,226.80	–

The 9528.83% increase is mainly resulted from subsidies. Product subsidy increase is mainly benefited from ship product structure and new product subsidy is mainly carryover of research and development achievement of current period of the company.

46. Non-operating Expenses

Item	Current Period	Last Period
Sub-total of losses from the disposal of non-current asset	83,754.56	8,112,229.37
Including: Losses from the disposal of fixed assets	83,754.56	8,112,229.37
Donations	0	22,225.31
Fines	243.09	0
Other expenses	180,367.06	362,863.03
Total	264,364.71	8,497,317.71

The decrease of 96.89% resulted from the disposal of product line.

47. Income Tax

Income tax expenses (profits) are consisted of:

Item	Current Period	Last Period
Current income tax expenses	68,466,195.13	63,163,708.93
Deferred tax expenses	-7,854,943.25	-22,458,026.60
Total	60,611,251.88	40,705,682.33

The 48.90% increase is mainly resulted from the increased profit and fluctuation of deferred tax expenses.

48. Earnings Per Share (EPS)

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(2010 revised)" (China Securities Regulatory Commission Announcement [2010] No.2) and "Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1 – Unusual items in Profit and Losses(2008)" (China Securities Regulatory Commission Announcement [2008] No.43). Details are listed as follows:

Calculation results

Profit for accounting period	Current Period		Last Period	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profits belonging to the common shareholders (I)	0.6900		0.49	
Net profits belonging to the common shareholders after deducted exceptional profits or losses (II)	0.6700		0.48	

Calculation process of earnings per share

Item	Sequence	Current Period	Last Period
Net profits belonging to the common shareholders	1	341,324,211.36	241,752,604.98
Exceptional profits or losses attributable to the shareholders of parent company deducted the tax	2	9,681,038.90	4,158,450.81
Net profits attributable to the shareholders of the Company after deducted exceptional profits or losses	3=1-2	331,643,172.46	237,594,154.17
Total number of shares for the beginning of the year additional number of shares for increasing capital with accumulation fund or the distribution of stock dividends	4		
Additional number of shares for initially issuing shares or debt for equity	5	494,677,580.00	494,677,580.00
Months calculated from the next month of initially issuing shares or debt for equity to the last month of the accounting period	6		
Decreased number of shares for purchasing back or drawing back stocks for the accounting period	7		
Months calculated from the next month of decreasing shares to the last month for the accounting period	8		
Number of reductions of capital	9		
Months for the accounting period	10		
Weighted average number of ordinary shares outstanding (I)	11	6.00	6.00
Weighted average number of ordinary shares adjustments because of merger under common control (II)	12=4+5+6x7÷11-8x9÷11-10	494,677,580.00	494,677,580.00
Basic EPS (I)	13	494,677,580.00	494,677,580.00
Basic EPS (II)	14=1÷12	0.6900	0.4887
Basic EPS (III)	15=3÷13	0.6700	0.4803
Diluted potential ordinary share interest confirmed as expense	16		
Income tax rate	17	0.15	0.15
Convert fees	18	–	–
Increased shares because of conversion of convertible debt, certificate of subscription and so on	19	–	–
Diluted EPS (I)	20= [1+(16-18)x(1-17)]÷(12+19)	–	–
Diluted EPS (II)	21= [3+(16-18)x(1-17)]÷(13+19)	–	–

(1) Basic EPS

Basic EPS = P0÷S

$$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

Inc: P0 Net profits belonging to the common shareholders or Net profits attributable to the shareholders of the Company after deducted exceptional profits or losses

S Weighted average number of ordinary shares outstanding S0 Total number of shares for the beginning of the year

S1 Additional number of shares for increasing capital with accumulation fund or the distribution of stock dividends

Si Additional number of shares for initially issuing shares or debt for equity

Sj Decreased number of shares for purchasing back or drawing back stocks for the accounting period

Sk Number of reductions of capital

M0 Months for the accounting period

Mi Months calculated from the next month of initially issuing shares or debt for equity to the last month of the accounting period

Mj Months calculated from the next month of decreasing shares to the last month for the accounting period

(2) Diluted EPS

Diluted EPS = P1/(S0 + S1 + Si × Mi ÷ M0 - Sj × Mj ÷ M0 - Sk + Increased Weighted average number of shares because of conversion of convertible debt, certificate of subscription and so on)

When calculating Diluted EPS, the influence of each diluted potential ordinary shares on net profits belonging to the common shareholders or Net profits attributable to the shareholders of the Company after deducted exceptional profits or losses are considered and included in diluted EPS in the sequence of significant to insignificant, until arrive the min diluted EPS.

49. Other Comprehensive Income

Item	Current Period	Last Period
1. Available-for-sale financial assets	-85,310,175.99	140,162,500.00
Minus: Income tax effect on other comprehensive income item gain(loss) in current period	-12,796,526.40	21,024,375.00
	0	0
Total	<u>-72,513,649.59</u>	<u>119,138,125.00</u>

50. Other item in cash flow statement

(1) Cash receipts relating to other operating activities are listed as below:

Item	Current Period	Last Period
Export rebates	1,399,616.00	
Instrument improvement appropriation	2,000,000.00	
High tech research-appropriation	15,000,000.00	
Compensate or subsidy	—	5,126,753.75
Other receivable	40,660,193.31	12,155,205.46
Total	<u>59,059,809.31</u>	<u>17,281,959.21</u>

(2) Cash payments relating to other operating activities are listed as below:

Item	Current Period	Last Period
Administration cost	57,669,150.90	17,116,170.71
Operating cost	27,004,027.82	3,552,577.19
Manufacturing expense	22,434,905.79	2,329,099.78
Total	<u>107,108,084.51</u>	<u>22,997,847.68</u>

(3) Cash receipts relating to other investing activities

Item	Current Period	Last Period
Interest of bank deposit	77,058,194.65	43,865,549.82
Security deposit	0	142,746,000.00
Total	<u>77,058,194.65</u>	<u>186,611,549.82</u>

(4) Cash payments relating to other investing activities

Item	Current Period	Last Period
Security deposit	1,250,395,344.96	0
Total	<u>1,250,395,344.96</u>	<u>0</u>

(5) Cash payments relating to other financing activities

Item	Current Period	Last Period
Bank service charge, etc.	4,830,980.70	384,752.05
Total	4,830,980.70	384,752.05

51. Supplementary Information of Cash Flow Statement

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

Supplementary Information	Current Period	Last Period
I. Reconciliation of net income to cash flows from operating activities:		
Net Income	342,092,723.97	246,212,531.41
Add: Provision for fixed assets	2,400.00	528,814.06
Depreciation of fixed assets, biological Assets and Depletion of Oil and Nature Gas assets	51,402,101.01	43,647,087.76
Amortization of intangible assets	3,230,859.95	3,270,048.59
Amortization of long-term deferred expenses	0	0.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-98,739.45	8,092,124.04
Losses on scrapping of fixed assets ("-" for gains)	0.00	0.00
Losses on movement of fair value ("-" for gains)	61,305,204.17	26,991,382.76
Financial expenses ("-" for gains)	-57,587,030.46	-64,796,044.24
Investments losses ("-" for gains)	-62,035,199.35	-41,759,317.29
Decrease in deferred tax assets ("-" for increase)	1,485,170.79	-5,378,420.14
Increase in deferred tax liabilities ("-" for decrease)	-22,136,640.45	3,944,768.54
Decrease in inventories("-" for increase)	-228,695,502.73	-407,927,409.76
Decrease in operating receivables ("-" for increase)	-100,378,565.65	409,992,922.34
Increase in operating payables ("-" for decrease)	58,882,853.46	-337,185,858.93
Others	0	0.00
Net cash flows from operating activities	47,469,635.26	-114,367,370.86
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	3,808,663,030.50	4,813,981,227.62
Less: Cash at the beginning of the period	4,380,328,209.50	5,197,630,827.85
Add: Cash equivalents at the end of the period	0.00	0.00
Less: Cash equivalents at the beginning of the period	0.00	0.00
Net increase in cash and cash equivalents	-571,665,179.00	-383,649,600.23

(2) Cash and cash equivalents are listed as below:

Item	Ending balance	Beginning balance
I. Cash	3,808,663,030.50	4,380,328,209.50
Including: Cash in treasury	201,263.20	186,215.25
Available-for-use bank deposit	3,808,215,171.80	4,378,169,355.12
Other available-for-use monetary fund	246,595.50	1,972,639.33
II. Cash Equivalents	0	
Including: Bond investment mature within 3 months	0	
III. Ending balance of cash and cash equivalents	3,808,663,030.50	4,380,328,209.50
Including: Restriction on use of cash and cash equivalents belongs to parent company or subsidiaries within the group	2,318,624,938.93	1,071,917,828.19

VI CONNECTED PARTIES AND CONNECTED TRANSACTIONS

A. Connected parties

1. Parent company

Name of Parent Company	Type of the company	Registered Address	Legal representative	Industry	Registered Capital	Organization Code	Shareholding Percentage of the total balance	Representative Percentage of the total balance
CSSC	State owned business	Shanghai Pudong road No.1	Tan Zuojun	Investment and management of state owned assets	6,374,300,000.00	710924478	35.71%	35.71%

2. Subsidiary

Information of subsidiaries of the Company refers to Note IV Business Combinations and Consolidated Financial Statements

3. Joint Ventures and Associate Companies

Information of joint ventures and associate companies refers to Note V Joint ventures and Associate Companies.

4. Connected Parties without controlling relationships

Related Parties	Relationship	Organization code
Anqing Marine Diesel Factory	Controlled by the same parent company	151306277
Guangzhou Wenchong Shipyard Ltd.	Controlled by the same parent company	190500830
Guangzhou Shipyard Ltd.	Controlled by the same parent company	190440532
CSSC Guangzhou Huangpu Shipyard Ltd.	Controlled by the same parent company	190500419
CSSC Huanan Ship Machinery Co., Ltd.	Controlled by the same parent company	199124798
Jiangxi Chaoyang Mechanical Factory	Controlled by the same parent company	158261489
Jiangxi Marine Valve Factory	Controlled by the same parent company	158261171
CSSC Jiujiang Fire Control Equipment Co., Ltd	Controlled by the same parent company	769750177
CSSC Nanjing Lvzhou Machinery Co., Ltd	Controlled by the same parent company	134905382
Shanghai Navigation Instrument Co., Ltd	Controlled by the same parent company	767236625
CSSC Zhenjiang Equipment Co., Ltd	Controlled by the same parent company	731778430
CSSC No. 9 Marine Design and Research Institute	Controlled by the same parent company	425014619
China Shipping Trading Corporation	Controlled by the same parent company	100001027
Marine Design & Research Institute of China	Controlled by the same parent company	425007603
CSSC Guangzhou Nansha-Longxue	Controlled by the same parent company	759441020
Hudong Zhonghua Shipbuilding (Group) Co., Ltd	Controlled by the same parent company	70326335X
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Controlled by the same parent company	788925331
CSSC Integrated Technology Economy Institute Construction & Development Co., Ltd	Controlled by the same parent company	400000472
CSSC Guijiang Shipyard	Controlled by the same parent company	199125619
Jiujiang Haitian Equipment Manufacture Co., Ltd	Controlled by the same parent company	769756704
CSSC International Trade Co., Ltd	Controlled by the same parent company	703424416
Guangzhou Marine and Engineering Design & Research Institute	Controlled by the same parent company	717806431
Shanghai Waigaoqiao Shipbuilding Co., Ltd	Controlled by the same parent company	631423632
China United Shipbuilding Co., Ltd	Controlled by the same parent company	
Guangzhou Ship Industry Co.	Controlled by the same parent company	190506722
Shanghai Ship Co.,Ltd	Controlled by the same parent company	132204830
CSSC Guangzhou Diesel Engine Co., Ltd	Controlled by the same parent company	683265787
Shanghai Ship Research Institute	Controlled by the same parent company	717810086
CSSC Ship System engineering department	Controlled by the same parent company	400000675
Huahai Marine Cargo Access Equipment Co.	Controlled by the same parent company	132203280
CSSC Reconnaissance and Research Institute	Controlled by the same parent company	132943529
CSSC Financial CO.	Controlled by the same parent company	100027155
CSSC Jiangnan Heavy Machine Co., Ltd	Controlled by CSSC	132283663
CSSC Beijing IT Co., Ltd	Controlled by CSSC	802042333
CSSC Chengxi Ship Co., Ltd	Controlled by CSSC	142243024
CSSC Shanghai Marine Design and Research Institute	Controlled by CSSC	766907124
Shanghai Hudong Ship Electric Device Co., Ltd	Controlled by CSSC	780563727
Shanghai Jiangnan Shipbuilding Group Co., Ltd	Controlled by CSSC	797013289

B. Connected Transactions

1. Selling goods or rendering services

Name of Related Parties	Content	Current Period		Last Period		Pricing policy
		Amount	Percentage	Amount	Percentage	
South China Marine and Industrial Special Coating Co., Ltd	Selling	25,856.15	0.05	34,015.26		Agreement
Guangzhou Wenchong Shipyard Ltd.	Selling	524,184.53	1.02	148,338.89		Agreement
CSSC Guangzhou Yuanhang Wenchong Shipbuilding Engineering Company	Selling		-	2,466,033.33	0.08	Agreement
Guangzhou Shipyard Ltd.	Selling	2,461,455.01	4.79	4,624,144.55	0.15	Agreement
CSSC Guangzhou Huangpu Shipyard Ltd.	Selling	9,817,135.89	0.37	14,246,603.79	0.45	Agreement
Guangzhou Marine and Engineering Design & Research Institute	Selling	70,640.20	0.14	62,153.81		Agreement
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Selling	48,772,409.17	1.86	29,920,125.93	0.95	Agreement
CSSC Jiangnan Heavy Machine Co., Ltd	Selling		-	381,538.46	0.01	Agreement
Shanghai Jiangnan Shipbuilding Group Co., Ltd	Selling	59,829.06	0.12			Agreement
CSSC Beijing IT Co.,Ltd	Selling	1,765,811.94	3.43	705,692.31	0.02	Agreement
Shanghai Waigaoqiao Shipbuilding Co., Ltd	Selling	7,692.31	0.01			Agreement
Guangzhou Ship Industry Co.	Selling		-	72,235.83	-	Agreement
CSSC 605 Institute	Selling	245,400.00	0.48			Agreement
Guangzhou Longxue Vessel Company	Selling	397,272.69	0.77			Agreement
Total		64,147,686.95	2.33	52,660,882.16	1.68	

2. Purchasing goods or services

Name of Related Parties	Content	Current Period		Last Period		Pricing policy
		Amount	Percentage	Amount	Percentage	
South China Marine and Industrial Special Coating Co., Ltd	Service	6,228,870.56	0.25	3,591,530.98	0.13	Agreement
Anqing Marine Diesel Factory	Goods		–	12,000.00	0	Agreement
Guangzhou Shipyard Ltd.	Service	59,144,233.48	2.39	58,178,710.26	2.14	Agreement
CSSC Guangzhou Huangpu Shipyard Ltd.	Service	129,460,191.00	5.24	374,320.92	0.01	Agreement
Guangzhou Ship Industry Co.	Goods	2,007,300.53	0.08	978,199.77	0.04	Agreement
CSSC Guangzhou Nansha Longxue Shipbuilding Co., Ltd	Service	675,953.41	0.03	423,528.63	0.02	Agreement
CSSC Guijiang Shipyard	Service		–	3,100,000.00	0.11	Agreement
CSSC Huanan Ship Machinery Co., Ltd.	Goods	13,311,965.80	0.54	7,690,256.41	0.28	Agreement
Jiangxi Chaoyang Mechanical Factory	Goods	66,800.00	0.00	21,230.76		Agreement
Jiujiang Haitian Equipment Manufacture Co., Ltd	Goods	1,009,384.62	0.04	1,199,675.21	0.04	Agreement
CSSC Jiujiang Fire Control Equipment Co., Ltd	Goods	38,499.00	0.00			Agreement
CSSC Jiujiang ChangAn Fire Control Equipment Co., Ltd	Goods	829,521.37	0.03			Agreement
CSSC Nanjing Lvzhou Machinery Co., Ltd	Goods	17,109,401.71	0.69	12,937,884.61	0.48	Agreement
Shanghai Ship Research Institute	Service		–	9,674,500.00	0.36	Agreement
Shanghai Navigation Instrument Co., Ltd	Goods		–	66,500.00		Agreement
Shanghai Hudong Ship Electric Device Co.,Ltd		2,800,000.00	0.11			Agreement
CSSC No. 9 Marine Design and Research Institute	Service	240,000.00	0.01	400,000.00	0.01	Agreement
CSSC Zhenjiang Equipment Co., Ltd	Goods	46,040,000.00	1.86	30,590,726.49	1.12	Agreement
Huahai Marine Cargo Access Equipment Co.	Service	12,500.00	0.00			Agreement
China United Shipbuilding Co., Ltd	Goods	1,172,429.32	0.05			Agreement
CSSC Reconnaissance and Research Institute	Service	94,786.99	0.00			Agreement
Marine Design & Research Institute of China	Service	675,000.00	0.03	3,880,000.00	0.14	Agreement
Total		<u>280,916,837.79</u>	<u>11.36</u>	<u>133,119,064.04</u>	<u>4.89</u>	

According to agreement with Guangzhou Shipyard Ltd. the company should pay for composite service fees from January to June 2010 amount to RMB3,764,236.86. During the same period of last year, the service fees amounted to RMB4,090,525.02.

3. Financial services

Name of Related Parties	Ending balance of deposit		Interest (Jan-June)		Note
	June 2010	June 2009	2010	2009	
CSSC Financial CO.	<u>182,003,457.18</u>	<u>21,825,467.06</u>	<u>718,261.95</u>	<u>34,895.41</u>	Deposit

4. Accepting Guarantee

Not occurring current period.

5. Other significant related party transactions

Transactions	Name of Related Parties	Current Period	Last Period	Price Policy
Act as agent of selling	China Shipping Trading Corporation	15,914,224.38	16,348,222.26	Agreement
Act as agent of selling	CSSC International Trade Co., Ltd	1,397,646.80	1,133,287.50	Agreement
Act as agent of procurement	China Shipping Trading Corporation	81,520.22	3,010,424.83	Agreement
Act as agent of procurement	China United Shipbuilding Co., Ltd	<u>1,738,273.77</u>	<u>10,574.75</u>	Agreement

C. Balance with connected parties

Name of Connected Parties	Account	Ending balance		Beginning balance	
		Amount	Proportion (%)	Amount	Proportion (%)
Guangzhou Marine and Engineering Design & Research Institute	Accounts receivable	19,366.13	0.01	10,923.40	
Guangzhou Wenchong Shipyard Ltd.	Accounts receivable	218,520.00	0.11	346,000.00	0.1
South China Marine and Industrial Special Coating Co., Ltd	Accounts receivable	15,803.98	0.01		
Guangzhou Shipyard Ltd.	Accounts receivable	1,474,282.21	0.73	373,309.00	0.11
CSSC Guangzhou Huangpu Shipyard Ltd.	Accounts receivable	1,723,024.12	0.86	4,347,814.15	1.27
CSSC Guangzhou Nansha-Longxue	Accounts receivable	4,234,824.00	2.11	4,234,824.00	1.24
Guangzhou Longxue Vessel Company	Accounts receivable	18,934.31	0.01		
CSSC No. 9 Marine Design and Research Institute Engineering Company	Accounts receivable		–	250,000.00	0.07
CSSC Guangzhou Nansha Longxue Shipbuilding Co., Ltd	Accounts receivable	12,915,463.93	6.42	27,765,528.72	8.13
CSSC Chengxi Ship Co.,Ltd	Accounts receivable	36,000.00	0.02	180,000.00	0.05
CSSC Jiangnan Heavy Machine Co., Ltd	Accounts receivable	18,801,569.32	9.35	24,037,169.32	7.04
CSSC No. 9 Marine Design and Research Institute	Accounts receivable	250,000.00	0.12		
Shanghai Jiangnan Shipbuilding Group Co., Ltd	Accounts receivable	70,000.00	0.03		
CSSC Beijing IT Co.,Ltd	Accounts receivable	411,000.00	0.2	42,000.00	0.01
Subtotal		40,188,788.00	19.99	61,587,568.59	18.02
CSSC Guijiang Shipyard	Advances to suppliers	390,000.00	0.08	390,000.00	0.13
Guangzhou Shipyard Ltd.	Advances to suppliers	13,336,691.38	2.83	21,000.00	0.01
CSSC Guangzhou Huangpu Shipyard Ltd.	Advances to suppliers		–		
CSSC Huanan Ship Machinery Co., Ltd.	Advances to suppliers	2,520,000.00	0.53	5,040,000.00	1.68
China United Shipbuilding Co., Ltd	Advances to suppliers		–	7,062,992.31	2.36
CSSC Zhenjiang Equipment Co., Ltd	Advances to suppliers	49,460,000.00	10.49	42,410,000.00	15.18
Jiujiang Haitian Equipment Manufacture Co., Ltd	Advances to suppliers	1,777,080.00	0.38		
Hudong Heavy Industry Co.,Ltd	Advances to suppliers	8,000,000.00	1.7		
CSSC Nanjing Lvzhou Machinery Co., Ltd	Advances to suppliers	855,000.00	0.18	855,000.00	0.29
China Shipping Trading Corporation	Advances to suppliers		–		
Marine Design & Research Institute of China	Advances to suppliers		–		
CSSC	Advances to suppliers	5,044,836.88	1.07		
CSSC Guangzhou Nansha-Longxue	Advances to suppliers	102,800.00	0.02	102,800.00	0.03
Subtotal		81,486,408.26	17.28	55,881,792.31	19.68
South China Marine and Industrial Special Coating Co., Ltd	Accounts payable	1,440,017.38	0.21	12,454.50	
CSSC Guijiang Shipyard	Accounts payable	60,000.00	0.01	60,000.00	0.01
Guangzhou Shipyard Ltd.	Accounts payable	10,792,540.86	1.6	20,415,014.10	2.88
Guangzhou Ship Industry Co.	Accounts payable	1,392,401.02	0.21	85,541.20	0.01
CSSC Huanan Ship Machinery Co., Ltd.	Accounts payable	11,539,140.00	1.71	4,474,140.00	0.63
Jiangxi Marine Valve Factory	Accounts payable		–	2,875.00	
Jiangxi Chaoyang Mechanical Factory	Accounts payable	66,800.00	0.01		
CSSC Jiujiang Fire Control Equipment Co., Ltd	Accounts payable	6,499.00	0	304,000.00	0.04
Jiujiang Haitian Equipment Manufacture Co., Ltd	Accounts payable	807,735.00	0.12	1,352,848.00	0.19
CSSC Jiujiang ChangAn Fire Control Equipment Co., Ltd	Accounts payable	104,200.00	0.02		
CSSC Nanjing Lvzhou Machinery Co., Ltd	Accounts payable	15,199,625.00	2.25	8,859,625.00	1.25

Name of Connected Parties	Account	Ending balance		Beginning balance	
		Amount	Proportion (%)	Amount	Proportion (%)
Shanghai Navigation Instrument Co., Ltd	Accounts payable	35,000.00	0.01	48,325.00	0.01
Shanghai Hudong Ship Electric Device Co.,Ltd	Accounts payable	2,914,000.00	0.43	196,500.00	0.03
CSSC Shanghai Marine Design and Research Institute	Accounts payable	190,000.00	0.03	2,850,000.00	0.4
CSSC Zhenjiang Equipment Co., Ltd	Accounts payable	19,855,430.00	2.94	24,570,430.00	3.46
CSSC No. 9 Marine Design and Research Institute	Accounts payable	1,398,318.00	0.21	1,428,318.00	0.2
China Shipping Trading Corporation	Accounts payable	-41,425.57	-0.01	-40,575.62	-0.01
Marine Design & Research Institute of China	Accounts payable	289,000.00	0.04	453,000.00	0.06
CSSC Guangzhou Huangpu Shipyard Ltd.	Accounts payable	246,766.00	0.04		
CSSC Guangzhou Nansha-Longxue Construction and Development Company	Accounts payable	100,000.00	0.01	100,000.00	0.01
CSSC Guangzhou Nansha-Longxue Shipyard Company	Accounts payable	89,322.00	0.01	355,409.89	0.05
Huahai Marine Cargo Access Equipment Co.	Accounts payable	116,375.00	0.02	116,375.00	0.02
CSSC Ship System engineering department	Accounts payable	705,000.00	0.1	1,795,000.00	0.25
CSSC Guangzhou Yuanhang Wenchong Shipbuilding Engineering Company	Accounts payable		-		
CSSC Jiujinag Apparatus Company	Accounts payable		-		
China United Shipbuilding Co., Ltd	Accounts payable	14,498,069.96	2.15	47,041,342.92	6.63
Subtotal		81,804,813.65	12.12	114,480,622.99	16.12
Guangzhou Shipyard Ltd.	Other payables	10,570.00		8,400.00	0.02
Subtotal		10,570.00		8,400.00	4.38
CSSC Guangzhou Nansha-Longxue	Advances from customers	22,193,856.67	10.84	22,183,406.67	17.43
Hudong Zhonghua Shipbuilding (Group) Co., Ltd	Advances from customers		-	10,000,000.00	7.86
CSSC Jiangnan Heavy Machine Co., Ltd	Advances from customers	162,000.00	0.08	162,000.00	0.13
CSSC Integrated Technology Economy Institute Construction & Development Co., Ltd	Advances from customers	383,100.00	0.19	383,100.00	0.3
CSSC Guangzhou Nansha-Longxue Shipyard Development Company	Advances from customers	625,000.00	0.31	654,400.00	0.51
CSSC Huanan Ship Machinery Co., Ltd.	Advances from customers	5,000.00	0	5,000.00	
Subtotal		23,368,956.67	11.42	33,387,906.67	26.23

VII CONTINGENCIES

As at June 30, 2010, the Company has no material contingencies to be disclosed.

VIII COMMITMENTS

1. Mortgage

As at June 30, 2010, the Company has no other material mortgage to be disclosed except those of fixed deposit

2. Immature Forward Contract

- (1) To avoid foreign exchange rate risk, the Company signed foreign exchange forward contract with the bank. As at June 30, 2010, the Company accumulated totally 19 immature forward contracts, with a transaction amount USD91,523,000.00, and the contracted delivery period from June 30, 2010 to November 22, 2010.
- (2) Subsidiary of the company Glory Group Developing Co., Ltd. signed USD to RMB NDF contract with the bank, and the contract has been delivered.

In addition to above mentioned matter, as at June 30, 2010, the Company has no other material commitments to be disclosed.

3. Prior period fulfillment of commitments

The company can fulfill its commitments during the last period.

In addition to above mentioned matter, as at June 30, 2010, the Company has no other material commitments to be disclosed.

IX SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

As at June 30, 2010, the Company has material subsequent events after the balance sheet date to be disclosed.

X OTHER SIGNIFICANT EVENTS

As at June 30, 2010, the company has no other significant events to be disclosed.

XI MATERIAL NOTES FOR PARENT COMPANY

1. Accounts Receivable

(1) Classification based on significance:

Classification	Ending Balance				
	Amount	Amount Ratio	Bad Debt Allowance	Bad Debt Ratio	Net Value
Individually significant balance	107,250,493.23	41.59	536,252.47	28.37	106,714,240.76
Individually insignificant but significant based on credit risk characteristics	19,669,285.51	7.63	98,346.43	5.20	19,570,939.08
Other insignificant balances	130,939,842.46	50.78	1,255,368.48	66.43	129,684,473.97
Total	257,859,621.20	100.00	1,889,967.38	100.00	255,969,653.82
Classification	Beginning Balance				
	Amount	Amount Ratio	Bad Debt Allowance	Bad Debt Ratio	Net Value
Individually significant balance	344,638,168.83	90.42	1,224,443.21	52.61	343,413,725.62
Individually insignificant but significant based on credit risk characteristics	6,806,577.57	1.79	966,819.14	41.54	5,839,758.43
Other insignificant balances	29,686,088.31	7.79	136,178.65	5.85	29,549,909.66
Total	381,130,834.71	100.00	2,327,441.00	100.00	378,803,393.71

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.

Foreign currency included in the balance:

Clients	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	9,047,344.87	6.7909	61,439,614.28	9,655,848.37	6.8282	65,932,063.84
HKD	1,360,139.32	0.8724	1,186,585.54	1,311,489.32	0.8805	1,154,766.35
EUR			0	578,855.00	9.7971	5,671,100.32
Total			62,626,199.82			72,757,930.51

(2) Classification based on aging:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	237,690,335.69	92.18	1,360,621.86	236,329,713.83
1-2 year (Inclusive)	12,893,488.45	5	14,520.75	12,878,967.70
2-3 year(Inclusive)	4,200,478.00	1.63	1,125.23	4,199,352.77
Over 3 year	2,575,319.06	1	13,699.54	2,561,619.52
Special	500,000.00	0.19	500,000.00	–
Total	257,859,621.20	100	1,889,967.38	255,969,653.82

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	374,324,257.14	98.21	1,360,621.86	372,963,635.28
1-2 year (Inclusive)	2,904,149.12	0.76	14,520.75	2,889,628.37
2-3 year(Inclusive)	225,045.17	0.06	1,125.23	223,919.94
Over 3 year	2,739,909.66	0.72	13,699.54	2,726,210.12
Special	937,473.62	0.25	937,473.62	–
Total	381,130,834.71	100.00	2,327,441.00	378,803,393.71

(3) Top 5 balances:

Name	Relationship with the company	Ending balance	Aging	Proportion
Motia Compagnia D	External customer	61,167,673.57	Within 1 year	23.72%
Jiangnan Heavy Industry Co., LTD	External customer	18,801,569.32	Within 1 year	7.29%
General Armament Department of Chinese navy	External customer	13,707,000.00	Within 1 year	5.32%
Asia Aluminum (China) Company	External customer	13,574,250.34	Within 1 year	5.26%
CSSC Guangzhou Docket Co.,Ltd	External customer	8,097,000.00	Within 1 year	3.14%
Total		115,347,493.23		44.73%

(4) Balance with connected party

Name	Relationship	Ending balance	Proportion (%)
South China Marine and Industrial Special Coating Co., Ltd	Subsidiary	15,803.98	0.01
Guangzhou Marine and Engineering Design &Research Institute	Ultimate	19,366.13	0.01
Guangzhou Shipyard Ltd.	Ultimate	32,513.10	0.01
CSSC Guangzhou Nansha-Longxue	Ultimate	4,184,574.00	1.62
CSSC Jiangnan Heavy Machine Co., Ltd	Ultimate	18,801,569.32	7.29
CSSC No. 9 Marine Design and Research Institute	Ultimate	250,000.00	0.10
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Ultimate	7,547,218.52	2.93
Guangzhou Wenchong Shipyard Ltd.	Ultimate	20,520.00	0.01
Total		30,871,565.05	11.98

2. Other Receivables

(1) Classification based on significance:

Classification	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Individually significant balance	312,065,217.03	94.46%	9,501,846.94	99.43%
Individually insignificant but significant based on credit risk characteristics	3,414,734.12	1.03%	8,601.06	0.09%
Other insignificant balances	14,902,890.26	4.51%	45,457.38	0.48%
Total	<u>330,382,841.41</u>	<u>100.00%</u>	<u>9,555,905.38</u>	<u>100.00%</u>

Classification	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Individually significant balance	238,645,501.58	94.94	9,501,846.94	99.43
Individually insignificant but significant based on credit risk characteristics	3,620,211.23	1.44	8,601.06	0.09
Other insignificant balances	9,091,475.76	3.62	45,457.38	0.48
Total	<u>251,357,188.57</u>	<u>100.00</u>	<u>9,555,905.38</u>	<u>100.00</u>

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 Notional Investment Corp., which amounts to 10,340,232.15, was made a provision of 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 aging:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	316,627,875.14	95.84%	1,187,051.33	315,440,823.81
1-2 year (Inclusive)	1,164,108.00	0.35%	7,180.58	1,156,927.42
2-3 year (Inclusive)	205,949.59	0.06%	705.85	205,243.74
Over 3 year	2,044,676.53	0.62%	714.63	2,043,961.90
Special	10,340,232.15	3.13%	8,360,252.99	1,979,979.16
Total	<u>330,382,841.41</u>	<u>100.00%</u>	<u>9,555,905.38</u>	<u>320,826,936.03</u>

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	237,396,745.19	94.45%	1,187,051.33	236,209,693.86
1-2 year (Inclusive)	1,436,115.70	0.57%	7,180.58	1,428,935.12
2-3 year (Inclusive)	141,169.00	0.06%	705.85	140,463.15
Over 3 year	2,042,926.53	0.81%	714.63	2,042,211.90
Special	10,340,232.15	4.11%	8,360,252.99	1,979,979.16
Total	<u>251,357,188.57</u>	<u>100.00%</u>	<u>9,555,905.38</u>	<u>241,801,283.19</u>

(3) Significant or individual insignificant but single assess of impairment

<u>Name</u>	<u>Ending Balance</u>	<u>Bad Debt Allowance</u>	<u>Ratio</u>	<u>Reason</u>
Guangzhou Notional Investment Corp.	10,340,232.15	8,360,252.99	80.85%	Breach agreement
Guangdong GSI Elevator Co., Ltd.	1,900,000.00			Subsidiary
Total	<u>12,240,232.15</u>	<u>8,360,252.99</u>		

Top 5 balance

<u>Item</u>	<u>Content</u>	<u>Relationship with the company</u>	<u>Ending balance</u>	<u>Aging</u>
Bank of Communications Zhongshanhuoju Branch	Entrust loans	External bank	130,000,000.00	Within 1 year
Shanghai Waigaoqiao Bonded Area Customs	Tariff Guaranty	Customs	3,033,760.59	Within 1 year
Guangzhou Import and Export Tax Bureau	Export Rebates	Others	151,724,984.88	Within 1 year
Guangzhou Notional Investment Corp.	Trust deposit	Others	10,340,232.15	Over 5 years
Huangpu Former Customs	Import Tax Guaranty	Customs	2,378,690.00	Within 1 year
Total			<u>297,477,667.62</u>	

Note: The company provide entrust loans amounted to RMB130,000,000.00 to its subsidiary Zhongshan Guangchuan International Marine and Ocean Project Co., Ltd by Zhongshan Huoju Development Zone Branch of Communication Bank.

(4) Accounts receivable with connected party

<u>Name</u>	<u>Relationship</u>	<u>Ending balance</u>	<u>Proportion (%)</u>
Guangdong GSI Elevator Co., Ltd	Same parent company	1,900,000.00	0.59
Guangzhou Marine and Engineering Design & Research Institute	Under control of CSSC	2,254,500.00	0.70
Total		<u>4,154,500.00</u>	1.29

3. Long term equity investment

<u>Investee</u>	<u>Method</u>	<u>Initial investment</u>	<u>Beginning balance</u>	<u>Variance</u>	<u>Ending balance</u>
Glory Group Developing Co., Ltd.	Cost	26,443,792.13	26,443,792.13		26,443,792.13
Guangzhou Hongfan Technology Co., Ltd.	Cost	2,550,000.00	2,550,000.00		2,550,000.00
Guangzhou Shipyard Heavy Machinery Co., Ltd.	Cost	30,000,000.00	30,000,000.00	158,610,000.00	188,610,000.00
Guangdong GSI Elevator Co., Ltd.	Cost	19,950,000.00	19,950,000.00		19,950,000.00
Guangzhou Xinsun Shipping Service Co., Ltd.	Cost	500,000.00	500,000.00		500,000.00
Guangzhou United Steel Structures Co., Ltd.	Cost	37,522,079.55	37,522,079.55		37,522,079.55
Guangzhou Masterwood Shipbuilding Co., Ltd.	Cost	1,690,741.80	1,690,741.80		1,690,741.80
Guangzhou Guangli Marine Human Resource Service Co., Ltd	Cost	3,052,492.77	3,052,492.77		3,052,492.77
Zhongshan Guangchuan International Marine and Ocean Project Co., Ltd	Cost	100,000,000.00	100,000,000.00		100,000,000.00
Shenzhen Yuanzhou technical Co.,Ltd	Cost	1,000,000.00	1,000,000.00		1,000,000.00
South China Marine and Industrial Special Coating Co., Ltd	Equity	1,937,780.53	3,449,192.62	437,671.90	3,886,864.52
Zhanjiang Nanhai Navy Technical Service Co.,Ltd	Equity	800,000.00	812,098.43	-60,323.31	751,775.12
Total		<u>225,446,886.78</u>	<u>226,970,397.30</u>	<u>158,987,348.59</u>	<u>385,957,745.89</u>

Investee	Holding ratio (%)	Representative ratio (%)	Impairment	Current year impairment	Monetary bonus
Glory Group Developing Co., Ltd.	100.00%	100.00%			
Guangzhou Hongfan Technology Co., Ltd.	51.00%	51.00%			
Guangzhou Shipyard Heavy Machinery Co., Ltd.	100.00%	100.00%			
Guangdong GSI Elevator Co., Ltd.	95.00%	95.00%			
Guangzhou Xinsun Shipping Service Co., Ltd.	83.00%	83.00%			
Guangzhou United Steel Structures Co., Ltd.	51.00%	51.00%			
Guangzhou Masterwood Shipbuilding Co., Ltd.	51.00%	51.00%			
Guangzhou Guangli Marine Human Resource Service Co., Ltd	80.00%	80.00%			
Zhongshan Guangchuan International Marine and Ocean Project Co., Ltd	100.00%	100.00%			
Shenzhen Yuanzhou technical Co.,Ltd	7.00%	7.00%			
South China Marine and Industrial Special Coating Co., Ltd	25.00%	25.00%			
Zhanjiang Nanhai Navy Technical Service Co.,Ltd	40.00%	40.00%			
Total			-	-	

4. Revenue and Cost

(1) Details of revenue and cost

Item	Current Period	Last Period
Revenue	2,747,829,845.76	2,928,394,544.42
Including: Income from principal activities	2,674,634,164.38	2,880,330,134.27
Other Operating Income	73,195,681.38	48,064,410.15
Costs	2,346,587,494.25	2,547,230,019.01
Including: Cost of Goods Sold	2,290,020,452.01	2,515,168,067.44
Other Operating Expenses	56,567,042.24	32,061,951.57

(2) Classification of principal activities are listed as below:

Type of Businesses	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Shipbuilding products	2,620,474,594.38	2,239,928,336.16	2,796,295,846.17	2,435,042,774.41
Steel Structure projects	0	0	36,273,077.64	34,633,800.31
Mechanical & electrical products and others	54,159,570.00	50,092,115.85	47,761,210.46	45,491,492.72
Total	2,674,634,164.38	2,290,020,452.01	2,880,330,134.27	2,515,168,067.44

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

<u>Item</u>	<u>Amount in Current</u>	<u>Proportion</u>
No.1	803,803,449.45	30.05%
No.2	349,383,116.05	13.06%
No.3	332,943,511.81	12.45%
No.4	276,799,950.90	10.35%
No.5	246,284,500.87	9.21%
Total	<u>2,009,214,529.08</u>	<u>75.12%</u>

5. Investment Income

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

<u>Sources of Investment Income</u>	<u>Current Period</u>	<u>Last Period</u>
The adjustment based on the net profit of investee enterprises under cost method	0	510,000.00
The adjustment based on the net profit of investee enterprises under equity method at the end of the year	377,348.59	259,055.12
Disposal of long-term equity investment	0	0
Income from holding of available-for-sale financial assets	200,000.00	0
Income from holding and disposal of financial assets held for trading and those designated as at fair value through profit or loss	47,758,341.90	49,613,750.00
Income from disposal of available-for-sale financial assets	0	0
Income from holding and disposal of financial liabilities held for trading and those designated as at fair value through profit or loss	0	-9,985,020.01
Total	<u>48,335,690.49</u>	<u>40,397,785.11</u>

(2) Investee enterprises under cost method:

<u>Investee</u>	<u>Current Period</u>	<u>Last Period</u>	<u>Reason for fluctuation</u>
Guangzhou Hongfan Technology Co., Ltd.	0	510,000.00	No dividend
Total	<u>0</u>	<u>510,000.00</u>	

(3) Investee enterprises under equity method:

<u>Investee</u>	<u>Current Period</u>	<u>Last Period</u>	<u>Reason for fluctuation</u>
South China Marine and Industrial Special Coating Co., Ltd	437,671.90	317,000.02	Decreased Profit
Zhanjiang Nanhai Navy Technical Service Co.,Ltd	-60,323.31	-57,944.90	Decreased Profit
Total	<u>377,348.59</u>	<u>259,055.12</u>	

6. Supplementary Information of Cash Flow Statement

Supplementary Information	Current Period	Last Period
I. Reconciliation of net income to cash flows from operating activities:		
Net Income	352,228,836.04	227,794,349.39
Add: Provision for fixed assets	0.00	0.00
Depreciation of fixed assets, biological Assets and Depletion of Oil and Nature Gas assets	44,894,015.87	40,835,051.44
Amortization of intangible assets	3,230,859.95	3,016,063.14
Amortization of long-term deferred expenses	0.00	0.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-3,114,017.51	8,067,593.40
Losses on scrapping of fixed assets ("-" for gains)	0.00	0.00
Losses on movement of fair value ("-" for gains)	52,048,204.25	32,414,415.60
Financial expenses ("-" for gains)	-61,898,367.04	-62,622,777.18
Investments losses ("-" for gains)	-48,335,690.49	-40,397,785.11
Decrease in deferred tax assets ("-" for increase)	436,760.52	-5,241,199.34
Increase in deferred tax liabilities ("-" for decrease)	-20,603,757.05	3,944,768.54
Decrease in inventories("-" for increase)	-270,532,808.05	-373,820,138.47
Decrease in operating receivables ("-" for increase)	-46,393,234.72	213,058,924.53
Increase in operating payables ("-" for decrease)	45,065,841.80	-291,325,558.48
Others	0	
Net cash flows from operating activities	47,026,643.57	-244,276,292.54
II. Investing and financing activities that do not involve cash receipts and payments :		
Conversion of debt into capital	0.00	0.00
Convertible bonds to be expired within one year	0.00	
Fixed assets under finance lease	0.00	
III. Net increase in cash and cash equivalents:	0.00	
Cash at the end of the period	3,589,835,302.80	4,612,699,583.33
Less: Cash at the beginning of the period	4,174,852,057.51	5,088,610,548.91
Add: Cash equivalents at the end of the period	0.00	0.00
Less: Cash equivalents at the beginning of the period	0.00	0.00
Net increase in cash and cash equivalents	-585,016,754.71	-475,910,965.58

XII SUPPLEMENT INFORMATION

1. Current year unusual profit or loss

In accordance with the “Questions and Answers for the Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No.1 – Unusual item in Profits and losses” amended by the China Securities Regulatory Commission in [2008] NO.43), the unusual item in profits and losses of the Company are listed as follows:

Item	Current period
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	114,835.47
Government subsidies recognized in the current profits and losses	13,010,224.84
Gains/Losses 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 operation	-2,188,480.77
Reverse of provision for receivable impairment which was tested individually	2,400.00
Apart from above item, other non-operating profits and losses	651,925.34
Subtotals (effect on income before tax)	11,590,904.88
Less: influence on income tax	1,738,635.73
Net influence of unusual item in profits or losses	9,852,269.15
Less: attributable to minority interests	171,230.25
Influence attributable to common shareholders of parent company	9,681,038.90
Net profits attributable to common shareholders of parent company after deducting unusual item in profits or losses	331,643,172.46

2. The differences between domestic and overseas financial reporting

Item	Current Period		Last Period	
	Net Assets	Net Profit	Net Assets	Net Profit
The financial statements prepared by CAS of China				
The financial statements prepared by HK accounting standards:				
No adjustment	—	—	—	—
The financial statements prepared by HK accounting standards				

3. Return on Net Assets and Earnings 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(2010 revised)”(China Securities Regulatory Commission Announcement [2010] No.2) and “Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1 – Unusual items in Profit and Losses(2008)” (China Securities Regulatory Commission Announcement [2008] No.43). Details are listed as follows:

Profit for accounting period	Return on weighted average net assets	Current period	
		EPS	
		Basic EPS	Diluted EPS
Net profits belonging to the common shareholders	10.68	0.69	—
Net profits belonging to the common shareholders after deducted exceptional profits or losses	10.38	0.67	—
Profit for accounting period	Return on weighted average net assets	Last period	
		EPS	
		Basic EPS	Diluted EPS
Net profits belonging to the common shareholders	8.58	0.49	—
Net profits belonging to the common shareholders after deducted exceptional profits or losses	8.44	0.48	—

XIII THE AUTHORIZATION OF FINANCIAL STATEMENT

The financial statement has been approved by the Board Meeting held on August 26, 2010.

**PREPARED IN ACCORDANCE WITH HKAS 34
CONDENSED CONSOLIDATED BALANCE SHEET**

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,340,717	1,338,820
Investment properties	5	29,087	29,427
Land use rights and leasehold land	5	292,135	283,658
Intangible assets	5	17,159	18,453
Interest in associates		38,152	39,980
Available-for-sale financial assets	6	1,900	1,900
Restricted cash	10	291,944	–
Total non-current assets		2,011,094	1,712,238
Current assets			
Available-for-sale financial assets	6	269,773	337,360
Inventories		917,888	742,775
Due from customers on construction contracts		721,063	611,765
Trade receivables	8	204,097	335,167
Prepayment and other receivables	9	605,027	426,026
Derivative financial instruments	7	2,920	64,160
Term deposits with initial term over three months	10	3,212,339	4,135,898
Restricted cash	10	2,026,681	1,071,916
Cash and cash equivalents	10	666,968	326,659
Non-current assets held for sale		40,025	40,443
Total current assets		8,666,781	8,092,169
Total assets		10,677,875	9,804,407
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital and premium	11	1,146,655	1,146,655
Other reserves		476,489	549,003
Retained earnings		1,675,997	1,473,183
– Proposed dividend		–	138,510
– Others		1,675,997	1,334,673
		3,299,141	3,168,841
Non-controlling interests		88,908	88,139
Total equity		3,388,049	3,256,980
LIABILITIES			
Non-current liabilities			
Borrowings	12	267,069	–
Retirement benefit obligations		23,590	24,134
Deferred income tax liabilities	13	19,741	40,393
Total non-current liabilities		310,400	64,527
Current liabilities			
Due to customers on construction contracts		3,186,923	3,368,134
Trade payables	14	1,211,271	1,070,653
Other payables and accruals		366,903	247,101
Dividends payable		94,493	12,786
Current income tax liabilities		55,763	48,997
Borrowings	12	1,962,188	1,637,123
Derivative financial instruments	7	265	167
Provisions for warranty		101,620	97,939
Total current liabilities		6,979,426	6,482,900
Total liabilities		7,289,826	6,547,427
Total equity and liabilities		10,677,875	9,804,407
Net current assets		1,687,355	1,609,269
Total assets less current liabilities		3,698,449	3,321,507

The notes on pages 57 to 64 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Note			
	Revenue	2,893,604	3,134,483
	Cost of construction contracts	(2,273,617)	(2,468,491)
	Cost of goods sold and services rendered	(241,760)	(289,103)
	Cost of sales	(2,515,377)	(2,757,594)
	Gross profit	378,227	376,889
	Other (losses)/gains – net	(7,805)	17,879
	Selling and marketing costs	(4,894)	(3,740)
	Administrative expenses	(120,064)	(158,255)
	Other income	92,217	957
	Other expenses	(65)	(8,496)
	Operating profit	337,616	225,234
	Finance income	77,714	96,863
	Finance costs	(15,598)	(37,309)
	Finance income – net	62,116	59,554
	Share of post-tax profits of associates	2,972	2,131
	Profit before income tax	402,704	286,919
	Income tax expense	(60,611)	(40,706)
	Profit for the period	342,093	246,213
	Other comprehensive income:		
	Fair value (losses)/gains on available-for-sale financial assets, net of tax	(72,514)	119,138
	Other comprehensive income for the period, net of tax	(72,514)	119,138
	Total comprehensive income for the period	269,579	365,351
	Profit attributable to:		
	– shareholders of the Company	341,324	241,753
	– non-controlling interests	769	4,460
		342,093	246,213
	Total comprehensive income attributable to:		
	– shareholders of the Company	268,810	360,891
	– non-controlling interests	769	4,460
		269,579	365,351
	Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)		
	– basic and diluted	0.6900	0.4887

The notes on pages 57 to 64 form an integral part of this condensed consolidated interim financial information.

		Unaudited Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Note			
	Dividends	–	–

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited					
		Attributable to shareholders of the Company					
	Note	Share capital and premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
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, net of tax:							
– available-for-sale financial assets	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		<u>1,146,655</u>	<u>487,745</u>	<u>1,251,246</u>	<u>2,885,646</u>	<u>99,475</u>	<u>2,985,121</u>
Balance at 1 January 2010		1,146,655	549,003	1,473,183	3,168,841	88,139	3,256,980
Profit for the period		–	–	341,324	341,324	769	342,093
Other comprehensive income:							
Fair value losses, net of tax:							
– available-for-sale financial assets	6	–	(72,514)	–	(72,514)	–	(72,514)
Total comprehensive income for the six months ended 30 June 2010		–	(72,514)	341,324	268,810	769	269,579
Dividends relating to 2009	19	–	–	(138,510)	(138,510)	–	(138,510)
Balance at 30 June 2010		<u>1,146,655</u>	<u>476,489</u>	<u>1,675,997</u>	<u>3,299,141</u>	<u>88,908</u>	<u>3,388,049</u>

The notes on pages 57 to 64 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

		Unaudited Six months ended 30 June	
		2010	2009
Note		<i>RMB'000</i>	<i>RMB'000</i>
	Net cash (used in)/generated from operating activities	(124,238)	625,920
	Cash flows from investing activities		
	– Purchase of property, plant and equipment	(54,666)	(112,309)
	– Purchase of land use rights and leasehold land	(9,431)	(153,559)
	– Purchase of available-for-sale financial assets	(17,723)	–
	– Proceeds from sale of property, plant and equipment, investment properties and land use rights and leasehold land	364	6,200
	– Dividends received from available-for-sale financial assets	200	–
	Net cash used in investing activities	(81,256)	(259,668)
	Cash flows from financing activities		
	– Proceeds from borrowings	1,734,876	947,080
	– Repayments of borrowings	(1,130,596)	(1,154,385)
	– Dividends paid to shareholders of the Company	(44,073)	(143,091)
	– Dividends paid to non-controlling interest	(12,730)	(490)
	Net cash generated from/(used in) financing activities	547,477	(350,886)
	Net increase in cash and cash equivalents	341,983	15,366
	Cash and cash equivalents at the beginning of the period	326,659	484,286
	Exchange losses on cash and cash equivalents	(1,674)	(873)
	Cash and cash equivalents at end of period	666,968	498,779
	10		

The notes on pages 57 to 64 form an integral part of this condensed consolidated interim financial information.

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, Liwan District, 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 by the Board of Directors on 26 August 2010.

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 2010, which comprises the condensed consolidated balance sheet as at 30 June 2010, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flow for the six months ended 30 June 2010, 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 2009, as set out in 2009 annual report of the Company dated on 30 March 2010.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

HKAS 27 (Revised), "Consolidated and separate financial statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group has applied HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

HKFRS 3 (Revised), "Business combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has applied HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

Certain improvements to HKFRS were issued in May 2009 by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). All improvements are effective in the financial year of 2010. Amendments have been made to the following standards according to the improvement:

Standards	Subject of amendment
HKFRS 2 <i>Share-based Payment</i>	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
HKFRS 8 <i>Operating Segments</i>	Disclosure of information about segment assets
HKAS 1 <i>Presentation of Financial Statements</i>	Current/non-current classification of convertible instruments
HKAS 7 <i>Statement of Cash Flows</i>	Classification of expenditures on unrecognised assets
HKAS 17 <i>Leases</i>	Classification of leases of land and buildings
HKAS 18 <i>Revenue</i>	Determining whether an entity is acting as a principal or as an agent
HKAS 36 <i>Impairment of Assets</i>	Unit of accounting for goodwill impairment test
HKAS 38 <i>Intangible Assets</i>	Additional consequential amendments arising from revised HKFRS 3
HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Measuring the fair value of an intangible asset acquired in a business combination Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting
HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i>	Scope of HK(IFRIC)-Int 9 and revised HKFRS 3
HK(IFRIC)-Int 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	Amendment to the restriction on the entity that can hold hedging instruments

The Group has applied above amendments from 1 January 2010 and the adoption has not resulted in any material impact on the Group's results of operations and financial position.

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors ("BOD"). The 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 machinery and other manufacturing, painting services, trading of computers and other related services, none of which, both individually and in aggregate, are 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 are carried out based on agreed terms. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

Turnover consists of sales from shipbuilding and related business, steel structure projects and other businesses, which are RMB2,620,475,000, RMB60,722,000 and RMB212,407,000 for the six months ended 30 June 2010 and RMB2,835,560,000, RMB189,258,000 and RMB109,665,000 for the six months ended 30 June 2009 respectively.

The segment revenue and results for the six months ended 30 June 2010 are 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	2,620,475	61,150	808,642	3,490,267	(596,663)	2,893,604
Inter-segment revenue	-	(428)	(596,235)	(596,663)	596,663	-
Revenue (from external customers)	2,620,475	60,722	212,407	2,893,604	-	2,893,604
Segment results	331,444	2,467	6,624	340,535	(2,919)	337,616
Finance income	76,679	656	379	77,714	-	77,714
Finance costs	(14,643)	(145)	(810)	(15,598)	-	(15,598)
Share of post-tax profits of associates	377	-	2,595	2,972	-	2,972
Income tax expense	(59,227)	(1,394)	10	(60,611)	-	(60,611)
Profit for the period						342,093

The segment revenue and results for the six months ended 30 June 2009 are 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	(366,084)	3,134,483
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

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

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Land use rights and leasehold land <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
Six months ended 30 June 2009				
Opening net book amount at 1 January 2009	1,231,778	89,137	75,196	14,950
Additions	122,610	–	–	–
Disposals	(12,468)	(1,149)	(287)	–
Depreciation and amortisation	(45,435)	(984)	(219)	(991)
Closing net book amount at 30 June 2009	1,296,485	87,004	74,690	13,959
Six months ended 30 June 2010				
Opening net book amount at 1 January 2010	1,338,820	29,427	283,658	18,453
Additions	57,665	–	9,431	–
Disposals	(84)	–	–	–
Depreciation and amortisation	(55,684)	(340)	(954)	(1,294)
Closing net book amount at 30 June 2010	1,340,717	29,087	292,135	17,159

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Beginning of the period	339,260	187,350
Additions	17,723	–
Fair value (losses)/gains transferred to other comprehensive income	(85,310)	140,163
End of the period	271,673	327,513
Less non-current portion:	(1,900)	(1,900)
Current portion	269,773	325,613

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 losses, net of tax, amounting to RMB72,514,000 for the six months ended 30 June 2010 were debited to other comprehensive income (six months ended 30 June 2009: gains of RMB119,138,000 were credited to other comprehensive income).

As at 30 June 2010, current portion of the available-for-sale financial assets represent the listed corporate shares and golf club membership to be disposed of within 12 months.

7 DERIVATIVE FINANCIAL INSTRUMENTS

	Assets as at		Liabilities as at	
	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
Forward foreign exchange contracts	2,920	64,160	(265)	(167)

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2010 are RMB621,541,700 (31 December 2009: RMB1,556,829,600).

8 TRADE RECEIVABLES

At 30 June 2010 and 31 December 2009, the ageing analyses of the trade receivables are as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Not exceeding 1 year	183,667	320,827
More than 1 year but not exceeding 2 years	9,200	5,033
More than 2 years but not exceeding 3 years	6,045	8,029
More than 3 years	5,185	1,278
	204,097	335,167

The general credit terms of trade receivables are:

Operations

Shipbuilding and related business
Other operations
(including steel structure and other manufacturing)

Credit terms

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

9 PREPAYMENT AND OTHER RECEIVABLES

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Prepayments for trading materials and equipment	377,819	299,140
Subsidy receivables	151,725	73,551
Other taxes recoverable	45,466	36,178
Others	30,017	17,157
	605,027	426,026

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

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Cash and bank balances	6,197,932	5,534,473
Less: Restricted cash	(2,318,625)	(1,071,916)
–Current	(2,026,681)	(1,071,916)
–Non-current	(291,944)	–
Term deposits with initial term over three months	(3,212,339)	(4,135,898)
Cash and cash equivalents	666,968	326,659
Representing:		
Cash in bank and in hand	607,118	265,659
Bank deposits	59,850	61,000
	666,968	326,659

The restricted cash was held in bank accounts as guarantee deposits mainly for bank borrowings.

11 SHARE CAPITAL AND PREMIUM

	As at 1 January 2009		Conversion (Note a)		As at 30 June 2009, 1 January 2010 and 30 June 2010	
	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
	<u>494,678</u>	<u>494,678</u>	<u>–</u>	<u>–</u>	<u>494,678</u>	<u>494,678</u>
Share premium		<u>651,977</u>				<u>651,977</u>
Total		<u>1,146,655</u>				<u>1,146,655</u>

(a) Three years after the completion of the PRC State Share Reform on 24 May 2006, these circulating state shares were converted into Ordinary A shares.

12 BORROWINGS

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Non-current		
Long term bank borrowings – secured (Note a)	<u>267,069</u>	<u>–</u>
Current		
Short term bank borrowings – secured (Note a)	<u>1,555,999</u>	<u>798,899</u>
– unsecured	<u>406,189</u>	<u>666,462</u>
	<u>1,962,188</u>	<u>1,465,361</u>
Current portion of long-term bank borrowings – secured (Note a)	<u>–</u>	<u>171,762</u>
	<u>1,962,188</u>	<u>1,637,123</u>
Total borrowings	<u>2,229,257</u>	<u>1,637,123</u>

(a) As at 30 June 2010, bank borrowings of RMB1,823,068,000 (31 December 2009: RMB970,661,000) are secured by restricted cash amounting to RMB2,168,881,000 (31 December 2009: RMB1,070,168,000).

13 DEFERRED INCOME TAX LIABILITIES

The directors have recognised the deferred tax assets and liabilities for the following temporary differences, taking into consideration the offsetting of balances within the same tax jurisdiction:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Provision and impairment of assets	<u>6,310</u>	<u>7,358</u>
Staff benefits	<u>4,735</u>	<u>5,172</u>
Fair value gains on derivatives financial instruments	<u>(398)</u>	<u>(9,739)</u>
Fair value gains on available-for-sale financial assets	<u>(30,388)</u>	<u>(43,184)</u>
	<u>(19,741)</u>	<u>(40,393)</u>

14 TRADE PAYABLES

At 30 June 2010 and 31 December 2009, the ageing analyses of the trade payables are as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Not exceeding 1 year	1,174,443	1,050,692
More than 1 year but not exceeding 2 years	32,303	16,147
More than 2 years but not exceeding 3 years	1,080	3,441
More than 3 years	3,445	373
	<u>1,211,271</u>	<u>1,070,653</u>

15 OPERATING PROFIT

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Credit:		
Gains on derivative financial instruments, net	–	12,638
Dividends from available-for-sale financial assets	200	–
Subsidy income for expenses compensations	13,011	817
Subsidy income for shipbuilding	78,174	–
Reversal of impairment for trade receivables	2	20
Gain from disposal of property, plant and equipment, investment properties and land use rights and leasehold land	116	408
Charge:		
Depreciation and amortisation charges	58,272	47,629
Write-down of inventories	–	549
Employee benefit expenses, including directors' emoluments	427,194	386,549
Losses on derivative financial instruments, net	2,388	–
Losses on disposal of property, plant and equipment	–	8,112

16 FINANCE INCOME – NET

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Financial income		
Interest income from bank deposits	66,031	96,754
Net foreign exchange gains arising from borrowings	11,683	109
	<u>77,714</u>	<u>96,863</u>
Financial costs		
Interest expense for bank borrowings	(13,692)	(31,140)
Other incidental borrowing costs	(1,906)	(6,169)
	<u>(15,598)</u>	<u>(37,309)</u>
Finance income – net	<u>62,116</u>	<u>59,554</u>

17 INCOME TAX EXPENSE

Taxation on the PRC profit has been calculated on the estimated assessable profit for the six months ended 30 June 2010 at the rates of taxation prevailing in the PRC.

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Current income tax – the PRC enterprise income tax	68,467	63,164
Deferred income tax	(7,856)	(22,458)
	60,611	40,706

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 weighted average annual tax rate used for the year to 31 December 2010 is 15% (the tax rate for the six months ended 30 June 2009 was 15%).

The corporate income tax rate applicable to the Company and the subsidiaries established in the PRC is 25%. Pursuant to an approval granted by the local tax authorities, the Company and two subsidiaries are qualified as Guangdong New/High Tech Enterprise ("NHTE"), and are entitled to the 15% preferential income tax rate in 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 RMB341,324,000 (six months ended 30 June 2009: RMB241,753,000) and the weighted average number of 494,677,580 (six months ended 30 June 2009: 494,677,580) ordinary shares in issue during the period.

19 DIVIDENDS

During the period, a dividend of RMB138,510,000 for the year ended 31 December 2009 was declared (2009: RMB222,605,000).

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

20 CAPITAL COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Contracted but not provided for	12,992	7,309
Authorised but not contracted for	247,910	119,213
Total commitment of property, plant and equipment, land use rights and leasehold land	260,902	126,522

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

China State Shipbuilding Corporation ("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, are 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	
	2010 RMB'000	2009 RMB'000
Sales of goods:		
– to companies controlled by CSSC	5,112	1,941
– to other state-controlled enterprises	549,662	245,017
	554,774	246,958
Sales of services:		
– to companies controlled by CSSC	59,035	50,723

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Purchases of goods:		
– from companies controlled by CSSC	262,217	101,294
– from other state-controlled enterprises	461,561	561,528
	723,778	662,822
Purchase of services:		
– from companies controlled by CSSC	18,700	31,825
– from other state-controlled enterprises	22,450	27,919
	41,150	59,744

(iii) Payment of expenses and other charges

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Vessel sales commissions payable:		
– to companies controlled by CSSC	17,312	17,482
– to other state-controlled enterprises	1,017	880
Other expenses payable:		
– to companies controlled by CSSC	4,866	8,310
Interest expense payable:		
– to state-controlled banks	5,117	14,979
	28,312	41,651

(iv) Interest income and other income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest income from cash and bank balances		
– from state-controlled banks	43,762	73,931
Realised gain on forward foreign exchange contracts		
– from state-controlled banks	55,230	49,614
	98,992	123,545

(v) Key management compensation

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Emolument, salaries and other short-term employee benefits	2,216	2,297
Post-employment benefits	89	79
	2,305	2,376

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

- Financial statements with signatures and stamps of legal representative, chief accountant and accounting department heads.
- 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.