



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

Interim Report 2011

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I. IMPORTANT NOTICE

1. The Board of Directors, the Supervisory Committee, the directors, the supervisors and senior management of Guangzhou Shipyard International Company Limited (the "Company") declare that there are no false statements, misleading information or material omissions in interim report for the six months ended June 30, 2011 (the "Report"). The directors, supervisors and senior management are jointly and severally responsible for the authenticity, accuracy and integrity of the contents of the Report.
2. All the directors, independent non-executive director Mr. Poon Chiu Kwok acting as proxy of independent non-executive director Mr. Qiu Jiachen, attended the second meeting of the seventh term of the Board of Directors held on August 23, 2011, at which the Report was approved by unanimous vote.
3. Mr. Chen Jingqi, 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 the Report.
4. The financial data contained in the Report is prepared by the Company in accordance with PRC Accounting Standards for Business Enterprises and Relevant Regulations ("PRC Accounting Standards and Regulations"), and the financial reports have been reviewed and confirmed by the Audit Committee.
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 Report is prepared in both Chinese and English. In the event that different interpretation occurs, the Chinese version shall prevail.

II. OVERVIEW OF THE COMPANY

1. GENERAL INFORMATION

Registered Chinese Name of the Company:	广州广船国际股份有限公司
Abbreviation of Chinese Name of the Company:	广船国际
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. Chen Jingqi
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 Lising 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

Unit: RMB

Items	Unaudited	Audited	Change (%)
	As at June 30, 2011 (Consolidated)	As at December 31, 2010 (Consolidated)	
Total Assets	12,540,038,700.95	12,157,451,995.38	3.15
Current assets	10,330,001,620.13	10,046,059,896.08	2.83
Current liabilities	7,294,877,290.81	7,523,884,790.57	-3.04
Owners' equity attributable to shareholders	3,877,664,850.09	3,663,019,478.60	5.86
Net assets per share attributable to shareholders (before conversion of the capital reserve)	7.84	7.40	5.86
Net assets per share attributable to shareholders (after conversion of the capital reserve)	6.03	5.70	5.86
Gearing ratios (%)	68.35	69.10	-1.09

Items	Unaudited		Change (%)
	For six months ended June 30		
	2011 (Consolidated)	2010 (Consolidated)	
Operating profit	271,994,521.09	310,752,647.94	-12.47
Total profit	316,343,555.07	402,703,975.85	-21.45
Net profit attributable to parent company	263,385,863.96	341,324,211.36	-22.83
Net profit attributable to parent company after deduction of exceptional items	233,301,630.10	331,643,172.46	-29.65
Basic earnings per share (before conversion of the capital reserve)	0.53	0.69	-22.83
Basic earnings per share (after conversion of the capital reserve)	0.41	0.53	-22.83
Basic earnings per share before deduction of exceptional items (before conversion of the capital reserve)	0.47	0.67	-29.65
Basic earnings per share after deduction of exceptional items (after conversion of the capital reserve)	0.36	0.52	-29.65
Diluted earnings per share (before conversion of the capital reserve)	0.53	0.69	-22.83
Diluted earnings per share (after conversion of the capital reserve)	0.41	0.53	-22.83
Return on net assets (%)	6.79	10.35	Decreased by 3.56 per cent
Weighted average return on net assets (%)	6.94	10.68	Decreased by 3.74 per cent
Net cash flow from operating activities	-91,959,244.76	47,469,635.26	N/A
Net cash flow per share from operating activities (before conversion of the capital reserve)	-0.19	0.10	N/A
Net cash flow per share from operating activities (after conversion of the capital reserve)	-0.14	0.07	N/A

Note: As at July 26, 2011, the Company had completed bonus shares issue by conversion of the capital reserve for 2010. As at the date of the Report, the total number of shares of the Company in issue increased from 494,677,580 shares to 643,080,854 shares.

3. THE NATURE AND AMOUNT OF EXCEPTIONAL ITEMS

Unit: RMB

Items	Amount	Note
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	10,317.97	Mainly was the profit from disposal of fixed assets.
Government subsidies recognized in the current profits and losses	9,228,811.52	Mainly were subsidies of software and new productions.
Gains/Losses from fair value changes of transactional securities and transactional financial liabilities, and investment income from disposal of transactional assets, transactional financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's main operations	24,965,788.39	Mainly resulted from fair value changes of transactional financial assets and transactional financial liabilities, and investment income from disposal of transactional financial assets, transactional financial liabilities and available-for-sale financial assets.
Other non-operating profits and losses	2,317,673.54	
Subtotals (effect on income before tax)	36,522,591.42	
Less: influence on income tax	5,478,388.71	
Total influence on net profits	31,044,202.71	
Including: influence on attributable to minority interests	959,968.85	
Influence on the net profits attributable to common shareholders of parent company	30,084,233.86	
Net profits attributable to common shareholders of parent company after deducting exceptional items	233,301,630.10	

III. CHANGES OF SHARE CAPITAL AND SHAREHOLDERS' INFORMATION

1. CHANGES OF SHARE CAPITAL

- (1) There is no change of share capital of the Company during the period under review.
- (2) The Company had completed the bonus shares issue by conversion of capital reserve for 2010 on July 26, 2011, basing on 494,677,580 shares as at the end of the year 2010, to convert 3 shares on each 10 shares. As at the date of the Report, the total number of shares of the Company in issue increased to 643,080,854.

2. SHAREHOLDERS INFORMATION

As at June 30, 2011, the total number of shareholders of the Company was 59,343, including 58,972 shareholders of listed A-shares and 371 shareholders of listed H-Shares.

- (1) As at June 30, 2011, 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	-609,950	146,923,799	29.70	Unknown	Foreign legal entity	H Shares
CITIC Security Co., Ltd.	10,931,650	10,931,650	2.21	Unknown	Domestic legal entity	A Shares
E Fund Value Growth Mixed Security Investment Fund	8,200,286	9,400,000	1.90	Unknown	Domestic legal entity	A Shares
China Southern Industry Theme Securities Investment Fund	6,072,100	6,072,100	1.23	Unknown	Domestic legal entity	A Shares
Da Rosa Jose Augusto Maria	-	3,000,000	0.61	Unknown	Foreign natural person	H Shares
ICBCCS Core Value Security Investment Fund	2,683,362	2,683,362	0.54	Unknown	Domestic legal entity	A Shares
Chan Kwok Tai Eddie	126,000	2,376,000	0.48	Unknown	Foreign natural person	H Shares
Northeast Securities Co., Ltd.	-	1,000,000	0.20	Unknown	Domestic legal entity	A Shares
Li Yongmian	-10,000	721,206	0.15	Unknown	Domestic natural person	A Shares

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".

- (2) 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

During the period under review, there is no change in the shareholding of directors, supervisors and senior management including themselves and their spouses and children under the age of 18.

2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The tenures of the sixth term of the Board of Directors and the Supervisory Committee were expired at the 2010 annual general meeting, and Messrs. Li Zhushi, Zhong Jian, Cui Ming, Wang Xiaojun, Lee Sun-leung, Sunny, Peng Xiaolei resigned as directors of the Company, while Messrs. Wang Shusen, Ye Weiming, Liang Mianhong and Liu Shibai resigned as supervisors of the Company. Approved by the twenty-seventh meeting of the sixth term of the Board of Directors held on April 21, 2011, Mr. Zhong Jian resigned as vice president of the Company due to job relocation.

The seventh term of the Board of Directors and the Supervisory Committee were elected by the 2010 annual general meeting of the Company which was held on May 31, 2011, and the Company newly appointed Mr. Chen Ji as executive director, Messrs. Ke Wangjun and Gao Feng as non-executive directors, Mr. Qiu Jiachen, Ms. De Lihua and Mr. Poon Chiu Kwok as independent non-executive directors, Messrs. Ou Guangquan, Richard Z. Zhu, Chen Shaolong and Qin Tinggui as supervisors, of which, Messrs. Chen Shaolong and Qin Tinggui are staff representative supervisors in accordance with the result of election on the employees' representative meeting.

3. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at June 30, 2011, Chairman of the Board of Directors, Mr. Chen Jingqi held 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 ("The Hong Kong Stock Exchange") 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. CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange is set out below:

Name of Director	Details of changes
Ke Wangjun Poon Chiu Kwok	Appointed as vice director of Administration Office of CSSC in April 2011 Elected as an independent non-executive director of Yuanda China Holdings Limited, a company listed on the Hong Kong Stock Exchange, with effect from April 12, 2011 Resigned as an independent non-executive director of Tsingtao Brewery Company Limited, a company listed both on the Shanghai Stock Exchange and The Hong Kong Stock Exchange, in June 2011.

5. STAFF AND THE REMUNERATION POLICY

As at the end of June, 2011, the number of employees on the payroll of the Company was 3,443. The remuneration of the employees of the Company and its subsidiaries (collectively known as 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

1. DISCUSSION AND ANALYSIS OF OPERATION DURING THE PERIOD UNDER REVIEW

During the first half of 2011, there were still no significant recovery signs for the global economy, and the ship market was still at the low ebbs. The Company was facing with extremely complex external business environment such as structural overcapacity in the shipbuilding capacity and the shipping market, lack of orders, fiercely competitive, decline of vessels price. Adapting to market demand, the Company focuses on developing domestic markets, expands the optimization of vessel types to reserve multi-types of vessel.

Furthermore, in response to the situations such as many types of vessels being built in the two provinces and three locations at the same time, vessels in accordance with PSPC standards being fully constructed, raising appreciation of exchange rate in RMB against USD and the growing labor costs, the Company strengthened the production planning and field organization and coordination to strengthen shipbuilding management, further streamlined the construction processes, improved manufacturing management system and efficiency analysis, enhanced the shipbuilding level and efficiency. The Company actively promoted the heavy machinery business strategy to enhance the proportion of heavy machinery business in the Company as well as improved cost control system to improve financial operation and control level, and consolidated the foundation management by development of the internal control.

During the period under review, comparing with that of the same period last year, the income of the Group amounted to RMB3,983 million, representing an increase of 37.66%, the operating income of the Group amounted to RMB3,924 million, representing an increase of 38.05%, the operating profit of the Group amounted to RMB272 million, representing a decrease of 12.47%, the net profit attributable to owners' of the Group amounted to RMB263 million, representing a decrease of 22.83% and the earnings per share (after conversion of capital reserve) amounted to RMB0.41.

2. PRINCIPAL OPERATION INFORMATION

(1) Major operation information by products

Unit: RMB

Products	Operating income	Operating cost	Operating profit margin (%)	Change of operating income compared with that of the same period last year (%)	Change of operating cost compared with that of the same period last year (%)	Change of operating gross margin compared with that of the same period of last year (%)
Shipbuilding	3,616,964,312.68	3,185,946,305.04	11.92	38.03	42.23	-17.94
Steel structure	135,252,196.62	121,760,391.05	9.98	122.74	140.52	-40.02
Electrical & mechanical products and others	171,533,590.74	122,260,349.87	28.73	6.54	-2.41	29.48
Total	3,923,750,100.04	3,429,967,045.96	12.58	38.05	41.98	-16.11

During the period under review, the connected transactions in the products and labor services supplied to the controlling shareholder China State Shipbuilding Corporation ("CSSC") and its subsidiaries ("CSSC Group") by the Company amounted to RMB89.5881 million.

1) Shipbuilding

During the first half of 2011, the Company completed 10 vessels, commenced construction work on 10 vessels, and launched 10 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 39,000 dwt, 48,000 dwt, 50,500 dwt, 52,300 dwt and 55,000 dwt chemical/product oil tanker, 50,000 dwt semi-submersible heavy lift vessels and Ro/Ro passenger vessels.

Moreover, the Company secured new shipbuilding orders for 7 vessels with a total tonnage of 284,000 dwt. As at June 30, 2011, the Company has accumulated orders for building 46 vessels with a total tonnage of 1,959,100 dwt.

The shipbuilding income increased compared with the same period last year, which was mainly due to the increase of shipbuilding volume as resulted from the improvement of production efficiency and the remote construction work on two semi-submersible heavy lift vessels. The operating profit margin decreased, which was mainly due to the lower vessel price, raising costs of labor and price of materials, and the significant appreciation of exchange rate in RMB against USD.

2) Non-shipbuilding operations

During the period under review, the Company set up a Non-shipbuilding Product Research & Development Room to strengthen heavy mechanical product research. The heavy mechanical product operation reached a new result, and the Company newly secured orders amounting to approximately RMB315 million. During the first half of 2011, the Company completed 8,642.34 tons steel structure, and sold 246 hydraulic shearing machines and 247 elevators.

The income of steel structure increased 122.74% compared with that of the same period last year, which was mainly due to the improvement of operating situations and increased sale volume of steel structure after heavy mechanical operation integration.

(2) Geographical Statement of Operation

Unit: RMB

Area	Operating income		Change (%)
	For the first half of 2011	For the first half of 2010	
Demark	1,575,508,227.58	1,448,479,148.35	8.77
Hong Kong	240,115,590.22	76,912,789.39	212.19
Greece	79,262,707.73	349,383,116.05	-77.31
Australia	52,459,464.36	9,996,515.25	424.78
Malta	36,372,073.36	4,860,069.05	648.39
Taiwan	1,842,648.23	956,400.45	92.66
Italy	1,757,871.18	215,975,641.63	-99.19
Holland	341,559,411.80	—	—
Others	30,901,052.57	42,592,710.16	-27.45
Mainland China	1,563,971,053.01	693,036,235.42	125.67
Total	3,923,750,100.04	2,842,192,625.75	38.05

(3) Problems and difficulties of operation and their solutions

During the period under review, the Company was confronted with the situation of the severe lack of market demand, the falling price of vessels, growing labor costs and appreciation of RMB against USD. On the one hand, the Company will face with and follow the market, pay close attention to demands of the main ship-owners and important projects information to secure orders positively, as well as increase market forward, continue to optimize tanker and special vessels, promote high-tech vessels engineering and strengthen to develop domestic market. On the other hand, the Company shall strengthen the budget monitoring and exchange rate risk prevention, further promote the risk prevention, improve financial operation and the level of financial control, enhance the monthly analysis monitoring of the labor costs, and develop using of the manufacturing and management system and shipbuilding efficiency analysis, optimize the staff allocation and product processes, improving labor efficiency and carry out the decreasing costs and improving efficiency in the Company.

3. INVESTMENTS INFORMATION

The Company had not raised funds during the period under review nor utilized any proceeds previously raised. During the period under review, the investment capital not from share offering of the Company amounted to RMB131.4091 million, representing an increase 139.14% compared with that of last year (RMB54.95 million). The major invested projects were as follows:

Unit: RMB'0,000

Item	Amount	Progress	Income
Construction fees of Zhongshan GSI Marine Engineering Co., Limited	8,047.29	Under construction	Not yet generate income
Project of Building for Work Team in New District	439.31	Completed	Not yet generate income
Integrated system for loading test of marine generator	221.17	Under construction	Not yet generate income
The second stage of first phase project in Zhongshan basic	201.02	Under construction	Not yet generate income
Quay Reinforcement Project in Old District	189.13	Completed	Not yet generate income
Acquisition of equity in Guangzhou Masterwood Shipbuilding Co., Ltd.	199.45	Completed	—
Others	3,843.54	—	—

4. FINANCIAL POSITION AND ANALYSIS OF OPERATIONS

(1) Balance sheet items

Unit: RMB

Item	As at June 30, 2011	As at December 31, 2010	Change (± %)	Reasons for change
Transactional financial assets	36,173,867.46	21,227,664.57	70.41	The change of fair value of derivative instrument contracts caused by the deliveries and the fluctuation of exchange rate.
Notes receivable	2,443,097.50	106,957,384.82	-97.72	The commercial acceptance bill with an amount of RMB103.60 million during the period under review, which in the shipbuilding installment payments and has been paid on January 22, 2011.
Accounts Receivable	408,439,009.86	237,930,326.60	71.66	The increase in the receivables of shipbuilding installment payments
Interest Receivable	82,612,199.91	62,875,756.88	31.39	The increase in deposits and rising deposit interest rate
Accounts receivable-others	153,867,772.95	289,882,991.10	-46.92	The decrease in refund and product subsidiaries due to the change of product structure of the Company
Construction in process	200,703,822.45	146,308,227.80	37.18	The increased investment in phase I projects of Zhongshan GSI Marine Engineering Company Limited
Long-term expenses to be apportioned	6,409,085.16	—	—	Reinforcement of the quay located in Changzhou island rent by the Company due shipbuilding construction needs.
Deferred income tax assets	44,151,789.13	22,068,135.62	100.07	The increase in impairment loss during the period under review
Employees' benefits	15,658,054.66	40,603,732.05	-61.44	The payment of the 2010 year-end bonus which was made provision at the beginning of 2011
Taxes payable	68,971,949.10	115,298,251.35	-40.18	The payment of enterprise income tax for the year 2010
Interest payable	7,442,419.79	13,720,941.14	-45.76	The payment of the interest of matured loans
Dividends payable	49,535,359.63	67,601.63	73175.39	The dividend of ordinary shares of the Company, which had been paid in July, 2011
Long-term loans	990,221,816.98	624,123,248.00	58.66	The increase in foreign currency loans of the Company to void exchange risk
Other non-current liabilities	47,706,778.53	34,205,906.94	39.47	The increased appropriation of research projects during the period under review

(2) Income statement items

Unit: RMB

Item	The first half of 2011	The first half of 2010	Change (%)	Reasons for change
Operating income	3,983,430,810.12	2,893,604,210.42	37.66	The improvement of product efficiency entirely and two semi-submersible heavy lift vessels under construction in remote location
Operating cost	3,475,778,352.20	2,471,862,971.38	40.61	The increase in shipbuilding operating income and rising costs of labor and materials
Business tax & surcharge	36,706,022.51	10,634,199.17	245.17	The increase in payment of surcharge fee
Selling expenses	-2,121,413.56	27,004,027.82	-107.86	The reverse of warranty fee balance which warrant period of the delivered vessels was expired
Financial expenses	-115,604,913.22	-56,699,194.29	103.89	The rising deposit interest rates and increased exchange gain due to the exchange rate fluctuation
Impairment losses	179,517,990.16	-2,400.00	-7,480,016.26	Influenced by the vessels price decline, rising exchange rate of RMB against USD and increased labor costs.
Fair value changes gains	14,946,202.89	-61,305,204.17	-124.38	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	16,855,015.68	62,088,967.38	-72.85	Changes from the settled forward foreign exchange contracts
Non-operating income	45,080,826.32	92,215,692.62	-51.11	The reduce of subsidies on products as resulted from product structure changes in the first half of the year.
Non-operating cost	731,792.34	264,364.71	176.81	The increase of loss on disposal of non-current assets

(3) Cash flow statement items

Unit: RMB

Item	The first half of 2011	The first half of 2010	Change (%)	Reasons for change:
Net cash flow from operating activities	-91,959,244.76	47,469,635.26	-293.72	The increase in payment of purchase and levy fees
Net cash flow from investing activities	-309,942,507.39	-1,152,914,610.26	-73.12	The increase in pledged fixed deposit.
Net cash flow from financing activities	471,626,949.16	536,325,415.91	-12.06	The increase in repayment of the matured debt compared with that of the same period last year

5. DETAILED INFORMATION ON CHARGES ON ASSETS OF THE GROUP

As at June 30, 2011, fixed deposit amounted to RMB2,476.0129 million has been charged as warrant money and pledge for foreign loans. Apart from disclosed above, no other assets of the group are charged.

6. PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2011, facing with the fierce competition of the vessels' market, the Company will integrate resources and optimize the management to reduce costs and improve efficiency, and further develop the vessels' research and design, control the design costs and reduce technical risk during the design stage so as to improve the design quality and product market competitiveness. The Company will strengthen the research on technology and processes and accuracy management to improve vessel's construction quality. Furthermore, the Company will continue to grope for and optimize the structure of human resources and relationships between supply and demand to control the co-workers' number and balance labor's supply, as well as continue to promote using of the performance efficiency analysis and manufacturing management system to improve production organization, management and production efficiency. The Company will restructure the shipbuilding assembly resource, integrate production line of berth and dry dock, and adjust shipbuilding assembly manufacturing organization and structure to improve the efficiency of limited resource. To strengthen the shipbuilding management, strictly control the four assembly lines of production rhythm to ensure the manufacturing node of berth and dry dock line and make efforts to reduce the dock cycle.

Moreover, the Company will also make great efforts to develop remote location shipbuilding technology and manufacturing management services, and continue to implement the heavy machinery business strategy and construct the Zhongshan block manufacturing center to achieve trial product.

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 Hong Kong Stock Exchange, and the code provisions set out in the Code of Corporate Governance Practices contained in the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange, actively improved its corporate governance structure and standardized its operations.

2. Securities Transactions by Directors

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organs in relation to securities transactions by directors and has consistently upheld the principle of complying with the most stringent provisions and had adopted the Model Code for Securities Transactions by Directors of Listed Issuers. 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 four 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 2010 and the first quarter of 2011 of the Group. The Nomination Committee of the Board held two meetings to review and select the candidates for directors and senior management. The Emolument and Examination Committee held a meeting to discuss and review the annual performance and the reward policies and reward scheme for executive directors, internal supervisors and senior management for 2010. The Strategy Committee held a meeting to discuss the items relating to development of the Company and its strategy.

(II) THE PROFIT DISTRIBUTION AND THE IMPLEMENTATION

In accordance with the resolution of 2010 annual general meeting, the first class meeting of domestic shares of 2011 and the first class meeting of foreign shares of 2011 held on May 31, 2011, the 2010 scheme of profit distribution of the Company is: (1) Deduct 10% as statutory public welfare fund, which amounted to RMB72,937,972.40, (2) Pay a dividend of RMB0.10 (including tax) on each ordinary share, on the basis of 494,677,580 shares in issue, and the total dividend will amount to RMB49,467,758.00, (3) to convert 3 shares on each 10 shares, the total conversion shares will be 148,403,274 shares. After the conversion of capital reserve, the total shares of the Company will be 643,080,854 shares. The 2010 profit distribution had been implemented and completed on July 26, 2011.

(III) THE BOARD OF DIRECTORS OF THE COMPANY DOES NOT MAKE PROFIT DISTRIBUTION AND NO CAPITAL INCREMENT FOR THE FIRST HALF OF 2011.

(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 latest three years shall not be less than 30% of the total average distributable profits for the latest 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 6.78% in the total distributable profit by the Company for 2010, while the cumulative paid cash dividends accounted for 66.28% in the total average distributable profits for the latest three years.

(V) SIGNIFICANT LITIGATION OR ARBITRATION EVENT

On December 31, 2010, the Company and its subsidiary Guangzhou Guangli Shipbuilding Human Resource Service Company Limited ("Guangli Company") both filed suit to Zhenjiang Intermediate People's Court of Jiangsu Province ("Zhenjiang Intermediate Court") and sued Jiangsu Shenghua Shipbuilding Company Limited ("Jiangsu Shenghua") in Property Restitution Case, Technical Service Contract Dispute Case and the Installation Projects Contract in relation to 79600dwt Bulk-Carrier 1# and 2# Vessel Dispute Cases (For more details please refer to significant litigation or arbitration event of significant events in annual report 2010). In accordance with the laws and regulations, the vessels constructions dispute cases are within the jurisdiction of the Maritime Court, so Zhenjiang Intermediate Court transferred the above-mentioned four cases to Wuhan Maritime Court on March 9 and March 10, 2011 respectively. Wuhan Maritime Court put on record and accepted such four cases officially on July 8, 2011.

On July 28, 2011, the Company, Guangli Company and Jiangsu Shenghua reached a settlement agreement relating to such four cases which was draw to Wuhan Maritime Court for mediation on July 29, 2011. The Company, Guangli Company and Jiangsu Shenghua signed the settlement agreement presided by Wuhan Maritime Court. On August 5, 2011, Wuhan Maritime Court issued Civil Mediation regarding the four cases above-mentioned and resolved litigation disputes among the Company, Guangli Company and Jiangsu Shenghua properly. The mediation of such cases has no significant influence on the Company.

Apart from disclosure above, there were no significant litigation or arbitration events 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 2011	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	226,647,603.00	5,048,218.50	3,107,265.53	Available-for-sale financial assets	Purchasing
601872	Merchants Energy Shipping	37,100,000.00	0.29	38,300,000.00	-	-2,380,000.00	Available-for-sale financial assets	Purchasing
Total		64,583,602.50	-	264,947,603.00	5,048,218.50	727,265.53	-	-

(VII) PROPERTY AND INTEREST TRANSFER

Apart from "acquisition or sale of assets constituting connected transaction in Significant Connected Transactions" in this section, there were no other property transfers during the period under review.

(VIII) SIGNIFICANT CONNECTED TRANSACTIONS

The Company's continuing connected transactions under the Chapter 14A of the Rules Governing the Listing of Securities The Hong Kong Stock Exchange constituted of routine connected transaction and comprehensive service contract, which are set out in Connected Transactions in the note (VI) to the financial statements of the Report.

1. Routine connected transactions

Unit: RMB

No.	Content and category	Transaction amount	Proportion in the same type of transactions (%)	Pricing policy	Settlement
1	Total amount of products and services provided by the Group to CSSC Group	89,588,115.55			
1.1	Electrical and mechanical engineering equipment and metallic materials	2,414,306.30	0.06	Market price or agreed price	Through the bank
1.2	Utilities	596,420.80	0.01	Cost plus management fee	Through the bank
1.3	Labor supply, design and technology services	86,577,388.45	2.17	Not less than the price to the third parties	
2	Total amount of products and services provided by CSSC Group to the Group	234,893,341.89			
2.1	Electrical and mechanical engineering equipment and metallic materials, ship-building accessories and equipment use on ships	186,966,612.96	5.38	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	47,926,728.93	1.38	Market price or cost plus management fees	Through the bank
3	Financial services supplied from CSSC Group				
3.1	Deposits	330,205,766.37	6.51	Interest rates on deposits and loans published by the People's Bank of China	Through the bank
3.2	Interest on deposits	3,497,344.91	4.05		
3.3	Loans	-	-		
3.4	Interest on loans	-	-		
4	Total guarantee fees for guarantee supplied to the Group from CSSC Group	-	-	Agreed fee, not more than the price offered by the third independent parties	Through the bank
5	Total sales agency fees	20,190,690.54	39.89	Not more than 1% of contract price in accordance with international practice	Through the bank
6	Total purchases agency fees	2,028,617.40	0.10	1% to 2% of contract price in accordance with international practice	Through the bank

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 (the "Framework Agreement") which was approved by the first extraordinary general meeting of 2009 as held on December 29, 2009.

Since incorporation of the Company, the Group had engaged in various continuing connected transactions with the CSSC Group due to the nature of assembly building. Such transactions themselves are of an operational nature and in the normal and usual course of business of the Group. The Framework Agreement allows 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.

2. Comprehensive Services Contract

The Company and its connected party, 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 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 2011 was RMB3.8607 million.

3. Acquisition or sale of assets constituting connected transaction

Approved by the twenty-fourth meeting of the sixth term of the Board of Directors, the Company entered into the *Equity Transfer Contract* with CSSC Guangzhou Huangpu Shipbuilding Company Limited, a wholly owned subsidiary of CSSC, on February 15, 2011, to purchase its 24% equity in Guangzhou Masterwood Shipbuilding Co., Ltd. ("Masterwood") at the price of appraised value RMB1,990,500. As at the date of the Report, The Company has paid the transfer price and the transfer of the equity in Masterwood is under the progress. The purchase of the transfer equity is consonant with the development strategy of the Company and is advantageous to the coordination of relevant works in shipbuilding.

4. 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	-	-	1,190.00	13,020.00
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				

(IX) SIGNIFICANT CONTRACTS AND PERFORMANCES

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

(X) IMPLEMENTATION OF COMMITMENT

During the period under review, the Company or the shareholders who hold over 5% (including 5%) shares of the Company did not give any undertaking that might have a great impact on the business results or financial condition of the Company during the period under review or occurred before but continued to the period under review.

(XI) APPOINTMENT OR DIMISSION OF THE AUDITORS

According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" and the related amendments to the Listing Rules ("the Amended Listing Rules") published by The Hong Kong Stock Exchange in December 2010, the Company will prepare only one set of financial statements in accordance with China Accounting Standards and engage a Mainland China audit firm approved by Ministry of Finance of China (中国财政部) and Security Regulatory Commission of China (中国证监会), to audit the financial statements in accordance with China Accounting Standards for the purpose of fulfilling its statutory obligation and the periodic financial reporting requirements of the Amended Listing Rule.

In order to improve the efficiency and to reduce the cost of disclosure and the audit expenses and according to the approval of the 2010 annual general meeting held on May 31, 2011, the Company ceased to re-appoint Ascenda Certified Public Accountants Limited (天健正信会计师事务所有限公司, thereafter called "Ascenda") and PricewaterhouseCoopers Certified Public Accountants (罗兵咸永道会计师事务所, thereafter called "PwC") as the domestic and international auditors of the Company respectively, and appoint Shinewing Certified Public Accountants, Ltd. (信永中和会计师事务所有限公司) as the financial statements auditors of the Company for the year 2011 to the financial statements of the Company as prepared in accordance with PRC Accounting Standards and Regulations. Ascenda and PwC confirmed that there were no matters regarding the ceasing of re-appointment that need to be brought to the attention of the shareholders of the Company.

(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

1. Influenced by vessels price decline, rising exchange rate of RMB against USD and increasing shipbuilding labor costs, the Company is facing a certain pressure in the profitability of the shipbuilding products as calculated on basis of shipbuilding contracts. As at June 30, 2011, the Company forecasted the profitability of secured shipbuilding orders in accordance with the requirement of PRC Accounting Standards for Business Enterprises and Relevant Regulations and internal control system of the basis on provision and write-off for each asset of the Company. As approved by the second meeting of the seventh term of the Board of Directors, the Company made an impairment loss provision amounting to RMB179.518 million for the securing shipbuilding orders which will cause the losses.
2. **Contingent Liabilities.**
As at June 30, 2011, the Group had no significant contingent liabilities.
3. **Gearing ratio**
As at June 30, 2011, the gearing ratio of the Group was 68.35% (69.10% at the beginning of the period). The change is mainly due to the increase in equity during the period under review.
4. 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 As at June 30 2011

Unit: RMB yuan

Assets	Consolidated		Parent Company	
	Closing Balance	Opening Balance	Closing Balance	Opening Balance
Current Assets				
Cash and Cash Equivalents	7,548,610,214.97	7,216,518,560.26	7,349,561,040.46	6,983,146,586.93
Transactional financial assets	36,173,867.46	21,227,664.57	36,173,867.46	21,227,664.57
Notes receivable	2,443,097.50	106,957,384.82	1,358,097.50	104,596,923.02
Accounts receivable	408,439,009.86	237,930,326.60	451,422,749.94	326,215,971.20
Prepayments	433,440,047.79	449,624,444.18	478,404,709.13	487,856,028.96
Interest receivable	82,612,199.91	62,875,756.88	82,735,949.83	62,804,749.78
Dividends receivable	4,800,000.00	5,477,728.60	–	677,728.60
Other Receivables	153,867,772.95	289,882,991.10	440,503,178.59	480,364,813.78
Inventories	1,659,615,409.69	1,655,565,039.07	1,434,511,403.08	1,409,922,126.83
Current maturity of non-current assets				
Other Current Assets				
Total Current Assets	10,330,001,620.13	10,046,059,896.08	10,274,670,995.99	9,876,812,593.67
Non-Current Assets				
Lending and funds advanced				
Available-for-sale financial assets	267,647,603.00	266,791,996.50	267,647,603.00	266,791,996.50
Held to maturity investments				
Long-term Receivable				
Long-term equity investments	43,375,925.90	41,588,714.23	388,820,210.70	386,398,449.75
Investment Property	71,830,134.13	72,237,906.35	71,830,134.13	72,237,906.35
Fixed assets	1,276,733,647.40	1,259,696,577.69	1,045,682,080.66	1,024,218,394.25
Construction in-progress	200,703,822.45	146,308,227.80	38,663,031.03	65,714,312.84
Construction materials				
Disposal of fixed assets	254,336.29	261,149.08	254,336.29	261,149.08
Intangible assets	298,930,737.36	302,439,392.03	74,249,367.85	76,987,132.29
Development expenditure	–	–	–	–
Goodwill	–	–	–	–
Long-term amortisation expenses	6,409,085.16	–	6,409,085.16	–
Deferred tax assets	44,151,789.13	22,068,135.62	43,207,547.88	20,606,233.59
Other non-current assets	–	–	–	–
Total Non-current Assets	2,210,037,080.82	2,111,392,099.30	1,936,763,396.70	1,913,215,574.65
Total Assets	12,540,038,700.95	12,157,451,995.38	12,211,434,392.69	11,790,028,168.32
Liabilities and owners' equity				
Current liabilities				
Short-term Borrowings	1,774,520,377.54	1,837,321,454.75	1,636,232,471.75	1,778,679,511.00
Transactional financial liabilities	–	–	–	–
Notes payable	649,616,269.27	697,610,318.88	649,616,269.27	697,610,318.88
Accounts payable	1,221,356,082.48	1,186,424,869.96	1,311,233,931.42	1,182,268,267.83
Receipts from advance	315,808,065.51	266,538,440.94	229,245,545.74	151,335,572.95
Accrued salaries	15,658,054.66	40,603,732.05	10,585,633.36	35,531,310.75
Tax payable	68,971,949.10	115,298,251.35	67,036,344.01	116,235,225.70
Interest payable	7,442,419.79	13,720,941.14	7,442,419.79	13,720,941.14
Other payables	66,842,544.49	70,484,717.41	57,813,307.82	60,277,070.98
Dividends payable	49,535,359.63	67,601.63	49,535,359.63	67,601.63
Non-current liabilities-due within one year				
Other Current Liabilities	3,125,126,168.34	3,295,814,462.46	3,125,126,168.34	3,296,158,939.42
Total Current Liabilities	7,294,877,290.81	7,523,884,790.57	7,143,867,251.13	7,331,884,760.28
Non-current Liabilities				
Long-term Borrowings	990,221,816.98	624,123,248.00	990,221,816.98	624,123,248.00
Bonds payable				
long-term payables				
Specific Payable	24,570,000.00	24,570,000.00	24,570,000.00	24,570,000.00
Provision	177,696,691.56	163,616,041.97	177,696,691.56	163,616,041.97
Deferred tax liability	35,495,680.19	33,125,408.77	35,495,680.19	33,125,408.77
Other non-current liabilities	47,706,778.53	34,205,906.94	46,706,778.53	33,205,906.94
Total Non-current Liabilities	1,275,690,967.26	879,640,605.68	1,274,690,967.26	878,640,605.68
Total Liabilities	8,570,568,258.07	8,403,525,396.25	8,418,558,218.39	8,210,525,365.96
Owners' equity				
Share Capital	494,677,580.00	494,677,580.00	494,677,580.00	494,677,580.00
Capital reserve	822,362,613.61	821,635,348.08	822,362,613.61	821,635,348.08
Less: treasury stock	–	–	–	–
Surplus reserve	377,234,714.40	377,234,714.40	376,058,902.23	376,058,902.23
General risk reserve	–	–	–	–
Undistributed profits	2,183,389,942.08	1,969,471,836.12	2,099,777,078.46	1,887,130,972.05
Currency translation differences	–	–	–	–
Total owners' equity attributable to parent company	3,877,664,850.09	3,663,019,478.60	3,792,876,174.30	3,579,502,802.36
Minority Interests	91,805,592.79	90,907,120.53	–	–
Total owners' equity	3,969,470,442.88	3,753,926,599.13	3,792,876,174.30	3,579,502,802.36
Total liabilities and owners' equity	12,540,038,700.95	12,157,451,995.38	12,211,434,392.69	11,790,028,168.32

Income Statement
From Jan. to Jun. 2011

Unit: RMB yuan

Item	Consolidated		Parent Company	
	Current Period	Same period last year	Current Period	Same period last year
1. Operating income	3,983,430,810.12	2,893,604,210.42	3,722,880,639.52	2,747,829,845.76
Less: operating cost	3,475,778,352.20	2,471,862,971.38	3,264,076,566.84	2,346,587,494.25
Business tax and surcharges	36,706,022.51	10,634,199.17	32,030,676.01	7,995,462.32
Selling expenses	-2,121,413.56	27,004,027.82	-5,501,982.42	23,834,857.90
General and administration expenses	168,961,469.51	130,835,721.61	132,564,677.44	110,767,559.01
Financial expenses	-115,604,913.22	-56,699,194.29	-117,247,529.58	-61,898,367.04
Impairment on assets	179,517,990.16	-2,400.00	179,517,990.16	0.00
Add: Gains from fair value changes	14,946,202.89	-61,305,204.17	14,946,202.89	-52,048,204.25
Investment income	16,855,015.68	62,088,967.38	15,495,083.95	48,335,690.49
- Investment income from associates and joint ventures	1,787,211.67	2,972,243.97	427,279.95	377,348.59
2. Operating profit	271,994,521.09	310,752,647.94	267,881,527.91	316,830,325.56
Add: non-operating profits	45,080,826.32	92,215,692.62	41,387,889.02	94,803,066.94
Less: Non-operating Losses	731,792.34	264,364.71	615,568.10	177,108.94
- Loss on disposal of non-current assets	244,166.40	83,754.56	202,963.40	57,004.56
3. Total Profits	316,343,555.07	402,703,975.85	308,653,848.83	411,456,283.56
Less: Income tax	50,064,737.85	60,611,251.88	46,539,984.42	59,227,447.52
4. Net profit	266,278,817.22	342,092,723.97	262,113,864.41	352,228,836.04
Net profit attributable to parent company	263,385,863.96	341,324,211.36	262,113,864.41	352,228,836.04
Minority interests	2,892,953.26	768,512.61	-	-
5. Earnings per share				
(a) Basic earnings per share	0.41	0.53		
(b) Diluted earnings per share	0.41	0.53		
6. Other comprehensive profit	727,265.53	-72,513,649.59	727,265.53	-72,513,649.59
7. Total comprehensive profit	267,006,082.75	269,579,074.38	262,841,129.94	279,715,186.45
Comprehensive profit attributable to parent company	264,113,129.49	268,810,561.77	262,841,129.94	279,715,186.45
Comprehensive profit attributable to minority shareholders	2,892,953.26	768,512.61		

Cash Flow Statement
From Jan. to Jun. 2011

Unit: RMB yuan

Cash flow	Consolidated		Parent Company	
	Current Period	Same period last year	Current Period	Same period last year
1. Cash received from operating activities	3,969,644,845.88	3,485,978,925.28	3,816,888,587.37	2,661,829,597.94
Cash from sales of goods or services	183,895,983.89	218,445,955.55	180,877,000.65	217,064,015.32
Refunds of taxes	161,444,885.40	59,059,809.31	148,801,300.96	24,563,319.49
Cash from other operating activities	4,314,985,715.17	3,763,484,690.14	4,146,566,888.98	2,903,456,932.75
Subtotal Cash Inflow	3,610,864,032.78	3,069,184,192.62	3,613,681,200.39	2,354,553,108.43
Cash paid for sales of goods or services	483,550,702.94	413,788,036.78	226,370,041.05	202,068,789.51
Cash paid to and for employees	204,290,496.48	125,934,740.97	165,521,037.54	95,910,502.41
Taxes	108,239,727.73	107,108,084.51	178,182,411.57	203,897,888.83
Cash used in other operating activities	4,406,944,959.93	3,716,015,054.88	4,183,754,690.55	2,856,430,289.18
Subtotal of cash outflow	-91,959,244.76	47,469,635.26	-37,187,801.57	47,026,643.57
Net cash flow from operating activities	3,969,644,845.88	3,485,978,925.28	3,816,888,587.37	2,661,829,597.94
2. Cash from investing activities				
Cash received from investments				
Cash received from disposal of subsidiaries				
Cash received from investment income	15,745,532.60	59,175,849.11	15,745,532.60	61,280,522.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,292,348.00	32,621,346.75	1,352,930.78	32,594,596.75
Cash receipts from other investing activities	67,034,777.34	77,058,194.65	65,619,036.67	79,457,431.43
Subtotal of cash inflow	85,072,657.94	168,855,390.51	82,717,500.05	173,332,551.11
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	93,589,556.47	53,651,203.31	33,265,217.09	43,213,078.29
Cash paid for investment	1,994,481.00	17,723,452.50	1,994,481.00	54,590,805.33
Cash used in other investment activities	299,431,127.86	1,250,395,344.96	253,317,849.00	1,242,311,198.99
Subtotal of cash outflow	395,015,165.33	1,321,770,000.77	288,577,547.09	1,340,115,082.61
Net cash flow from investing activities	-309,942,507.39	-1,152,914,610.26	-205,860,047.04	-1,166,782,531.50
3. Cash received from financing activities				
Cash received from investments				
- Cash received from minority shareholders investing in subsidiaries	1,893,840,764.79	1,745,847,980.03	1,703,585,597.34	1,504,515,253.00
Cash received from loans	-	399,540.32	-	-
Cash from other financing activities	-	-	-	-
Subtotal of cash inflow	1,893,840,764.79	1,746,247,520.35	1,703,585,597.34	1,504,515,253.00
Cash paid for debt repayment	1,387,265,445.25	1,143,095,876.06	1,313,543,780.00	917,665,409.10
Cash paid for distribution of dividends, profits or interest	34,913,096.93	61,995,247.68	34,750,844.14	49,264,802.36
- Dividends paid to minority shareholders	-	-	-	-
Cash used in other financing activities	35,273.45	4,830,980.70	9,634.67	9,209.50
- Cash paid to minority shareholders for statutory capital reduction of subsidiaries	-	-	-	-
Subtotal of cash outflow	1,422,213,815.63	1,209,922,104.44	1,348,304,258.81	966,939,420.96
Net cash flow from financing activities	471,626,949.16	536,325,415.91	355,281,338.53	537,575,832.04
4. Effect of exchange rate changes on cash flow	-1,089,084.11	-2,545,619.91	-1,131,366.39	-2,836,698.82
5. Net increase of cash and cash equivalents	68,636,112.90	-571,665,179.00	111,102,123.53	-585,016,754.71
Add: opening balance of cash and cash equivalents	5,003,896,203.36	4,380,328,209.50	4,776,783,586.93	4,174,852,057.51
6. Closing balance of cash and cash equivalents	5,072,532,316.26	3,808,663,030.50	4,887,885,710.46	3,589,835,302.80
Net increase of cash and cash equivalents	68,636,112.90	-571,665,179.00	111,102,123.53	-585,016,754.71

Statement of Changes in Equity of the Company
From Jan. to Jun. 2011

Unit: RMB yuan

Item	Capital	Capital reserve	Less: treasury stock	Current period		Undistributed profits	Others	Total Owners' Equity
				Capital reserve	Surplus reserve			
1. Closing balance of last year	494,677,580.00	821,635,348.08	-	376,058,902.23	1,887,130,972.05	-	-	3,579,502,802.36
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
2. Opening balance of the current period	494,677,580.00	821,635,348.08	-	376,058,902.23	1,887,130,972.05	-	-	3,579,502,802.36
3. Changes in the current period (decrease equivalent to "-")								
(a) Net profit	-	727,265.53	-	-	212,646,106.41	-	-	213,373,371.94
(b) Other comprehensive profit	-	727,265.53	-	-	262,113,864.41	-	-	262,113,864.41
(c) Subtotal of (a) and (b)	-	727,265.53	-	-	262,113,864.41	-	-	727,265.53
(d) Capital added and reduced by owners	-	-	-	-	-	-	-	262,841,129.94
(i) Paid-in capital	-	-	-	-	-	-	-	-
(ii) Shares paid included in the owners' equity	-	-	-	-	-	-	-	-
(iii) Others	-	-	-	-	-	-	-	-
(e) Profit distribution	-	-	-	-	-	-	-	-
(i) Surplus reserve	-	-	-	-	-	-	-	-
(ii) General risk reserve	-	-	-	-	-	-	-	-
(iii) Distribution to owners	-	-	-	-	-	-	-	-
(iv) Others	-	-	-	-	-	-	-	-
(f) Internal transfer of owners' equity	-	-	-	-	-	-	-	-
(i) Capital reserve transferred into capital	-	-	-	-	-	-	-	-
(ii) Surplus reserves transferred into capital	-	-	-	-	-	-	-	-
(iii) Surplus reserves to make up for losses	-	-	-	-	-	-	-	-
(iv) Others	-	-	-	-	-	-	-	-
(g) Specific reserve	-	-	-	-	-	-	-	-
(i) Current extraction	-	-	-	-	-	-	-	-
(ii) Current use	-	-	-	-	-	-	-	-
4. Closing Balance of the current period	494,677,580.00	822,362,613.61	-	376,058,902.23	2,099,777,078.46	-	-	3,792,876,174.30

Item	Capital	Capital reserve	Less: treasury stock	Last year amount		Undistributed profits	Others	Total Owners' Equity
				Capital reserve	Surplus reserve			
1. Closing balance of last year	494,677,580.00	896,683,298.17	-	303,120,929.83	1,369,180,890.25	-	-	3,063,662,698.25
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
2. Opening balance of the current period	494,677,580.00	896,683,298.17	-	303,120,929.83	1,369,180,890.25	-	-	3,063,662,698.25
3. Changes in the current period (decrease equivalent to "-")								
(a) Net profit	-	-75,047,950.09	-	72,937,972.40	517,950,081.80	-	-	515,840,104.11
(b) Other comprehensive profit	-	-75,047,950.09	-	-	729,397,776.60	-	-	729,397,776.60
(c) Subtotal of (a) and (b)	-	-75,047,950.09	-	-	729,397,776.60	-	-	-75,047,950.09
(d) Capital added and reduced by owners	-	-75,047,950.09	-	-	-	-	-	654,349,826.51
(i) Paid-in capital	-	-	-	-	-	-	-	-
(ii) Shares paid included in the owners' equity	-	-	-	-	-	-	-	-
(iii) Others	-	-	-	-	-	-	-	-
(e) Profit distribution	-	-	-	-	-	-	-	-
(i) Surplus reserve	-	-	-	-	-	-	-	-
(ii) General risk reserve	-	-	-	-	-	-	-	-
(iii) Distribution to owners	-	-	-	-	-	-	-	-
(iv) Others	-	-	-	-	-	-	-	-
(f) Internal transfer of owners' equity	-	-	-	-	-	-	-	-
(i) Capital reserve transferred into capital	-	-	-	-	-	-	-	-
(ii) Surplus reserves transferred into capital	-	-	-	-	-	-	-	-
(iii) Surplus reserves to make up for losses	-	-	-	-	-	-	-	-
(iv) Others	-	-	-	-	-	-	-	-
(g) Specific reserve	-	-	-	-	-	-	-	-
(i) Current extraction	-	-	-	-	-	-	-	-
(ii) Current use	-	-	-	-	-	-	-	-
4. Closing Balance of the current period	494,677,580.00	821,635,348.08	-	376,058,902.23	1,887,130,972.05	-	-	3,579,502,802.36

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in Renminbi yuan unless otherwise stated)

1. BRIEF INTRODUCTION TO THE COMPANY

Guangzhou Shipyard International Company Limited ("the Company") was reorganized from Guangzhou Shipyard and incorporated as a joint stock limited company in the PRC in 1993. The Company was changed into a Sino-foreign joint limited company upon approval by authority on 21 October, 1994. The Company's business license was changed and issued by Administration Bureau for Industry and Commerce of Guangzhou with registration No. 440101400025144 on 7 December, 2009. The Company was registered in No. 40, Fangcun Avenue South, Liwan District, Guangzhou with registered capital of 494,678,000 RMB and the legal representative is Chen Jingqi.

The Company belongs to shipbuilding industry. The principal business scope cover: 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.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS

2.1 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. Estimates 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.

2.2 Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared, which give a true and fair view of the state of affairs of the Company as at 30 June 2011 and of the Company's operating results and cash flows for the period then ended, in accordance with Accounting Standards for Business Enterprises-Basic Standard.

2.3 Accounting Period

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

2.4 Bookkeeping Currency

Accounting records are maintained in Renminbi.

2.5 Business combination

2.5.1 Business Combination Involving Enterprises under the 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.

2.5.2 Business Combinations not under the Same Control

For a business combination not involving enterprises under common control, 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.

Accounting treatment should be different when comes to individual financial report and consolidated financial report on conditions of combination achieved in stages.

- (a) In individual financial report, the cost should be the aggregate of the book value of the investment on hand and the added cost of investment. If there are other comprehensive incomes arising from the investment on hand before the acquisition, these comprehensive incomes should be turned into investment income.
- (b) In consolidated financial report, the value of the investment on hand before combination should be revalued according to fair value at the acquisition date, the difference between the book value and the fair value should be recognized as investment income of current period. If there are other comprehensive incomes arising from the investment on hand before the acquisition, these comprehensive incomes should be turned into investment income.

The acquiring cost incurred because of receiving services such as auditing, law service, valuation and consultation should be recognized into current period profit when they happened. The trading cost of equity securities or debt securities issued as consideration of the combination should be recorded as the original value of securities.

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.

2.6 Preparation of Consolidated Financial Statements

The scope of consolidated financial statements includes subsidiaries 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.

The consolidated financial statements for a business combination not involving enterprises under common control have been prepared based on the fair values of the identifiable assets, liabilities and contingent liabilities at the date of acquisition and adjusted the individual financial statements. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Adjustments have been made for the consolidated balance sheet and corresponding items in the financial statements.

2.7 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.

2.8 Foreign Currency

2.8.1 Foreign Currency Translations

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.

2.8.2 Translation of Financial Statements Denominated in Foreign Currencies

In preparing the financial statements of each individual group entity, there are no transactions in currencies other than the functional currency of that entity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.9 Financial Instruments

2.9.1 Classification, Recognition and Measurement of Financial Instruments

The Company classifies its financial assets into following categories: at fair value through profit or loss, loans and receivables (refers to Note 2.10), and available-for-sale financial assets. 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, and other financial liabilities

2.9.1.1 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. Upon disposal, 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.

2.9.1.2 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.

2.9.1.3 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 of risk management. (3) the financial liability is not an effective hedging derivative.

2.9.1.4 Other Financial Liabilities

Other financial liabilities of the Company are financial liabilities other than those at fair value through profit or loss, including accounts payable, long-term accounts payable arising from products purchasing and etc. Other financial liabilities are initially measured at the sum of their fair value and relevant transaction expenses, 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 contracts, shall be initially measured at the sum of their fair value and relevant transaction expenses. Subsequent measurement shall be subject to the one with higher amount recognized as follows:

- (1) amount determined according to "Accounting Standard for Business Enterprises No.13-Contingencies"; and
- (2) amount which is the balance of initial carrying amount deducting the cumulative amortization amount according to "Accounting Standard for Business Enterprises No.14-Revenue".

2.9.2 Recognition and Measurement of Financial Assets Transfer

The transfer of financial assets includes two circumstances as follows:

- (1) The Company transfers the right of receiving the cash flows from the financial assets to another party; and
- (2) The Company transfers the financial assets to another party, but maintains the right to receive the cash flows from the financial assets and undertakes the obligation to pay the cash flows received to the final recipient, and satisfies all the following conditions:
 - A) the Company is not obliged to make any payment to the final recipient until it receives the cash flows equivalent to those from financial assets. As for any short-term funds advanced, the conditions shall be deemed to have been satisfied if the Company is entitled to recover the full amount of the funds advanced with accrued interests based on the interest rate of bank loans in the market during the corresponding period;
 - B) In accordance with the contract stipulations, the financial assets shall not be sold or set as a collateral, but can be set as an guarantee for paying the cash flow to the final recipient;
 - C) the Company is obliged to pay the cash flows to the final recipient as soon as it receives. The company is not entitled to make a re-investment with the cash flows, other than the case that the Company makes cash or cash equivalent investments with the cash flows received during the interval of two consecutive payments as stipulated in the contract. Regarding such re-investments above, the Company shall pay the investment proceeds to the final recipient in accordance with the contract 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:

- (1) If it gives up its control over the financial asset, it shall stop recognizing the financial asset;
- (2) 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.

2.9.3 Conditions of Not Recognizing the Financial Liability

The company should not 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.

2.9.4 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.

2.9.5 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 decreased 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.

2.10 Accounts Receivable

Initial amount of accounts receivable (including accounts receivable and accounts receivable-others) is recorded at consideration agreed in contracts. Accounts receivable shall be listed as loss of bad debts after authorities' approval in case that: a) the debtors are bankrupt or dead, and the debts are still unrecoverable after legal liquidation; b) the debtors are dead, and the debts are unrecoverable since there is no legacy for liquidation and no obligation undertaker; c) overdue debts are failed to be settled by the debtors.

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.

The Company divides accounts receivable into those without provision for impairment or those with provision for impairment. Receivables of companies in the scope of consolidation do not make provision. Those with provision are divided into single significant receivables and single insignificant receivables, and the provision method is shown as follows:

2.10.1 Individually Significant Receivables

The Company considers individual receivables of over RMG10million are recognized as significant receivables.

At the 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 closing balance.

2.10.2 Individual insignificant receivables with individual provision

Insignificant receivables aged over 1 year or receivables which shown 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 closing balance.

2.10.3 Portfolios with different age

Except individual provision, 0.5% of the receivable balances shall be accounted for as impairment amount.

2.11 Inventories

2.11.1 Classifications of 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.

2.11.2 Measurement of inventories

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.

2.11.3 Basis of determining net realizable value of inventories and allowance for obsolete inventories

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 the balance sheet date, inventories are stated at the lower of cost or net realizable value. If the carrying amount of inventories exceed their net realizable values 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 sale proceeds when the actual cost is more than the foreseeable operating income.

2.11.4 Inventory system

The Company adopts a perpetual inventory system. The Company performs periodic inventory take, with gain or loss on inventory take recognised in the profit or loss during the period.

2.12 Long-term Equity Investments

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

2.12.1 Determination of investment cost

The price of a long-term equity investment measured by employing the cost method shall be included at its initial investment cost. The initial measurement of long-term equity investment under the business combination refers to the accounting policy in Note 4.5. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted.

Long-term equity shall be initially measured at its initial investment cost if the Company has joint control or significant influences over the investees; or does not have joint control nor significant influences over the investees and that are not quoted in an active market and its fair value cannot be measured reliably.

2.12.2 Subsequent measurement and recognition

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.

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. 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.

For an 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.

2.12.3 Basis of determining joint control or significant influence

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.

2.12.4 Impairment test and impairment of long-term equity investments

At the 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 recognize amount of write downs as impairment loss through profit or loss. At the same time, make a provision for impairment of assets and 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.

2.13 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 (amortisation) rate
Buildings	45~70	3%	1.39%~2.16%

When the purpose of investment property held for receiving rental income or capital appreciation has changed to self use, it shall be converted from the investment property to other assets, and vice versa. The carrying value of the property prior to the conversion shall be the entry value after conversion.

When the recoverable amount of investment property is lower than its carrying value at 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 accordingly. 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.

2.14 Fixed Assets

2.14.1 Recognition criteria of fixed assets

Fixed assets refer to tangible assets of which related future economic benefits will flow into the enterprise and the related costs could be measured reliably, and held for production or supply of goods or services, rental or for administrative purposes for more than one accounting year.

2.14.2 Depreciation methods of different classifications of fixed assets

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%

2.14.3 Impairment tests and measurement of impairment of fixed assets

At the balance sheet date, if the recoverable amount of fixed assets is 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 subsequent accounting period.

2.14.4 Other explanations

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, expect where the value stipulated in the contract or agreement is not fair.

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.

2.15 Construction-in-progress

Construction-in-progress is stated at cost. Actual cost comprises costs incurring in constructing the asset to readily usable conditions. The construction-in-progress of the Company includes construction of infrastructures, general technical amendment and other investments.

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 to adjust the 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.

2.16 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 (the payout include 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.

2.17 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.

The Company performs assessment on the length of useful live of the intangible asset upon possession of its ownership, and classifies the intangible assets as either with definite or indefinite useful lives.

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	Remarks
Land-use right	50 year	Straight-line	
Know-how without patent	5-10 year	Straight-line	

No amortization will be made on intangible assets with indefinite useful lives. The Company performs review on the intangible assets with no definite useful lives to ascertain whether there are evidence which can prove the useful lives of these intangible assets are definite, and will amortise the useful lives using straight line method. Intangible assets are not amortized for intangible assets of which the useful lives of intangible assets cannot be ascertained and are subject to impairment test annually.

At the balance sheet date, the Company compares the carrying value and the recoverable amount of an intangible asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in profit or loss. The impairment loss could not be reversed in subsequent accounting periods.

The expenditures for its internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures. The creative and planned investigation to acquire and understand new scientific or technological knowledge shall be classified as research expenditures. The application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product shall be classified as development expenditures.

The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

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 (1) available for use or sale; (2) its intention to complete and its ability to use or sell the asset; (3) how the asset will generate future economic benefits; (4) the availability of resources to complete the asset; and (5) 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.

2.18 Provisions

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

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) 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.

2.19 Revenue

2.19.1 Sales of goods

Revenue from sales of goods is measured at the consideration received or receivable and represents amounts receivable for goods sold in accordance with the contracts in the normal course of business. Revenue from the sale of goods is recognised when all the following conditions are satisfied: (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the economic benefits associated with the transaction will flow to the Group; and (5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

2.19.2 Revenue from rendering of services

When the provision of services is started and completed in the same accounting period, revenue from rendering of services is recognized when the contract has been executed. When the provision of services is started and completed in different accounting period and the outcome of a transaction involving the rendering of services can be estimated reliably, an enterprise should recognize the service revenue at the balance sheet date by the use of the percentage of completion method, which is measured by reference to the percentage of certified value of work performed to the contract sum for each contract.

When the outcome of a service contract cannot be estimated reliably, different accounting treatments will be adopted depending on the circumstances: (a) if service costs can be recovered, service revenue will be recognized to the extent of the service costs that can be recovered; and service costs will be recognized as service expenses in the period in which they are incurred; (b) if service costs cannot be recovered, they will be recognized as service expenses immediately when incurred and service revenue will not be recognized.

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.

2.19.3 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.

2.19.4 Construction contracts

When the outcome of a construction contract can be estimated reliably at the balance sheet 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.

The percentage of completion method is measured by reference to the percentage of certified value of work performed to the contract sum for each contract.

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.

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. The amounts in foreign currency are translated into the amount in the functional currency RMB at the spot exchange rate of the date when the amounts are received. The amounts which are receivable as at balance sheet date are translated into the amount in the functional currency RMB at the spot exchange rate of the balance sheet date. The aggregated amounts are recognised as accumulative deferred revenue in the functional currency RMB. Current period contract revenue is the total accumulative deferred revenue after deducting the accumulated deferred revenue brought forward from the prior periods.

2.20 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 (RMB1).

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. But the government subsidies measured at their nominal amounts shall be directly included in the current profits and losses.

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.

2.21 Deferred Income Tax Assets/Liabilities

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. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

2.22 Leases

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.

2.22.1 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.

2.22.2 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.

2.23 Held for Sale Assets

Non-current assets should be recognized as held for sale assets when meet the following conditions: (a) The Company has decided to disposal the non-current asset. (b) The Company has signed contract of disposal that can not be cancelled. (c) The disposal can be achieved in one year. Held for sale assets including single asset and disposal group. Disposal group is a group assets that would be sold together or other manner.

The company will adjust the predict net value of the hold for sale fixes assets so that the net value can reflect its fair value minus the costs of disposal, but the predict net value should not exceed the book value of the fixed asset when it was recognized as hold for sale. If the book value is higher, the difference between them should be charged into profit.

Other hold for sale assets should following the similar route as shown above but the following should not included: deferred income tax assets, financial assets under CAS22, investment property measured at fair value, biological assets, and rights from insurance contract.

2.24 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.

2.25 Changes in Accounting Policies, and Accounting Estimates

There is no change in accounting policies, accounting estimates in the current period.

2.26 Significant Prior Period Errors

There is no significant prior period errors occurred in the current period.

3. TAXATION

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

3.1 Turnover Tax and Surcharge

Categories	Taxation (expense) Basis	Tax Rate	Remarks
Business Tax	Transportation and construction installation Other services	3% 5%	
Value-added Tax	The sale of goods and provision of processing, repairing, repair services	17%	
Urban Maintenance and Construction Tax	Sales except the oil and gas exports	0%	
Education surcharge	Turnover tax payable during the year	7%	
Flood defense expenses	Turnover tax payable during the year Income from principal activities and other incomes	3% 0.09%	

3.2 Corporate Income tax

Companies	Tax Rate	Remarks
Guangzhou Shipyard International Company Limited	15%	
Glory Group Developing Co., Ltd.	16.5%	
Fonkwong Developing Co., Ltd.	16.5%	
Guangzhou Hongfan Information Technique Co., Ltd.	15%	
Other subsidiary company	25%	

3.3 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%.

3.4 Individual Income Tax

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

3.4.2 Tax Preference and Approvals

The Company and its subsidiary Guangzhou Hongfan Information Technique Co., Ltd. are approved to be Hi-tech Enterprises by relevant authorities (Guangzhou Liwan District, National Tax Bureau, [2009] No.08002; Guangzhou Tianhe District, National Tax Bureau [2008] No.5012). The Company and Guangzhou Hongfan Technology Co., Ltd. are together taxed at 15% for three years since January 1, 2008. The aforesaid tax preference was expired in 2011. The Company has applied for renewal and thus Corporate income tax is calculated at 15% upon any unapproval by relevant authorities.

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

4.1 Information of the Company's subsidiary companies

4.1.1 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 Company 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	Ling Yuan	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	General trading
Fonkwang Developing Co., Ltd.	wholly-owned subsidiary	Hong Kong	Trading	HKD200	Chen Liping	General trading
Guangzhou GSI Large-size Machinery Equipment Co., Ltd.	wholly-owned subsidiary	Guangzhou	Designing, manufacturing and installing	RMB188,610	Chen Jianrong	Designing, manufacturing, installing and selling marine auxiliaries, set of heavy machinery
Zhongshan GSI Marine Engineering Co., Ltd.	wholly-owned subsidiary	Zhongshan	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
Special Skills of Shipbuilding Industry 007 Evaluation Station	wholly-owned subsidiary	Guangzhou	Evaluation special career skills	RMB800	Tan Tinggui	Evaluation special career skills of shipping industry

Subsidiaries	Holding Ratio		Representative Ratio	Investment at the End of the Period	Other items substantially constitute investment	Consolidated (Y/N)
	Direct	Indirect				
Guangzhou Masterwood Shipbuilding Co., Ltd.	75%	25%	100%	3,685,222.80	-	Y
Guangzhou Xinsun Shipping Service Company Co., Ltd.	83.33%	16.67%	100%	1,666,600.00	-	Y
Guangzhou United Steel Structures Co., Ltd.	51%		51%	37,522,079.55	-	Y
Guangdong GSI Elevator Co., Ltd.	95%	5%	100%	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%	20%	100%	400,000.00	-	Y
Guangzhou Hongfan Hotel Co., Ltd.		100%	100%	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 Guangchuan International Marine and Ocean Project Co., Ltd	100%		100%	100,000,000.00	-	Y
Special Skills of Shipbuilding Industry	100%		100%	800,000.00	-	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		-	-
Guangzhou Xinsun Shipping Service Company Co., Ltd.	State holding	231249006		-	-
Guangzhou United Steel Structures Co., Ltd.	Sino-foreign joint venture	61843570-0	79,773,833.97	-	-
Guangdong GSI Elevator Co., Ltd.	State holding	23112891-7		-	-
Guangzhou Hongfan Information Technique Co., Ltd.	State holding	70825764-5	7,982,511.36	-	-
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	State holding	19047465-2		-	-
Guangzhou Hongfan Hotel Co., Ltd.	State holding	63320352-9		-	-
Glory Group Developing Co., Ltd.	State holding	190445392	4,049,247.46	-	-
Fonkwang Developing Co., Ltd.	State holding	190440559	4,049,247.46	-	-
Guangzhou GSI Large-size Machinery Equipment Co., Ltd.	State holding	68132734-X		-	-
Zhongshan Guangchuan International Marine and Ocean Project Co., Ltd.	State holding	684420937		-	-
Special Skills of Shipbuilding Industry 007 Evaluation Station	State holding	G3410567-5		-	-

4.2 Changes of Consolidation Scope

There are no changes of consolidation scope in this period.

5. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
1. Cash						
RMB	106,494.45	1.0000	106,494.45	132,377.78	1.0000	132,377.78
USD	3,567.80	6.4716	23,089.37	3,567.80	6.6227	23,628.47
HKD	12,605.00	0.8316	10,482.32	77,068.84	0.8509	65,577.87
GBP	917.25	10.3986	9,538.12	917.25	10.2182	9,372.64
EUR	954.84	9.3612	8,938.45	954.84	8.8065	8,408.80
Subtotal			158,542.71			239,365.56
2. Deposits in Bank						
RMB	4,807,758,049.19	1.0000	4,807,758,049.19	4,895,152,854.35	1.0000	4,895,152,854.35
USD	33,269,280.24	6.4716	215,305,474.00	13,183,550.95	6.6227	87,310,702.88
HKD	5,996,886.14	0.8316	4,987,010.51	13,483,920.88	0.8509	11,473,468.29
EUR	4,734,781.85	9.3612	44,323,239.85	1,083,221.63	8.8065	9,539,391.28
Subtotal			5,072,373,773.55			5,003,476,416.80
3. Other Monetary Funds						
RMB	2,476,077,898.71	1.0000	2,476,077,898.71	2,212,802,777.90	1.0000	2,212,802,777.90
Subtotal	2,476,077,898.71		2,476,077,898.71	2,212,802,777.90		2,212,802,777.90
Total			7,548,610,214.97			7,216,518,560.26

Note 1: The ending balance of other monetary assets includes credit card deposit RMB65,007.12, and time deposit RMB2,476,012,891.59 as guaranty.

Note 2: As at June 30, 2011, there is no pledge, frozen risk related to the Company's cash except those shown above.

Note 3: As at June 30, 2011, the Company's deposit RMB330,205,766.37 in CSSC Financial CO., one of subsidiaries of CSSC, is a non-bank financial institution authorized by People's Bank of China.

5.2 Transactional Financial Assets

Item	Fair Value at End of the Period	Fair Value at Beginning of the Period
Financial Assets designated as measured at fair value through current profit or loss	36,173,867.46	21,227,664.57
Total	36,173,867.46	21,227,664.57

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

Explanatory note: The increase of 70.41% in balance compared to the beginning is resulted from the fluctuation of fair value caused by the changes of exchange rate.

5.3 Notes Receivable

Type	Ending Balance	Beginning Balance
Bank Acceptance	2,443,097.50	3,357,384.82
Commercial Acceptance	-	103,600,000.00
Total	2,443,097.50	106,957,384.82

Note: The decrease of 97.72% in balance compared to the beginning is resulted from the commercial acceptance bills 103.6 million yuan (ship progress payment) which is due to expiration of acceptance on January 22, 2011.

5.4 Accounts Receivable

5.4.1 Classification based on significance is listed as below:

Classification	Carrying Amount		Ending Balance		Net Value
	Amount	Ratio	Bad Debt Allowance		
			Amount	Ratio	
1. Individually significant balance					
2. Individually insignificant but provision individually	8,035,459.77	1.93%	6,632,791.17	82.54%	1,402,668.60
3. Provision percent of ending balance	408,349,814.38	98.07%	1,313,473.12	0.32%	407,036,341.26
Total	416,385,274.15	100.00%	7,946,264.29	1.91%	408,439,009.86

Classification	Beginning Balance				
	Carrying Amount		Bad Debt Allowance		Net Value
	Amount	Ratio	Amount	Ratio	
1. Individually significant balance					
2. Individually insignificant but provision individually	8,317,147.74	3.38%	6,632,791.17	79.75%	1,684,356.57
3. Provision percent of ending balance	237,559,443.15	96.62%	1,313,473.12	0.50%	236,245,970.03
Total	245,876,590.89	100.00%	7,946,264.29	3.23%	237,930,326.60

The general credit terms of trade receivables are:

Operations	Credit terms
Shipbuilding	Within one month after issue of invoice
Other operations	Normally one to six months

Foreign currency included in the balance:

Clients	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	7,536,877.97	6.4716	48,775,659.47	8,076,212.70	6.6227	53,486,333.85
HKD	573,662.64	0.8316	477,057.85	361,247.34	0.8509	307,385.36
MOP	5,656,385.17	0.8057	4,557,349.54	1,557,986.79	0.8265	1,287,676.08
Total			53,810,066.86			55,081,395.29

Classification based on aging included in the balance:

Aging	Ending Balance		Bad Debt Allowance	Net Value
	Amount	Ratio		
Within 1 year	371,072,264.63	90.87%	1,108,607.02	369,963,657.61
1-2 years (Inclusive)	36,244,825.44	8.88%	199,658.47	36,045,166.97
2-3 years (Inclusive)	297,113.74	0.07%	1,500.20	295,613.54
3-4 years (Inclusive)	172,344.00	0.04%	1,125.23	171,218.77
4-5 years (Inclusive)	563,266.57	0.14%	2,582.20	560,684.37
Over 5 years				
Total	408,349,814.38	100.00%	1,313,473.12	407,036,341.26

Aging	Beginning Balance		Bad Debt Allowance	Net Value
	Amount	Ratio		
Within 1 year	196,586,223.68	82.75%	1,108,607.02	195,477,616.66
1-2 years (Inclusive)	39,931,693.65	16.81%	199,658.47	39,732,035.18
2-3 years (Inclusive)	300,039.74	0.13%	1,500.20	298,539.54
3-4 years (Inclusive)	225,045.17	0.09%	1,125.23	223,919.94
4-5 years (Inclusive)	516,440.91	0.22%	2,582.20	513,858.71
Over 5 years				
Total	237,559,443.15	100.00%	1,313,473.12	236,245,970.03

(2) Classification based on aging of accounts receivable:

Aging	Ending Balance		Bad Debt Allowance	Net Value
	Amount	Ratio		
Within 1 year	371,072,264.63	89.12%	1,108,607.02	369,963,657.61
1-2 years (Inclusive)	36,244,825.44	8.70%	199,658.47	36,045,166.97
2-3 years (Inclusive)	334,613.74	0.08%	39,000.20	295,613.54
3-4 years (Inclusive)	216,244.00	0.05%	45,025.23	171,218.77
4-5 years (Inclusive)	6,912,695.99	1.66%	4,949,343.02	1,963,352.97
Over 5 years	1,604,630.35	0.39%	1,604,630.35	
Total	416,385,274.15	100.00%	7,946,264.29	408,439,009.86

Aging	Beginning Balance		Bad Debt Allowance	Net Value
	Amount	Ratio		
Within 1 year	196,586,223.68	79.95%	1,108,607.02	195,477,616.66
1-2 years (Inclusive)	39,931,693.65	16.24%	199,658.47	39,732,035.18
2-3 years (Inclusive)	337,539.74	0.14%	39,000.20	298,539.54
3-4 years (Inclusive)	6,565,975.71	2.67%	4,689,644.52	1,876,331.19
4-5 years (Inclusive)	1,901,870.91	0.77%	1,356,066.88	545,804.03
Over 5 years	553,287.20	0.23%	553,287.20	
Total	245,876,590.89	100.00%	7,946,264.29	237,930,326.60

(3) Individually insignificant but single assess for impairment

Clients	Ending Balance	Bad Debt Allowance	Ratio	Reason
Macao Ludang Co., Ltd.	863,566.90	863,566.90	100%	Inability to repay due to financial predicament
Federal Metal Project Co., Ltd.	407,502.39	407,502.39	100%	Inability to repay due to financial predicament
WHL – FONKWANG	4,557,349.54	3,387,326.26	74.33%	Dispute, but promised to pay 30%
Chongqing Yuandong Fushi Jidian Company	940,840.00	740,140.00	78.67%	Long period and financial predicament
Chongqing Nanfang group company	270,874.04	270,874.04	100.00%	Long period and financial predicament
Chongqing Yicheng Zhiye Company	306945.32	275,000.00	89.59%	Long period and financial predicament
Hunan Lianxiang Elevator Company	146,537.20	146,537.20	100%	Long period and financial predicament
Hubei Dongfang Yule Company	20,000.00	20,000.00	100%	Long period and financial predicament
Chengdu Xingguanghua Company	28,694.38	28,694.38	100%	Long period and financial predicament
Kunming Chuncheng Elevator Company	81,400.00	81,400.00	100%	Long period and financial predicament
Guilin Hongyun Elevator Company	398,250.00	398,250.00	100%	Long period and financial predicament
Wuzhou Public Security Bureau	13,500.00	13,500.00	100%	Refuse to pay on excuse of quality of product
Total	8,035,459.77	6,632,791.17		

(4) Up to 30 June 2011, 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
China Shipping passenger ship co., Ltd.	External customer	103,600,000.00	Within 1 year	24.88%
Representative Bureau of haizhuang based in Guangzhou military region	External customer	87,140,000.00	Within 1 year	20.93%
China Shipping Development Co., Ltd.	External customer	48,016,371.00	Within 1 year	11.53%
Denmark A.P.MOLLER Company	External customer	27,271,322.40	Within 1 year	6.55%
ThyssenKrupp Materials Handling Mining Technology (China) Co., Ltd.	External customer	25,599,870.40	Within 1 year	6.15%
Total		291,627,563.80		70.08%

(6) Balance with related party:

Note 1: Balance with related party is RMB51,493,453.82, Details are shown in Note 6.3.

Note 2: (1) The balance of accounts receivable is increased by 71.66%, which is attributed to the receivables recognized according to the progress of shipbuilding. As at the reporting date, the Company has received 69,710,000.00 yuan from Representative Bureau of Haizhuang based in Guangzhou military region, and 48,016,371.00 yuan from China Shipping Development Co., Ltd, and 27,271,322.40 yuan from Denmark A.P.MOLLER Company, and 21,514,117.95 yuan from ThyssenKrupp Materials Handling Mining Technology (China) Co., Ltd.;

(2) Accounts receivable which individually insignificant but provision individually amounted to RMB8,035,459.77, of which the decrease amount 281,687.97 yuan is attributed to closing exchange rate difference of the receivables dominated in USD from WHL-FONKWANG.

5.5 Prepayments

5.5.1 Classification based on aging:

Aging	Ending Balance		Beginning Balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	418,747,238.33	96.62%	393,046,147.06	87.41%
1-2 years (Inclusive)	1,401,876.67	0.32%	50,452,880.14	11.22%
2-3 years (Inclusive)	10,888,541.54	2.51%	5,783,836.04	1.29%
Over 3 years	2,402,391.25	0.55%	341,580.94	0.08%
Total	433,440,047.79	100.00%	449,624,444.18	100.00%

(1) Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	12,122,844.98	6.4716	78,454,203.57	7,678,185.73	6.7668	51,956,747.19
EUR	7,146,558.48	9.1738	65,560,993.29	22,763,485.20	8.9872	204,578,938.10
HKD	616,675.78	0.8316	512,827.58			
Total			144,528,024.44			256,535,685.29

(2) Top 5 balance:

Suppliers' Name	Relationship with the company	Ending Balance	Proportion	Time of payment	Reason
Dalian Marine Diesel Engine Limited Company	External supplier	153,205,000.00	35.35%	Within 1 year	Contract undue
CSIC 704 Research Institute	External supplier	92,696,500.00	21.39%	Within 1 year	Contract undue
Zhenjiang CSSC Equipment Limited Company	Under the same control of CSSC	42,370,000.00	9.78%	Within 1 year	Contract undue
Chongqing Steel Limited Liability Company	External supplier	25,228,109.34	5.82%	Within 1 year	Contract undue
China Shipping International Trading Co., Ltd.	External supplier	23,925,803.60	5.52%	Within 1 year	Contract undue
Total		337,425,412.94	77.85%		

(3) Significant balance aged over 1 year listed as follows:

Suppliers	Ending Balance	Aging	Reason
WARTSILA Company (Finland)	10,577,328.02	2-4 years	Contract undue
Zhenjiang CSSC WARTSILA Propeller Limited Company	605,500.00	2-3 years	Contract undue
ABB Limited Company (Hong Kong)	568,979.79	3-4 years	Contract undue
Total	11,751,807.81		

(4) Up to 30 June 2011, there is no advances to suppliers of shareholders holding 5% or more than 5% of the voting stocks. As at 30 June 2011, balance of advances to suppliers with related party amounts to RMB68,458,851.85. Details refer to Note 6.3

5.6 Interests Receivable

Item	Beginning Balance	Increase	Decrease	Ending Balance
Fixed deposits interest	62,875,756.88	83,328,646.36	63,592,203.33	82,612,199.91
Total	62,875,756.88	83,328,646.36	63,592,203.33	82,612,199.91

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

5.7 Dividends Receivable

Name	Beginning Balance	Increase	Decrease	Ending Balance
Zhenjiang CSSC Power Generation Equipment Co., Ltd.	4,800,000.00			4,800,000.00
South China Special Coating Industry Limited Company	677,728.60		677,728.60	
Total	5477,728.60		677,728.60	4,800,000.00

5.8 Other Receivables

5.8.1 Classification based on significance is listed as below:

Classification	Ending Balance				
	Book Value		Bad Debt Allowance		Net Value
	Amount	Ratio	Amount	Provision proportion	
1. Individually significant balance	10,340,232.15	6.24%	10,340,232.15	100.00%	
2. Individually insignificant but provision individually	57,600.00	0.03%	57,600.00	100.00%	
3. Provision percent of ending balance	155,295,100.56	93.72%	1,427,327.61	0.92%	153,867,772.95
Total	165,692,932.71	100.00%	11,825,159.76	7.14%	153,867,772.95

Type	Beginning Balance				
	Book Value		Bad Debt Allowance		Net Value
	Amount	Ratio	Amount	Provision proportion	
1. Individually significant balance	10,340,232.15	3.43%	10,340,232.15	100.00%	
2. Individually insignificant but provision individually	57,600.00	0.02%	57,600.00	100.00%	
3. Provision percent of ending balance	291,310,318.71	96.55%	1,427,327.61	0.50%	289,882,991.10
Total	301,708,150.86	100.00%	11,825,159.76	3.92%	289,882,991.10

Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange rate	RMB Equivalent	Original Currency	Exchange rate	RMB Equivalent
HKD	14,461,899.71	0.8316	12,026,515.80			
Total	14,461,899.71	0.8316	12,026,515.80			

Classification based on aging included in the balance:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	152,670,328.01	98.30%	1,414,988.92	151,255,339.09
1-2 years (Inclusive)	1,072,775.33	0.69%	3,778.49	1,068,996.84
2-3 years (Inclusive)	1,452,958.31	0.94%	5,592.57	1,447,365.74
3-4 years (Inclusive)	40,638.91	0.03%	2,741.99	37,896.92
4-5 years (Inclusive)	40,000.00	0.03%	8.14	39,991.86
Over 5 years	18,400.00	0.01%	217.5	18,182.50
Total	155,295,100.56	100.00%	1,427,327.61	153,867,772.95

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	288,993,963.12	99.20%	1,415,745.83	287,578,217.29
1-2 years (Inclusive)	2,087,018.00	0.72%	10,435.09	2,076,582.91
2-3 years (Inclusive)	60,937.59	0.02%	304.69	60,632.90
3-4 years (Inclusive)	120,000.00	0.04%	600.00	119,400.00
4-5 years (Inclusive)	2,400.00	0.00%	12.00	2,388.00
Over 5 years	46,000.00	0.02%	230.00	45,770.00
Total	291,310,318.71	100.00%	1,427,327.61	289,882,991.10

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	10,340,232.15	100%	Note
Guangzhou chengjian Archives	57,600.00	57,600.00	100%	
Total	10,397,832.15	10,397,832.15		

Note: the Company's trust deposits originally in Guangzhou International Trust and Investment Corporation (hereinafter referred to as "the Guangzhou International Trust and Investment") have replaced most of the assets according to the debt restructuring agreement reached by Guangzhou International Trust and Investment and the Company.

On August 17, 2005, the Company and Guangzhou International Trust and Investment, Hong Kong Guanghong International Corp ("Hong Kong Guanghong Company") entered into a "credit transfer agreement", the Guangzhou International Trust and Investment shall transfer credit RMB10.64 million of Hong Kong Guanghong Company owed to its subsidiary, Guangzhou Guoxin Economic Development Corporation to the Company, while signed a "debt offset agreement" with Hong Kong Guanghong Company, stating that Hong Kong Guanghong Company shall compensate for some part of the credit by seven cars which shall be delivered before the end of September 2011, and the remaining debt shall be compensated by part of equities in Guanghong Photovoltaic technology (Shenzhen) Co., Ltd held by Hong Kong Guanghong Company. On September 21, 2009, ruled by the Guangdong Provincial Higher People's Court of Final Judgement, Hong Kong Guanghong Company shall pay off the company's debt principal and corresponding interest within ten days from the judgement legally effective. As of June 30, 2011, the Company failed to recover the debt as expected, and the company will further follow-up the case.

(2) Classification based on aging of other receivables:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	152,670,328.01	92.14%	1,414,988.92	151,255,339.09
1-2 years (Inclusive)	1,072,775.33	0.65%	3,778.49	1,068,996.84
2-3 years (Inclusive)	1,452,958.31	0.88%	5,592.57	1,447,365.74
3-4 years (Inclusive)	40,638.91	0.02%	2,741.99	37,896.92
4-5 years (Inclusive)	40,000.00	0.02%	8.14	39,991.86
Over 5 years	10,416,232.15	6.29%	10,398,049.65	18,182.50
Total	165,692,932.71	100.00%	11,825,159.76	153,867,772.95

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	288,993,963.12	95.79%	1,415,745.83	287,578,217.29
1-2 years (Inclusive)	2,087,018.00	0.69%	10,435.09	2,076,582.91
2-3 years (Inclusive)	60,937.59	0.02%	304.69	60,632.90
3-4 years (Inclusive)	120,000.00	0.04%	600.00	119,400.00
4-5 years (Inclusive)	2,400.00	0.00%	12.00	2,388.00
Over 5 years	10,443,832.15	3.46%	10,398,062.15	45,770.00
Total	301,708,150.86	100.00%	11,825,159.76	289,882,991.10

(3) Up to 30 June 2011, there are no other receivables of shareholders holding 5% or more than 5% of the voting stocks.

(4) Top 5 balance:

Items	Content	Relationship with the company	Ending Balance	Aging	Proportion
Product Subsidy	Subsidy	Other	126,799,634.00	Within 1 year	82.41%
Hong Kong Guanghong International Corp	Trust loan	External party	10,340,232.15	Over 5 years	6.72%
Hongkong J&D Company	Advance for project	External party	4,383,436.71	Within 1 year	2.85%
Hongkong Baoying Company	Advance for project	External party	1,330,451.99	Within 6 months	0.86%
Jiangsu Shenghua Shipbuilding Company	Advance for electricity	External party	1,000,000.00	Within 2 years	0.65%
Total			<u>143,853,754.85</u>		<u>93.49%</u>

Note: The increase of 46.92% in balance compared to the beginning is mainly resulted from the decrease of export tax rebates receivable and product subsidies due to change of product structure in the Company.

5.9 Inventories

5.9.1 Classification of inventories listed as follows:

Items	Ending Balance			Beginning Balance		
	Book value	Impairment	Net value	Book value	Net value	Impairment
Raw Materials	752,742,257.55	7,539,595.57	745,202,661.98	469,785,775.43	10,990,667.46	458,795,107.97
Work-in-Process	591,835,539.18	10,995,025.20	580,840,513.98	404,837,765.00	10,995,025.20	393,842,739.80
Commodity/Finished Goods	6,451,191.45	284,253.98	6,166,937.47	5,239,129.13	284,253.98	4,954,875.15
Inventories under construction contract	506,923,286.42	179,517,990.16	327,405,296.26	764,019,750.52		764,019,750.52
Goods in transit				33,952,565.63		33,952,565.63
Total	<u>1,857,952,274.60</u>	<u>198,336,864.91</u>	<u>1,659,615,409.69</u>	<u>1,677,834,985.71</u>	<u>22,269,946.64</u>	<u>1,655,565,039.07</u>

5.9.2 Movement of provision for impairment

Categories	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Raw Materials	10,990,667.46			3,451,071.89	7,539,595.57
Work-in-Process	10,995,025.20				10,995,025.20
Commodity/Finished Goods	284,253.98				284,253.98
Inventories under construction contract		179,517,990.16			179,517,990.16
Total	<u>22,269,946.64</u>	<u>179,517,990.16</u>		<u>3,451,071.89</u>	<u>198,336,864.91</u>

5.9.3 Reasons for movement of provision

Item	Reasons for provision	Reasons for reverse	Proportion of reverse amount to ending balance of inventory
Raw Materials	Book value is higher than net reliable value (Estimated selling price minus expenses of taxation)	Sales of TUX materials	
Goods-in-Process	Book value is higher than net reliable value (Estimated selling price minus expenses of selling)		
Commodity/Finished Goods	Book value is higher than net reliable value (Estimated selling price minus expenses of taxation)		
Inventories under construction contract	Book value is higher than net reliable value (Estimated selling price minus expenses of selling)		

5.10 Available-for-Sale Financial Assets

5.10.1 Classification of available-for-sale financial assets are listed as below:

Item	Ending Fair Value	Beginning Fair Value
Equity Instruments	267,647,603.00	266,791,996.50
Total	<u>267,647,603.00</u>	<u>266,791,996.50</u>
Less: Impairment provisions for available-for-sale financial assets		
Net Value	<u>267,647,603.00</u>	<u>266,791,996.50</u>

5.10.2 Details about available-for-sale financial assets:

Items	Ending Fair Value	Beginning Fair Value
China Merchants Bank Co., Ltd.	226,647,603.00	222,991,996.50
China Merchants Energy Shipping Co., Ltd.	38,300,000.00	41,100,000.00
Golf Club Membership of Wuhan Gold and Silver Lake	2,700,000.00	2,700,000.00
Total	<u>267,647,603.00</u>	<u>266,791,996.50</u>

Note: As at June 30, 2011, 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, 2011.

5.11 Investments in Associates

Investee	Holding Ratio	Representative Ratio	Ending Total Assets	Ending Total Liabilities	Ending Total Net Assets	Current period revenue cumulative	Current period net profit
Association							
South China Marine and Industrial Special Coating Co., Ltd.	25%	25%	19,136,512.53	3,312,939.86	15,823,572.67	18,540,266.04	1,793,684.23
Zhanjiang South Ocean Marine Services Inc..	40%	40%	2,921,438.99	945,811.30	1,975,627.75	1,975,627.69	-52,852.77
Zhanjiang South Ocean Marine Services Inc.	32%	32%	208,420,526.58	80,622,159.10	127,798,367.48	109,873,329.74	7,317,600.76

5.12 Long-term Equity Investments

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	3,464,960.75	448,421.06	3,913,381.81
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	Equity Method	800,000.00	814,382.75	-21,141.11	793,241.64
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	Equity Method	15,558,800.00	35,409,370.73	1,359,931.72	36,769,302.45
Total		19,980,860.00	41,588,714.23	1,787,211.67	43,375,925.90

Investee	Holding Ratio	Representative Ratio	Impairment	Current Period Impairment Provision	Current Period 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 Ship Hi-technology Services Inc.	40%	40%			
Zhenjiang Zhongchuan Electricity Generation Equipment Ltd.	32%	32%			
Total					

5.13 Investment Property

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Total Original Costs	97,567,275.29			97,567,275.29
Property and Buildings	97,567,275.29			97,567,275.29
2. Accumulated Depreciation (Amortization)	7,984,968.67	407,772.22		8,392,740.89
Property and Buildings	7,984,968.67	407,772.22		8,392,740.89
3. Net value before impairment	89,582,306.62			89,174,534.40
Property and Buildings	89,582,306.62			89,174,534.40
4. Cumulative Provision for Impairment	17,344,400.27			17,344,400.27
Property and Buildings	17,344,400.27			17,344,400.27
5. Net Value	72,237,906.35			71,830,134.13
Property and Buildings	72,237,906.35			71,830,134.13

5.14 Fixed Assets

5.14.1 Movements of fixed assets and accumulated depreciation are listed as below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
(1) Total Original Costs	2,168,665,396.10	71,632,961.90	8,420,652.99	2,231,877,705.01
1. Property and Buildings	990,251,553.95	48,436,770.20	1,349,347.01	1,037,338,977.14
2. Machinery and Equipment	1,084,172,844.05	21,564,340.10	5,248,656.70	1,100,488,527.45
3. Transportation Vehicles	38,158,416.36	1,601,993.51	1,822,649.28	37,937,760.59
4. Others	56,082,581.74	29,858.09	0	56,112,439.83
	-	Increase	Accumulated depreciation during the period	-
(2) Accumulated depreciation	908,968,818.41	51,853,876.87	5,678,637.67	955,144,057.61
1. Property and Buildings	288,390,560.76	17,002,748.17	41,661.49	305,351,647.44
2. Machinery and Equipment	576,386,308.14	32,834,207.13	4,173,750.57	605,046,764.70
3. Transportation Vehicles	15,884,763.21	1,377,773.40	1,463,225.61	15,799,311.00
4. Others	28,307,186.30	639,148.17	0	28,946,334.47
(3) Net Value before impairment	1,259,696,577.69	-	-	1,276,733,647.40
1. Property and Buildings	701,860,993.19	-	-	731,987,329.70
2. Machinery and Equipment	507,786,535.91	-	-	495,441,762.75
3. Transportation Vehicles	22,273,653.15	-	-	22,138,449.59
4. Other	27,775,395.44	-	-	27,166,105.36
(4) Cumulative Depreciation Reserve of Fixed Assets	-	-	-	-
(5) Total Carrying Value of Fixed Assets	1,259,696,577.69	-	-	1,276,733,647.40
1. Property and Buildings	701,860,993.19	-	-	731,987,329.70
2. Machinery and Equipment	507,786,535.91	-	-	495,441,762.75
3. Transportation Vehicles	22,273,653.15	-	-	22,138,449.59
4. Other	27,775,395.44	-	-	27,166,105.36

Note 1: Accumulated depreciation during the year amounted to RMB51,853,876.87.

Note 2: Total fixed assets transferred from construction-in-progress during the period amounted to RMB70,507,105.50.

5.14.2 There are no temporary idle fixed assets as at 30 June 2011.

5.14.3 Assets have not obtained certificate of the title

Code of the asset	Item	Original Cost	Area(m*m)	Reason	Expected time to obtain
A001682	Electromechanics Room	28,173,539.24	12,404	Checking for acceptance	30 September 2011
A001683-2	The fifth floor of the office building (3-5)	5,005,274.51	2,655	Checking for acceptance	30 September 2011
A001683-1	The fifth floor of the office building (original 2)	3,466,681.49	1,770	Checking for acceptance	30 September 2011

5.15 Construction-in-Progress

5.15.1 Construction-in-progress is shown as follows:

Item	Ending Balance			Beginning Balance		
	Amount	Depreciation	Net value	Amount	Depreciation	Net value
Construction fees of Zhongshang GSI Marine Engineering Co., Ltd.	158,122,255.50		158,122,255.50	79,196,426.99		79,196,426.99
Movement of major parts processing workshop	9,600,055.87		9,600,055.87	711,327.97		711,327.97
Simple steel shed of Guangchuan International (1-5)	5,913,328.57		5,913,328.57	5,713,537.17		5,713,537.17
Improvement of huge equipment	4,251,708.90		4,251,708.90	3,497,487.97		3,497,487.97
Integration construction of shipyard generator loading	3,042,167.92		3,042,167.92	2,747,871.76		2,747,871.76
Improvement of secrecy net	2,631,006.06		2,631,006.06	2,631,006.06		2,631,006.06
Preconstruction cost of zhongshan ship base	2,482,965.21		2,482,965.21	2,482,965.21		2,482,965.21
1 tug in shiping and transportation department	2,073,671.09		2,073,671.09	691,002.56		691,002.56
Period 2 of zhongshan base project phase 1	2,010,170.84		2,010,170.84			
Digging Project of water area of dock advancing front (ship shift and anchoring area)	1,119,106.16		1,119,106.16	693,218.88		693,218.88
Preconstruction cost of infrastructure and energy-saving and emission-reduction project	1,020,170.26		1,020,170.26	825,387.83		825,387.83
Dock prolong 80T, 400T(1st period)				23,730,853.50		23,730,853.50
Dolphin addition of Changzhou dock				4,663,916.47		4,663,916.47
2 sets 100 cube air compressor				3,992,218.61		3,992,218.61
1 set 200 cube air compressor				2,871,368.15		2,871,368.15
New area group room				2,757,108.55		2,757,108.55
Old dock reinforcement				1,957,007.02		1,957,007.02
Dock prolong				1,474,465.09		1,474,465.09
Other project	8,437,216.07		8,437,216.07	5,671,108.01		5,671,108.01
Total	200,703,822.45		200,703,822.45	146,308,277.80		146,308,277.80

5.15.2 Basic Status and Movements of Significant Project:

Item	Budget	Capital Source	Beginning Balance		Increase	
			Amount	Including: Capitalized interest	Amount	Including: Capitalized interest
Prolong of large dock	28,320,000.00	Self-finance	1,474,465.09			
Dock prolong 80T, 400T(1st period)		Self-finance	23,730,853.50		1,430,601.38	
Improvement of secrecy net	3,050,000.00	Self-finance	2,631,006.06		4,500.00	
Preconstruction cost of zhongshan ship base	2,700,000.00	Self-finance	2,482,965.21			
Dolphin addition of Changzhou dock	7,200,000.00	Self-finance	4,663,916.47		1842276.04	
Old dock steady	9,000,000.00	Self-finance	1,957,007.02		1891306.93	
1 set of 200 cube air compressor	4,375,000.00	Self-finance	2,871,368.15		1789439.55	
2 set of 100 cube air compressor	4,375,000.00	Self-finance	3,992,218.61		-999742.45	
Simple steel shed of Guangchuan International (1-5)	4,920,000.00	Self-finance	5,713,537.17		199,791.40	
Integration construction of shipyard generator loading	4,700,000.00	Self-finance	2,747,871.76		2,213,675.21	
New area group room	8,000,000.00	Self-finance	2,757,108.55		4393095.1	
Preconstruction cost of infrastructure and energy-saving and emission-reduction project	984,000.00	Other funds	825,387.83		194,782.43	
Digging Project of water area of dock advancing front (ship shift and anchoring area)	3,508,000.00	Other funds	693,218.88		425,887.28	
1 tug in shiping and transportation department	7,500,000.00	Other funds	691,002.56		1,382,668.53	
Movement of major parts processing workshop	12,000,000.00	Other funds	711,327.97		8,956,283.46	
Others			9,168,545.98		25,201,248.00	
Construction Cost of Zhoangshan Guangchuan International and Ocean Company	793,140,000.00	Self-finance	79,196,426.99		80,472,908.96	
Period 2 of zhongshan base project phase 1		Self-finance			2,010,170.84	
Total	893,772,000.00		146,308,227.80		131,408,892.66	

Item	Ending Balance		Decrease		Progress rate	Investment per Budget
	Amount	Including: Transfer to Fixed Asset	Amount	Including: Capitalized interest		
Prolong of large dock	1,474,465.09				Completed	
Dock prolong 80T, 400T(1st period)	25,161,454.88				Completed	
Improvement of secrecy net	4,500.00	4,500.00	2,631,006.06		In progress	86.26
Preconstruction cost of zhongshan ship base			2,482,965.21		In progress	91.96
Dolphin addition of Changzhou dock	6,506,192.51				Completed	
Reinforcement project of docks in old area	3,848,313.95	3,848,313.95			Completed	
1 set 200 cube air compressor	4,660,807.70	4,660,807.70			Completed	
2 sets 100 cube air compressor	2,992,476.16	2,992,476.16			Completed	
Simple steel shed of Guangchuan International (1-5)			5,913,328.57		In progress	120.19
Integration construction of shipyard generator loading	1,919,379.05	1,919,379.05	3,042,167.92		In progress	64.73
New area group room	7,150,203.65	7,150,203.65			Completed	
Preconstruction cost of infrastructure and energy-saving and emission-reduction project			1,020,170.26		In progress	103.68
Digging Project of water area of dock advancing front (ship shift and anchoring area)			1,119,106.16		In progress	31.90
1 tug in shipping and transportation department			2,073,671.09		In progress	27.65
Movement of major parts processing workshop	67,555.56	67,555.56	9,600,055.87		In progress	80.00
Others	21,680,869.04	21,680,869.04	12,688,924.94		In progress	
Construction Cost of Zhongshan Guangchuan International and Ocean Company	1,547,080.42	1,547,080.42	158,122,255.53		In progress	
Period 2 of zhongshan base project phase 1			2,010,170.84		In progress	
Total	77,013,298.01	70,507,105.50	200,703,822.45			

Note: The increase of 37.18%, in balance compared to the beginning is resulted from the increase of Phase I investment into Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.

5.16 Disposal of Fixed Assets

Item	Ending Balance	Beginning Balance	Reason for disposal
Machinery and Equipment	254,336.29	261,149.08	Scrapped
Total	254,336.29	261,149.08	

5.17 Intangible Assets and Development Costs

5.17.1 Amortization and Impairment of Intangible Assets

Item	Beginning Balance	Increase	Decrease	Ending Balance
(1) Total costs	364,321,601.14	2,211,593.34		366,533,194.48
1. land-use right	302,342,632.58	1,547,080.42		303,889,713.00
2. know-how without patent	61,978,968.56	664,512.92		62,643,481.48
(2) Total cumulative amortization	61,882,209.11	5,720,248.01		67,602,457.12
1. land-use right	25,741,942.47	3,057,199.03		28,799,141.50
2. know-how without patent	36,140,266.64	2,663,048.98		38,803,315.62
(3) Net value before impairment	302,439,392.03			298,930,737.36
1. land-use right	276,600,690.11			275,090,571.50
2. know-how without patent	25,838,701.92			23,840,165.86
(4) Provision for impairment				
1. land-use right				
2. know-how without patent				
(5) Total book value of intangible assets	302,439,392.03			298,930,737.36
1. land-use right	276,600,690.11			275,090,571.50
2. know-how without patent	25,838,701.92			23,840,165.86

Note 1: Amortization during the period amounted to RMB5,720,248.01.

Note 2: As of June 30, 2011, the subsidiary of the Company Guangzhou GSI Large-size Heavy Mechanical Equipment Co., Ltd. has its certificate of the title of 59,500 square meter land-use right and buildings above in the handle process and related data has been reported to Guangdong Land and Resources Department. The expected progress cannot be confirmed.

5.17.2 Development Project

Item	Beginning Balance	Increase	Decrease		Ending Balance
			Charged into profit	Recognized as Intangible Assets	
50000t and above Semi-submersible engineering vessel		5,626,216.25	5,626,216.25		
4000 development project		4,369,792.26	4,369,792.26		
50000t convenient oil ship		3,228,015.27	3,228,015.27		
Huge shield machine		2,345,850.31	2,345,850.31		
Ship-building computer integrated manufacturing system GSI-SCIMS II		2,048,325.80	2,048,325.80		
OA software and shipbuilding software development		1,788,054.04	1,788,054.04		
Construction of safeguard ship		1,586,868.73	1,586,868.73		
No area limit huge ro-operation passenger ship		754,031.85	754,031.85		
Significant breakthrough projects in key fields of Yue and Hongkong in 2010 (hi-tech ship)		612,353.58	612,353.58		
Others		5,650,500.22	5,650,500.22		
Total		28,010,008.31	28,010,008.31		

5.18 Long-term amortisation expenses to be apportioned

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Original value		6,506,192.51		6,506,192.51
Reinforcement of docks in Changzhou Island		6,506,192.51		6,506,192.51
2. Total cumulative amortization		97,107.35		97,107.35
Reinforcement of docks in Changzhou Island		97,107.35		97,107.35
3. Total net book value		6,409,085.16		6,409,085.16
Reinforcement of docks in Changzhou Island		6,409,085.16		6,409,085.16

Note: The Company reinforced the Changzhou Island dock by operating lease for ship building, which was finished in June 2011 with cumulative cost of RMB6,506,192.51. The Company recorded the amount into long-term expenses to be apportioned, and apportioned during the contract period with 67 months.

5.19 Deferred Tax Assets and Liabilities without Set-off

Details of deferred tax assets and deferred tax liabilities are listed as below:

Item	Ending Balance		Beginning Balance	
	Deductible Temporary Difference	Deferred Tax Assets	Deductible Temporary Difference	Deferred Tax Assets
Provision for Impairment	230,249,991.73	34,537,498.76	54,192,496.40	8,128,874.46
Prepaid housing subsidy	5,682,600.00	852,390.00	6,819,120.00	1,022,868.00
Housing allowance for Retirees	52,269,777.60	7,840,466.64	53,052,876.80	7,957,931.52
Medical insurance for retirees within 10 years	1,292,962.87	193,944.43	1,536,774.40	230,516.16
Early retiree benefits	1,310,505.73	196,575.86	1,615,636.53	242,345.48
Unpaid salaries	3,539,422.93	530,913.44	29,904,000.00	4,485,600.00
Total	294,345,260.86	44,151,789.13	147,120,904.13	22,068,135.62

Item	Ending Balance		Beginning Balance	
	Taxable Temporary Difference	Deferred Tax Liabilities	Taxable Temporary Difference	Deferred Tax Liabilities
Derivatives	36,173,867.53	5,426,080.13	21,227,664.57	3,184,149.68
Net movement on fair value of available-for-sale financial assets	200,464,000.40	30,069,600.06	199,608,393.96	29,941,259.09
Total	236,637,867.93	35,495,680.19	220,836,058.53	33,125,408.77

Note: The increase of 100.07% in balance of deferred tax assets compared to the beginning is resulted from the increase of provision for assets impairment in the current period.

5.20 Provision for Assets Impairment

Item	Beginning Balance	Accruals	Decrease during Current Year		Ending Balance
			Reverse	Write-off	
Bad debts	19,771,424.05				19,771,424.05
Including: Bad debt provision for accounts receivable	7,946,264.29				7,946,264.29
Bad debt provision for other accounts receivable	11,825,159.76				11,825,159.76
Provision for inventories impairment	22,269,946.64	179,517,990.16		3,451,071.89	198,336,864.91
Provision for investment property impairment	17,344,400.27				17,344,400.27
Total	59,385,770.96	179,517,990.16		3,451,071.89	235,452,689.23

Note: Provision for inventories impairment of the current period amounts to RMB179,517,990.16, which is resulted from loss caused by increased costs and exchange rate's fluctuation of 48000t series ship under building in the Company.

5.21 Assets with Restrictions on Ownership

Classification	Beginning Balance	Increase	Decrease	Ending Balance	Reason
Assets used as guarantee					
1. Fixed deposit	2,207,358,370.54	1,621,125,330.00	1,363,524,427.12	2,464,959,273.42	Pledge
2. Earnest money for letter of guarantee	5,263,986.36	8,405,713.67	2,616,081.86	11,053,618.17	Earnest money
Total	2,212,622,356.90	1,629,531,043.67	1,366,140,508.98	2,476,012,891.59	

5.22 Short-term Borrowings

Type	Ending Balance	Beginning Balance	Notes
Pledged borrowings	1,266,241,742.01	1,345,269,051.00	Deposit certificate pledge
Credit borrowings	508,278,635.53	492,052,403.75	
Total	1,774,520,377.54	1,837,321,454.75	

5.23 Notes Payable

Classification	Ending Balance	Beginning Balance	Notes
Bank acceptance	649,616,269.27	697,610,318.88	
Total	649,616,269.27	697,610,318.88	

5.24 Accounts Payable

Item	Ending Balance	Beginning Balance
Aged within 1 year	1,183,316,545.80	1,130,137,149.17
Aged over 1 year but within 2 years	10,615,623.02	49,580,799.95
Aged over 2 years but within 3 years	21,482,541.24	3,237,951.92
Aged over 3 years	5,941,372.42	3,468,968.92
Total	1,221,356,082.48	1,186,424,869.96

5.24.1 As at 30 June 2011, accounts payables aged over 1 year are listed as below:

Suppliers	Amount	Content	Unsettled Reason
Shanghai Juntao Machine Equipment Limited company	3,208,500.00	Goods	Material retention money
China CMIIC Engineering & Construction Corporation	2,884,209.12	Goods	Material retention money
Lianjian-fanguang JV limited company	2,669,843.10	Goods	Dispute, not settled
Beijing Great wall Radio Factory	2,480,800.00	Goods	Material retention money
Guangzhou Weiye Ship Equipment Limited Company	2,260,000.00	Goods	Material retention money
CSSC Heavy Research 719 Institute	1,905,000.00	Goods	Material retention money
Shunxiang Hardware Limited Company in Beijiao Town, Shunde District, Foshan City	1,831,701.90	Goods	Material retention money
Total	17,240,054.12		

5.24.2 Up to 30 June 2011, 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 RMB75,445,323.02. Details refer to Note 6.3.

5.24.3 Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	1,338,134.41	6.4716	8,659,870.65	24,989.50	6.6227	165,497.96
HKD	393,533.69	0.8316	327,262.62			
Total			8,987,133.27			165,497.96

5.25 Receipts in advance

Item	Ending Balance	Beginning Balance
Total	315,808,065.51	266,538,440.94
Including: Aged over 1 year	99,519,877.09	54,373,527.47

Note: The increase of 83.03% of advances from customers aged over 1 year compared to the beginning balance is mainly resulted from the growth of non-ship business orders.

5.25.1 As at 30 June 2011, accounts aged over 1 year are listed as below:

Customers	Amount	Nature	Reason for non-transferring
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd.	12,037,722.67	Progress payment	Uncompleted
Shenzhen Energy Environment Protection Limited Company	4,334,786.32	Progress payment	Uncompleted
China Construction the eighth Industry Equipment Installment Co., Ltd.	1,992,000.00	Progress payment	Uncompleted
Jiantao (Lianzhou) Copper toil Co., Ltd.	1,952,893.00	Progress payment	Uncompleted
Qingdao Haier Special Freezer Co., Ltd.	1,613,247.86	Progress payment	Uncompleted
Qingdao Haier Freezer International Co., Ltd.	744,000.00	Progress payment	Uncompleted
CSSC Guangzhou Longxue Shipyard Co., Ltd.	625,000.00	Progress payment	Uncompleted
Stokes Industries Inc.	1,088,388.54	Advances for projects	Project delayed
Total	24,388,038.39		

5.25.2 Up to 30 June 2011, 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 RMB21,603,236.07. Details refer to Note 6.3.

5.25.3 Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	6,418,181.75	6.7566	43,364,985.79	8,192,988.57	6.7066	54,947,499.67
HKD	41,017,170.11	0.8573	35,164,061.46	142,980.00	0.8811	125,978.87
EUR	2,581,513.06	9.0969	23,483,862.80			
Total			102,012,910.05			55,073,478.54

5.26 Accrued Employee Benefits

Item	Beginning Balance	Increase during Current Period	Decrease during Current Period	Ending Balance
Employee wages or salaries, bonuses, allowances and subsidies	29,904,000.00	365,342,435.53	391,716,435.53	3,530,000.00
Employee welfare	5,072,421.30	16,333,123.72	16,333,123.72	5,072,421.30
Social security	347,809.12	70,425,218.34	70,463,199.78	309,827.68
Inc: Medical insurance		22,396,771.82	22,351,644.72	45,127.10
Basic endowment assurance	79,086.29	39,806,172.96	39,848,307.56	36,951.69
Supplementary pension		20,543.96		20,543.96
Unemployment insurance	268,722.83	5,004,348.30	5,065,866.20	207,204.93
Work injury insurance		1,622,735.37	1,622,735.37	
Maternity insurance		1,574,645.93	1,574,645.93	
Public accumulation fund for housing construction		30,395,202.30	30,345,896.30	49,306.00
Union & Education funds	3,663,865.07	7,842,842.85	6,120,714.02	5,385,993.90
Compensations for dismiss of labor relationship	1,615,636.56	101,079.78	406,210.56	1,310,505.78
Outsourcing labor expenses and others		244,001,954.82	244,001,954.82	
Total	40,603,732.05	734,441,857.34	759,387,534.73	15,658,054.66

Note: The decrease of 88.20% in Employee wages or salaries, bonuses, allowances and subsidies compared to beginning balance is mainly resulted from the distribution of 2010 annual bonus accrued at the beginning of the period.

5.27 Tax Payable

Item	Ending Balance	Beginning Balance
Value-added Tax	-19,667,424.26	-8,721,961.66
Business Tax	296,284.23	1,123,628.03
Corporate Income Tax	63,635,169.56	100,374,455.13
Individual income tax	2,578,653.58	7,630,339.16
City Maintenance and Construction Tax	6,653,583.99	5,275,327.10
Land Appraisal Tax	2,232,644.70	448,698.49
Real Estate tax	5,057,887.71	3,350,686.57
Education surcharge	2,866,607.65	2,253,210.00
Flood control and maintain expenses	3,159,232.22	3,563,868.53
Others	2,159,309.72	
Total	68,971,949.10	115,298,251.35

Note: The decrease of 40.18% compared to the beginning balance is resulted from the settlement of Corporate Income Tax accrued at the beginning of the period.

5.28 Interest payable

Item	Ending Balance	Beginning Balance
Interest on short-term borrowings	5,458,259.27	9,278,056.68
Interest on long-term borrowings	1,984,160.52	4,442,884.46
Total	7,442,419.79	13,720,941.14

Note: The decrease of 45.76% compared to the beginning balance is resulted from the repayment of the interest of the loans due at the beginning of the year.

5.29 Dividends Payable

Investors	Ending Balance	Beginning Balance	Reason for unsettled over 1 year
Unpaid A share dividend	33,795,559.63	67,601.63	
Unpaid H share dividend	15,739,800.00		
Total	49,535,359.63	67,601.63	

Note: The increase of RMB49,467,758.00 compared to the beginning balance is resulted from the declared dividend for ordinary shares which was subsequently settled in July 2011.

5.30 Other payables

Item	Ending Balance	Beginning Balance
Total	66,842,544.49	70,484,717.41
Including: Aged over 1 year	12,427,142.33	11,239,693.73

5.30.1 As at 30 June 2011, there are no other payables of shareholders holding 5% or more than 5% of voting stocks; Balance of accounts payable with related party amounts amounts to RMB13,020.00. Details refer to Note 6.3.

5.30.2 Major account balances are displayed as below:

Item	Ending Balance	Nature or Content
Payment for buildings in Xinjiang	40,929,000.00	Housing
Supplementary pension	3,251,393.73	Supplementary pension
Retiree medical insurance	1,292,962.85	Medical insurance
Provisional tax	989,276.79	Stamp tax
DENMARK LAURITAEN TARKERS A/S	815,564.86	Money advanced for fuel
Total	47,278,198.23	

5.30.3 Significant accounts age over 1 year are displayed as below:

Item	Ending Balance	Nature or Content	Unsettled Reason
Supplementary pension	3,251,393.73	Supplementary pension	Leave without draw
Retiree medical insurance	1,292,962.85	Medical insurance	Leave without draw
Monetary retiree housing subsidy	800,000.00	Unpaid portion	Contact lost cased by gone abroad or change of address
Housing support fund	789,300.00	Housing support fund	Retirement without draw
Renfuwei scientific and technological progress bonus fund	475,960.73	Agency fund	Not delivery
Total	6,609,617.31		

5.31 Other Current Liabilities

Item	Ending Balance	Beginning Balance
Construction contract	3,125,126,168.34	3,295,814,462.46
Total	3,125,126,168.34	3,295,814,462.46

5.32 Long-term Borrowings

5.32.1 Details of long-term borrowings are listed as below:

Categories	Ending Balance	Beginning Balance
Pledged borrowings	990,221,816.98	624,123,248.00
Total	990,221,816.98	624,123,248.00

5.32.2 Top 5 balance of long-term borrowings:

Money Lender	Start Date	Ending Date	Currency	Year rate (%)	Ending Balance		Beginning Balance	
					Foreign Currency	RMB Equivalent	Foreign Currency	RMB Equivalent
Germany bank Shanghai branch	2010.9.29	2012.09.29	USD	2.79	40,000,000.00	258,864,000.00	30,000,000.00	198,681,000.00
France East Huili bank Shanghai branch (104001)	2010.5.25	2012.5.24	USD	2.79	30,000,000.00	194,148,000.00	30,000,000.00	198,681,000.00
Sumitomo Mitsui Banking Corporation Guangzhou Branch	2011.5.27	2013.5.10	USD	2.2	30,000,000.00	194,148,000.00		
Societe Generale Guangzhou Branch	2010.7.23	2012.7.23	USD	2.75	25,000,000.00	161,790,000.00	25,000,000.00	165,567,500.00
Construction bank GuangzhouLiwan branch	2010.2.3	2012.2.2	USD	2.354	9,240,000.00	59,797,584.00	9,240,000.00	61,193,748.00
Total					134,240,000.00	868,747,584.00	94,240,000.00	624,123,248.00

Note: The increase of 58.66% in balance compared to beginning is resulted from the increase of the foreign currency borrowings for precaution of exchange rate risk.

5.33 Specific Payable

Item	Beginning Balance	Increase	Decrease	Ending Balance	Note
High speed Ro/Ro passenger vessels	6,720,000.00			6,720,000.00	Chuan Cai No.[2001]130
Semi-submersible vessel 18000t	17,850,000.00			17,850,000.00	Chuan Gong Ji No.[2002]350
Total	24,570,000.00			24,570,000.00	

Note: 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.

5.34 Provision

Type	Beginning Balance	Increase	Decrease	Ending Balance
Product quality warranties	110,563,165.19	20,138,537.95	5,641,175.15	125,060,527.99
Unpaid retiree housing subsidy	53,052,876.78	834,890.79	1,251,604.00	52,636,163.57
Total	163,616,041.97	20,973,428.74	6,892,779.15	177,696,691.56

5.35 Other Non-current Liabilities

Item	Ending Balance	Beginning Balance	Note
Deferred income (CSSC)	25,993,458.82	19,072,329.44	Chuan Gong Ji No.[2009]307
Deferred income (Science and Technology Department, etc.)	5,948,303.96	119,051.42	
Deferred income (Guangzhou Technical Bureau/Finance Bureau)	5,800,000.00	4,270,000.00	
Deferred income (Guangzhou Environment Protect Bureau)	3,857,604.18	2,154,481.57	Shui Huan No.[2006]115
Deferred income (Economics and Information Committee/ Financial Bureau of Guangdong Province)	2,493,013.60	1,000,000.00	Yue Jing Xin Ji Gai No [2009]223
Deferred income (China Industry and Information Department)	1,500,197.57		
Deferred income (Guangzhou Science Institute)	948,779.95	948,779.95	
Deferred income (Science and Technology Bureau, Liwan District, Guangzhou City)	590,508.32	782,280.97	
Deferred income (Coordination leading team with production, teaching & research of Education Bureau, Guangdong Province)	574,912.13	859,874.08	
Deferred income (Guangdong Economic and Commercial Technical Committee)		2,430,776.08	Yue Jingmao Jiishu No.[2004]664
Deferred income (Economics & Trade Technology Committee, Guangzhou City)		2,568,333.43	Shui Jing Mao Han No. [2005]484; Yue Jing Mao Jiishu No.[2005]1064
Total	47,706,778.53	34,205,906.94	

Note: The increase of 39.47% in balance compared to the beginning is resulted from the R&D project appropriation newly-increased in the current period.

5.36 Share Capital

Classification	Beginning Balance		Increase and decrease				Ending Balance		
	Number of Shares	Proportion	Issue New Shares	Stock Dividend	Share transferred from capital reserve	Others	Subtotal	Shares	Proportion
1. RMB Ordinary Shares	337,279,580	68.18%						337,279,580	68.18%
2. Foreign Capital Stocks listed domestically	157,398,000	31.82%						157,398,000	31.82%
Total shares	494,677,580	100.00%						494,677,580	100.00%

Note: All above-mentioned shares are freely transferable shares.

5.37 Capital Reserve

Item	Beginning Balance	Increase	Decrease	Ending Balance
Share premium	651,385,281.95			651,385,281.95
Others	170,250,066.13	727,265.53		170,977,331.66
Total	821,635,348.08	727,265.53		822,362,613.61

Note: The increase of capital reserves is resulted from change of fair value of available-for-sale financial assets.

5.38 Surplus Reserve

Item	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	358,308,326.97			358,308,326.97
Arbitrary surplus reserves	18,926,387.43			18,926,387.43
Total	377,234,714.40			377,234,714.40

5.39 Undistributed Profits

Item	Ending Balance	Beginning Balance
Ending balance of undistributed profit last year	1,969,471,836.12	1,473,182,738.39
Add: Increase (-decrease) in profit due to changes in accounting policies		
Beginning balance of undistributed profit of current year	1,969,471,836.12	1,473,182,738.39
Add: Current net profit belonging to owners of parent company	263,385,863.96	707,736,792.53
Less: Profit appropriation – Statutory surplus Reserves		72,937,972.40
Profit appropriation – Ordinary stock dividends	49,467,758.00	138,509,722.40
Ending balance of undistributed profit	2,183,389,942.08	1,969,471,836.12

Note: The Company has held the Board Meeting on 31 May 2011, on which the proposal of profit distribution has been resolved. That is, the company shall release dividends RMB49,467,758.00 rated RMB0.10 per share on the base of total shares amounted 494,677,580.

5.40 Net Current Assets

Item	Ending Balance	Beginning Balance
Net current assets	3,035,124,329.32	2,522,175,105.51

5.41 Total assets less current liabilities

Item	Ending Balance	Beginning Balance
Total assets less current liabilities	5,245,161,410.14	4,633,567,204.81

5.42 Revenue and Cost

Item	Current Period	Last Period
Revenue	3,983,430,810.12	2,893,604,210.42
Including: Income from principal activities	3,923,750,100.04	2,842,192,625.75
Other Operating income	59,680,710.08	51,411,584.67
Costs	3,475,778,352.20	2,471,862,971.38
Including: Cost of goods sold	3,429,967,045.96	2,415,832,299.23
Other operating expenses	45,811,306.24	56,030,672.15

5.42.1 Classification of principal activities based on product is listed as below:

Product	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Shipbuilding product	3,616,964,312.68	3,185,946,305.04	2,620,474,594.38	2,239,928,336.16
Steel Structure Project	135,252,196.62	121,760,391.05	60,721,525.33	50,623,380.74
Mechanical & electrical products and others	171,533,590.74	122,260,349.87	160,996,506.04	125,280,582.33
Total	3,923,750,100.04	3,429,967,045.96	2,842,192,625.75	2,415,832,299.23

5.42.2 Classification of primary business based on region is listed as below:

Region	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Denmark	1,575,508,227.58	1,288,452,531.33	1,448,479,148.35	1,210,545,287.49
China	1,563,971,053.01	1,407,193,706.99	693,036,235.42	632,037,153.23
Holland	341,559,411.80	341,559,411.80		
Hongkong	240,115,590.22	199,262,813.92	76,912,789.39	74,154,696.99
Greece	79,262,707.73	82,507,837.73	349,383,116.05	283,037,319.30
Australia	52,459,464.36	42,856,120.50	9,996,515.25	10,211,568.53
Malta	36,372,073.36	36,365,923.36	4,860,069.05	3,964,994.45
the Philippines	10,661,596.75	9,937,774.97		
Germany	10,536,157.89	9,682,141.51		-151,211.55
Canada	8,964,524.47	8,511,994.67		
Taiwan	1,842,648.23	1,836,495.72	956,400.45	953,076.92
Italy	1,757,871.18	1,124,584.29	215,975,641.63	164,891,273.45
Macau	730,662.00	670,244.95		
US			31,315,276.62	26,197,567.76
Others	8,111.46	5,464.22	11,277,433.54	9,990,572.66
Total	3,923,750,100.04	3,429,967,045.96	2,842,192,625.75	2,415,832,299.23

5.42.3 Revenue from top 5 customers:

Item	Current Period	Proportion to total revenue
1	570,077,042.72	14.31%
2	434,831,140.31	10.92%
3	341,559,411.80	8.57%
4	295,119,784.41	7.41%
5	275,480,260.14	6.92%
Total	1,917,067,639.38	48.13%

Note: The increase of 38.05% compared to last period is resulted from 38.37% increase of non-shipbuilding business compared to last period, and increase of shipbuilding completions compared to last period, which is attributed to the improvement of the Company's overall manufacturing efficiency and two semi-submersible ships were built in place outside the Company.

5.43 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 Series	4,740,123,374.10	2,560,472,296.53	456,961,380.33	3,373,843,642.41			
39000 Series	1,341,600,947.16	702,658,863.15	132,742,263.38	897,081,425.36	41,096,429.67	Note	
50000 Series (semi-submersible)	3,078,507,460.00	1,865,428,382.76	48,450,403.51	2,011,190,015.76			
ro-ro passenger shipSeries	1,554,000,000.00	622,430,086.92	170,403,861.40	1,139,600,000.00			
Fixed Cost Contract	52300 Series	2,827,685,200.00	388,887,969.34	61,773,187.78	1,006,355,366.61	18,084,430.13	Note
special	3,263,840,000.00	1,199,393,703.63	6,704,668.26	2,196,800,000.00			
55000 Series	565,972,482.00	487,711,423.04	-3,399,066.24	453,322,682.00			
48000 Series	1,910,863,000.00	68,976,421.30		533,974,354.80	120,337,130.36	Note	
50000 Series	385,000,000.00	231,000.00		77,000,000.00			
6000 T	65,000,000.00			13,000,000.00	7,030,986.77	Note	
Total	19,732,592,463.26	7,896,190,146.67	873,636,698.42	11,702,167,486.94	179,517,990.16		

Note: The estimated loss of 48000T Series ship and etc. amounts to RMB179,517,990.16 is mainly resulted from the appreciation of exchange rate (RMB to USD) since 2011, and fast growing labor cost and material cost since the beginning of the ship-building.

5.44 Taxes and Levies on Operation

Categories	Current Period	Last Period	Tax Base
Business Tax	2,462,158.52	2,261,032.03	Service revenue
City maintenance and construction tax	19,981,832.04	5,861,123.40	Business+VAT payables
Educational surcharge	14,262,031.95	2,512,043.74	Business+VAT payables
Total	36,706,022.51	10,634,199.17	

Note: The increase of 245.70% compared to last period is resulted from the changes of product structure and the increased proportion of ship for domestic market.

5.45 Selling Expenses

Item	Current Period	Last Period
Employee benefits	2,185,100.19	1,439,201.65
Transportation cost	25,794.00	57,948.30
Exhibition	121,950.00	161,727.90
Consignment fees	877,000.00	705,500.00
Advertisement	169,306.95	717,026.21
Business expenditure	1,202,274.18	878,724.59
Quality assurance for ship	-7,001,227.44	22,120,515.69
Others	298,388.56	923,383.48
Total	-2,121,413.56	27,004,027.82

Note: The decrease of RMB29,125,441.38 compared to last period is mainly resulted from the additional quality assurance of 29000T series ship was transferred back because they were overdue.

5.46 General and Administration Expenses

Item	Current Period	Last Period
Employee benefits	60,889,597.07	51,603,072.00
Research and development	28,010,008.31	21,717,520.35
Repair and maintenance	27,828,380.89	21,405,814.89
Tax	8,932,246.62	7,067,654.46
Depreciation	6,801,746.92	6,823,665.04
Amortization of intangible assets	3,168,523.72	3,230,859.95
Business entertainment	2,568,031.53	2,537,715.21
Preparation to construct	3,830,759.62	773,527.61
Travel	2,259,808.76	1,872,375.06
Rent	2,041,468.48	1,983,005.59
Agency fees	1,116,624.00	1,813,437.94
Insurance	4,565,825.46	705,356.13
Board fees	4,809,370.55	3,515,645.16
Water and power	1,834,838.05	1,177,195.07
Office expenses	1,259,740.91	1,205,765.32
Skill education	1,006,200.00	975,000.00
Greening	581,138.00	672,050.00
Safe guard and fire-fighting	794,578.08	894,375.28
Others	6,662,582.54	861,686.55
Total	168,961,469.51	130,835,721.61

Note: The increase of 29.14% compared to last period is mainly resulted from (1) the increased wages as included in employee benefit according to the improved efficiency; (2) the increased research and development costs with the aim of improve the Company's innovation; (3) the increased repair and maintenance for improved production efficiency.

5.47 Financial Expenses

Item	Current Period	Last Period
Interest expenses	30,464,617.65	16,422,228.22
Less: interest income	86,349,406.74	68,576,879.94
Change in exchange gain	61,247,727.60	6,266,362.81
Transaction fees and other charges	1,527,603.47	1,721,820.24
Total	-115,604,913.22	-56,699,194.29

Note: The decrease of 103.89% compared to last period is resulted from growth of deposit interest rate and increase of gains from exchanges arising from the exchange rate fluctuation of liabilities dominated in USD.

5.48 Impairment

Item	Current Period	Last Period
Provision for inventories impairment	179,517,990.16	
Bad debt		-2,400
Total	179,517,990.16	-2,400

Note: The increase of impairment compared to last period is resulted from the appreciation of exchange rate (RMB to USD) and the growth of labor cost and material cost since ship building started in 2011.

5.49 Gain from Fair Value Changes

Source for Fair Value Change	Current Period	Last Period
Transactional financial assets	14,946,202.89	-61,305,204.17
Inc: derivative	14,946,202.89	-61,305,204.17
Total	14,946,202.89	-61,305,204.17

Note: The increase of RMB76,251,407.06 compared to last period is resulted from the settlement of some foreign forward contracts, and from the fluctuation of market value on the contracts that are not matured.

5.50 Investment Income

5.50.1 The sources of investment income are listed as below:

Sources of Investment Income	Current Period	Last Period
Income from holding of long-term equity investment with equity method	10,019,585.51	58,916,723.40
Income from holding of available-for-sale financial assets	5,048,218.50	200,000.00
Income from disposal of transactional financial assets	1,787,211.67	2,972,243.98
Total	16,855,015.68	62,088,967.38

5.50.2 Investment income from long-term equity investment with equity method:

Investee	Current Period	Last Period	Reason for fluctuation
South China Special Coating Industry Limited Company	448,421.06	437,671.90	Decreased profit
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	1,359,931.72	2,594,895.39	Increased profit
Zhangjiang Nanhai ship High-tech Service Co., Ltd.	-21,141.11	-60,323.31	Decreased loss
Total	1,787,211.67	2,972,243.98	

5.50.3 There are no constraints on investee entities on transferring funds.

5.51 Non-operating Profits

Item	Current Period	Last Period	Amount accounted into current period profit
Sub-total of income from the disposal of non-current asset	254,484.37	198,590.03	254,484.37
Including: Income from the disposal of fixed assets	254,484.37	198,590.03	254,484.37
Fine income	72,080.00	118,214.00	72,080.00
Government Subsidies	42,275,526.84	91,184,567.10	9,228,811.52
Other income	2,478,735.11	714,321.49	2,478,735.11
Total	45,080,826.32	92,215,692.62	12,034,111.00

Details of governmental subsidy:

Item	Current Period	Last Period	Note
Product subsidy	33,046,715.32	78,174,342.26	
New product subsidy	7,159,128.41	12,625,167.12	
Self produced software tax drawback	2,069,683.11	385,057.72	
Total	42,275,526.84	91,184,567.10	

Note: The decrease of 50.94% compared to last period is mainly resulted from the product structure change and subsidy gains decreased on pro rata basis.

5.52 Non-operating Losses

Item	Current Period	Last Period	Amount accounted into current period profit
Sub-total of losses from the disposal of non-current asset	244,166.40	83,754.56	244,166.40
Including: Losses from the disposal of fixed assets	244,166.40	83,754.56	244,166.40
Donations	105,000.00		105,000.00
Fines	21.24	243.09	21.24
Other expenses	382,604.70	180,367.06	382,604.70
Total	731,792.34	264,364.71	731,792.34

Note: The increase of 176.81% compared to last period is resulted from the increased losses from disposal of non-current assets, donation and compensation.

5.53 Income Tax

Item	Current Period	Last Period
Current income tax expenses	69,778,119.94	68,466,195.13
Deferred tax expenses	-19,713,382.09	-7,854,943.25
Total	50,064,737.85	60,611,251.88

5.54 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 of earnings per share are listed as follows:

5.54.1 Calculation results

Profit for accounting period	Amount in current period		Amount in last period	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profits attributable to the common shareholders (I)	0.41	0.41	0.53	0.53
Net profits attributable to the common shareholders after deducted exceptional profits or losses (II)	0.36	0.36	0.52	0.52

5.54.2 Calculation process of earnings per share

Item	Sequence	Current Period	Last Period
Net profits attributable to the common shareholders	1	263,385,863.96	341,324,211.36
Exceptional profits or losses attributable to the shareholders of parent company deducted the tax	2	30,084,233.85	9,681,038.90
Net profits attributable to the shareholders of the Company after deducted exceptional profits or losses	3=1-2	233,301,630.11	331,643,172.46
Total number of shares for the beginning of the year	4	494,677,580.00	494,677,580.00
Additional number of shares for increasing capital with accumulation fund or the distribution of stock dividends	5	148,403,274.00	148,403,274.00
Additional number of shares for initially issuing shares or debt for equity	6		
Months calculated from the next month of initially issuing shares or debt for equity to the last month of the accounting period	7		
Decreased number of shares for purchasing back or drawing back stocks for the accounting period	8		
Months calculated from the next month of decreasing shares to the last month for the accounting period	9		
Number of reductions of capital	10		
Months for the accounting period	11	6	6
Weighted average number of ordinary shares outstanding (II)	12=4+5+6x7+11-8x9+11-10	643,080,854.00	643,080,854.00
Weighted average number of ordinary shares adjustments because of merger under common control (I)	13	643,080,854.00	643,080,854.00
Basic EPS (I)	14=1/13	0.41	0.53
Basic EPS (II)	15=3/12	0.36	0.52
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)]+(13+19)	0.41	0.53
Diluted EPS (II)	21=[3+(16-18)x(1-17)]+(12+19)	0.36	0.52

Calculations of basic EPS and diluted EPS are based on the result of increased capital.

(1) Basic EPS

Basic EPS = P0+S

S = S0+S1+SixMi+M0-SjxMj+M0-Sk

Inc: GPO Net profits attributable 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+SixMi+M0-SjxMj+M0-Sk+ Increased weighted average number of shares because of conversion of convertible debt, certificate of subscription and so on).

Inc: P1 is the net profits attributable to the shareholders of the Company after deducted exceptional profits or losses, considered the influence of dilutive effect and adjusted in accordance with Accounting Standards for Business Enterprises. 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 is considered and included in diluted EPS in the sequence of significant to insignificant, until arrive the minimum diluted EPS.

5.55 Dividends

5.55.1 Cash Dividends

During July 2011, a final dividend of RMB0.10 per share (tax included) of RMB49,467,758.00 for the year ended 31 December 2010 was distributed with a base of total shares amounted to 494,677,580. During July 2010, a final dividend of RMB0.28 per share (tax included) of RMB138,509,722.40 for the year ended 31 December 2009 was distributed with a base of total shares amounted to 494,677,580.

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

5.55.2 Transfer of increasing capital

Capital surplus shall transfer into capital, on base of total shares amounted to 494,677,580, 3 shares per each 10, all together 148,403,274 shares transferred. The shares amounted to 643,080,854 after the transfer. The profit distribution plan was implemented on 26 Jul, 2011.

5.56 Other Comprehensive Income

Item	Current Period	Last Period
1. Available-for-sale financial assets	855,606.50	-85,310,175.99
Less: Income tax effect on other comprehensive income item	128,340.97	-12,796,526.40
Total	727,265.53	-72,513,649.59

5.57 Other Item in Cash Flow Statement

5.57.1 Cash receipts relating to operating activities

Item	Current Period	Last Period
Research and development subsidy	129,241,841.00	
Senior technology-fundamental construction	7,000,000.00	15,000,000.00
Equipment improvement subsidy		2,000,000.00
Foreign trading special fund		1,399,616.00
Other receivables	25,203,044.40	40,660,193.31
Total	161,444,885.40	59,059,809.31

5.57.2 Cash payments relating to other operating activities as below:

Item	Current Period	Last Period
Administration expenses	59,324,508.82	57,669,150.90
Operating expenses	4,879,813.63	27,004,027.82
Manufacturing expenses	43,303,612.94	22,170,541.08
Non-operating expenditure	731,792.34	264,364.71
Total	108,239,727.73	107,108,084.51

5.57.3 Cash receipts relating to other investment activities

Item	Current Period	Last Period
Interest of bank deposit	67,034,777.34	77,058,194.65
Total	67,034,777.34	77,058,194.65

5.57.4 Cash payment relating to other investment activities

Item	Current Period	Last Period
Security deposit	299,431,127.86	1,250,395,344.96
Total	299,431,127.86	1,250,395,344.96

Note: The decrease of 76.05% compared to last period is resulted from the increased amount of security deposit.

5.57.5 Cash payment relating to other financing activities

Item	Current Period	Last Period
Bank service charge and others	35,273.45	4,830,980.70
Total	35,273.45	4,830,980.70

5.58 Supplementary Information of Cash Flow Statement

5.58.1 Reconciliation of net income to cash flows from operating activities based on indirect method:

Supplementary Information		Current Period	Last Period
1.	Reconciliation of net income to cash flows from operating activities:		
	Net profits	266,278,817.22	342,092,723.97
	Add: Provision for fixed assets	179,517,990.16	2,400.00
	Depreciation of fixed assets, biological assets and depletion of oil and nature gas assets	51,853,876.87	51,402,101.01
	Amortization of intangible assets	5,720,248.01	3,230,859.95
	Amortization of long-term expenses to be apportioned	97,107.35	
	Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	-10,317.97	-98,739.45
	Losses from strapping of fixed assets ("-" for gains)		
	Losses from movement of fair value ("-" for gains)	-14,946,202.89	61,305,204.17
	Financial expense ("-" for gains)	-115,604,913.22	-57,587,030.46
	Investments losses ("-" for gains)	-16,855,015.68	-62,035,199.35
	Decrease of deferred tax assets ("-" for increase)	-22,083,653.51	1,485,170.79
	Increase of deferred tax liabilities ("-" for decrease)	2,241,930.45	-22,136,640.45
	Decrease of inventories ("-" for increase)	175,467,619.54	-228,695,502.73
	Decrease of operating receivables ("-" for increase)	33,610,748.18	-100,378,565.65
	Increase of operating payables ("-" for decrease)	-637,247,479.27	58,882,853.46
	Others		
	Net cash flow from operating activities	-91,959,244.76	47,469,635.26
2.	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 financial lease		
3.	Net increase in cash and cash equivalents:		
	Cash at the end of the period	5,072,532,316.26	3,808,663,030.50
	Less: Cash at the beginning of the period	5,003,896,203.36	4,380,328,209.50
	Add: Cash equivalents at the end of the period		
	Less: Cash equivalents at the beginning of the period		
	Net increase in cash and cash equivalents	68,636,112.90	-571,665,179.00

5.58.2 Cash and cash equivalents are listed as below:

Item	Current Period	Last Period
1. Cash	5,072,532,316.26	5,003,896,203.36
Including: Cash in treasury	158,542.78	239,365.57
Available-for-use bank deposit	5,072,308,766.36	4,997,889,945.93
Other available-for-use monetary fund	65,007.12	5,766,891.86
2. Cash Equivalents		
Including: Bond investment mature within 3 months		
3. Ending balance of cash and cash equivalents	5,072,532,316.26	5,003,896,203.36
4. Restriction on use of cash and cash equivalents belongs to parent company or subsidiaries within the group	2,476,077,898.71	2,212,622,356.90

5.59 Segment information

The chief operating decision-maker has been identified as the board of directors (the "Board"). The Board 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 Board 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 computer and other related services, none of which, both individually and in aggregate, are of a size to be reported separately.

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

5.59.1 Segment for the period

Item	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Operating income	3,616,964,312.68	135,252,196.62	1,018,456,230.13	-787,241,929.31	3,983,430,810.12
Inc: from external customers	3,616,964,312.68	135,252,196.62	231,214,300.82		3,983,430,810.12
Inter-segment revenue	0	0	787,241,929.31	-787,241,929.31	0
Operating expense	3,252,407,933.32	114,305,219.39	922,003,292.18	-778,353,483.74	3,510,362,961.15
Operating profits (losses)	364,556,379.36	20,946,977.23	96,452,937.95	-8,888,445.57	473,067,848.97
Total assets	11,831,040,050.87	202,067,385.42	886,319,210.00	-662,331,861.87	12,257,094,784.42
Total liabilities	8,066,478,709.86	39,263,642.62	999,168,640.22	-699,092,972.77	8,405,818,019.93
Supplementary information					
Depreciation and amortization	49,038,938.30	502,000.28	9,266,983.99	-1,136,690.34	57,671,232.23
Capital expenses	127,230,783.15	711,327.97	5,417,822.18	-1,950,833.30	131,409,100.00
Non-cash expenses other than depreciation and amortization					

5.59.2 Segment for the period in last year

Item	Shipbuilding and related business RMB'000	Steel structure projects RMB'000	All other segments RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Operating income	2,620,474,594.38	61,150,000	808,642,616.04	-596,663,000.00	2,893,604,210.42
Inc: from external customers	2,620,474,594.38	60,721,525.33	212,408,090.71		2,893,604,210.42
Inter-segment revenue	0	428,474.67	596,234,525.33	-596,663,000.00	0
Operating expense	2,326,863,568.32	63,557,132.60	754,138,165.79	-635,057,668.34	2,509,501,198.37
Operating profits (losses)	293,611,026.06	-2,407,132.60	54,504,450.25	38,394,668.34	384,103,012.05
Total asset	9,990,759,376.32	177,229,077.52	1,068,130,115.14	-795,686,080.19	10,440,432,488.79
Total liabilities	6,699,448,115.55	18,767,207.94	763,632,064.23	-416,704,942.68	7,065,142,445.04
Supplementary information					
Depreciation and amortization	47,473,549.62	458,844.95	9,328,486.32	-4,136,354.69	53,124,526.20
Capital expenses	52,161,147.26	1,289,964.54	4,234,149.99	-2,730,749.99	54,954,511.80
Non-cash expenses other than depreciation and amortization					

6. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

6.1 Related Parties

6.1.1 Information of parent company of the Company

Amount: RMB'00,000

Name of Parent Company	Type of 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 enterprise	Shanghai Pudong road No.1	Tan Zuojun	Investment and management of state owned assets	637,430	710924478	35.71%	35.71%

6.1.2 Informaion of subsidiaries of the Company

Information of subsidiaries of the Company refers to Note 4 Business Combinations and Consolidated Financial Statements

6.1.3 Information of associates of the Company

Investee	Type of Company	Registered Address	Legal Representative	Industry	Registered Capital	Shareholding Percentage	Representative Percentage	Organization Code
Associate								
South China Marine and Industrial Special Coating Co., Ltd.	Limited company	Guangzhou	Litongan	Project coating	6,888,240.00	25%	25%	618428789
Zhanjiang South Ocean Marine Services Inc.	Limited company	Zhanjiang	ChenMiaogen	Ship repair	2,000,000.00	40%	40%	749150668
Zhenjiang Zhongchuan Electricity Generation Equipment Ltd.	Limited company	Zhenjiang	WangWenqu	Equipment manufacture	85,000,000.00	32%	32%	782067313

6.1.4 Related parties without controlling relationships

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

6.2 Related Party Transactions

6.2.1 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	38,745.97	0.00	25,856.15	0.05	Agreement
Guangzhou Wenchong Shipyard Ltd.	Selling	513,506.67	0.01	524,184.53	1.02	Agreement
Guangzhou Shipyard Ltd.	Selling	10,731,706.77	0.29	2,461,455.01	4.79	Agreement
CSSC Guangzhou Huangpu Shipyard Ltd.	Selling	6,596,034.08	0.18	9,817,135.89	0.37	Agreement
Guangzhou Marine and Engineering Design & Research Institute	Selling	66,503.56	0.00	70,640.20	0.14	Agreement
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Selling	67,189,934.47	1.80	48,772,409.17	1.86	Agreement
CSSC Jiangnan Heavy Machine Co., Ltd	Selling	3,615,934.79	0.10			Agreement
CSSC Guijiang Shipyard	Selling	4,718.00	0.00			Agreement
Shanghai Jiangnan Changxing Shipbuilding Group Co., Ltd	Selling			59,829.06	0.12	Agreement
CSSC Beijing IT Co.,Ltd	Selling	123,076.92	0.00	1,765,811.94	3.43	Agreement
Shanghai Waigaogiao Shipbuilding Co., Ltd	Selling			7,692.31	0.01	Agreement
Guangzhou Longxue Pipe Company	Selling	466,638.08	0.01	397,272.69	0.77	Agreement
CSSC Chengxi Ship Co.,Ltd	Selling	85,470.09	0.00			Agreement
CSSC Zhengjiang Equipment Limited Company	Selling	2,000.00	0.00			Agreement
Beijing Haifeng System Engineering Development Company	Selling	153,846.15	0.00			Agreement
CSSC 605 Institute	Selling			245,400.00	0.48	Agreement
Total		89,588,115.55	2.41	64,147,686.95	2.33	

6.2.2 Purchasing goods or services

Name of Related Parties	Content	Current Period		Last Period		Pricing Policy
		Amount	Percentage (%)	Amount	Percentage (%)	
Guangzhou Shipyard Ltd.	Services	55,590,252.07	1.70	59,144,233.48	2.39	Agreement
CSSC Guangzhou Huangpu Shipyard Ltd.	Services	36,598,760.26	1.12	129,460,191.00	5.24	Agreement
CSSC Zhenjiang Equipment Co., Ltd	goods	50,326,716.99	1.54	46,040,000.00	1.86	Agreement
Hudong Heavy Machine Co.,Ltd	goods	16,000,000.00	0.49			Agreement
CSSC Reconnaissance and Design Institute	Services	21,253,344.67	0.65	94,786.99	0.00	Agreement
CSSC Nanjing Lvzhou Machinery Co., Ltd	goods	15,764,786.31	0.48	17,109,401.71	0.69	Agreement
CSSC Huanan Ship Machinery Co., Ltd.	goods	12,041,931.62	0.37	13,311,965.80	0.54	Agreement
Marine Design & Research Institute of China	Services	80,000.00	0.00	675,000.00	0.00	Agreement
South China Marine and Industrial Special Coating Co., Ltd	Services	6,184,169.24	0.19	6,228,870.56	0.25	Agreement
CSSC No. 9 Marine Design and Research Institute	Services	407,500.00	0.01	240,000.00	0.01	Agreement
Shanghai Ship Research Institute	Services	892,000.00	0.03			Agreement
CSSC Jiujiang ChangAn Fire Control Equipment Co., Ltd	goods	774,145.30	0.02	829,521.37	0.03	Agreement
Guangzhou Ship Industry Co.	goods	3,056,621.78	0.09	2,007,300.53	0.08	Agreement
Shanghai Hudong Ship Electric Device Co.,Ltd	goods	9,124,500.00	0.28	2,800,000.00	0.11	Agreement
Shanghai CSSC Reconnaissance Rock Project Co.,Ltd	Services	122,557.83	0.00			Agreement
Jiujiang Haitian Equipment Manufacture Co., Ltd	goods	786,393.17	0.02	1,009,384.62	0.04	Agreement
China United Shipbuilding Co., Ltd	goods	1,040,321.73	0.03	1,172,429.32	0.05	Agreement
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Services	882,083.68	0.03	675,953.41	0.03	Agreement
CSSC Jiujiang Fire Control Equipment Co., Ltd	goods	1,298,000.00	0.04	38,499.00	0.00	Agreement
Anqing Marine Diesel Factory	goods	16,410.26	0.00			Agreement
Huahai Marine Cargo Access Equipment Co.	Services			12,500.00	0.00	Agreement
Shanghai Hudong Shipbuilding Valve Limited Company	Services	42,393.16	0.00			Agreement
CSSC Reconnaissance and Design Institute, Xiamen branch	Services	2,460,453.82	0.08			Agreement
Jiangxi Zhaoyang Machinery Factory	goods			66,800.00	0.00	Agreement
Cssc Integrated Technology Economy Institute						
Consturction & Development Co., Ltd	Services	150,000.00	0.00			Agreement
Total		234,893,341.89	7.19	280,916,837.79	11.36	

Note: According to agreement with Guangzhou Shipyard Ltd. the company should pay for comprehensive service fees from January to June 2011 amounted to RMB3,860,692.45. In During the same period of last year, the service fees amounted to RMB3,764,236.86

6.2.3 Receiving financial services

Name of Related Parties	Ending Balance of Deposit		Interest (Jan-Jun)		Note
	June 2011	June 201	2011	2010	
CSSC Financial Co.	330,205,766.37	182,003,457.18	3,497,344.91	718,261.95	deposit

6.2.4 Related party guarantee

Not occurring current period.

6.2.5 Other related party transactions

Transactions	Name of Related Parties	Current Period	Last Period	Price Policy
Act as agent of selling	China Shipping Trading Corporation	16,854,603.20	15,914,224.38	Agreement
Act as agent of selling	CSSC International Trade Co., Ltd	3,336,087.34	1,397,646.80	Agreement
Act as agent of procurement	China United Shipbuilding Co., Ltd	1,957,608.73	1,738,273.77	Agreement
Act as agent of procurement	China Shipping Trading Corporation	71,008.67	81,520.22	Agreement

6.3 Balance with Related Parties

6.3.1 Receivables from related parties

Name of Related Parties	Account	Ending Balance		Beginning Balance	
		Amount	Bad Debt Allowance	Amount	Bad Debt Allowance
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	Accounts receivable	23,929,285.16	119,646.43	17,621,737.45	88,108.69
CSSC Jiangnan Heavy Machine Co., Ltd.	Accounts receivable	17,231,505.47	86,157.53	13,000,861.76	65,004.31
CSSC Guangzhou Nansha-Longxue construction development limited company	Accounts receivable	5,350,664.00	26,753.32	5,350,664.00	26,753.32
Guangzhou Shipyard Ltd.	Accounts receivable	2,625,970.40	13,129.85	1,397,662.09	6,988.31
South China Marine and Industrial Special Coating Co., Ltd.	Accounts receivable	21,615.60	108.08	1,000,000.00	5,000.00
CSSC Guangzhou Huangpu Shipyard Ltd.	Accounts receivable	1,201,508.95	6,007.54	754,885.55	3,774.43
CSSC Beijing IT Co.,Ltd.	Accounts receivable	735,000.00	3,675.00	639,000.00	3,195.00
CSSC Huanan Ship Machinery Co., Ltd.	Accounts receivable			449,526.38	2,247.63
CSSC No. 9 Marine Design and Research Institute	Accounts receivable	250,000.00	1,250.00	250,000.00	1,250.00
CSSC Guijiang Shipyard	Accounts receivable			64,000.00	320.00
Guangzhou Ship and Marine Engineering Design & Research Institute	Accounts receivable	21,107.32	105.54		
Guangzhou Wenchong Shipyard Ltd.	Accounts receivable	5,400.00	27.00		
CSSC Chengxi Ship Co., Ltd.	Accounts receivable	100,000.00	500.00		
Guangzhou Long-xue Pipe Limited Company	Accounts receivable	21,396.92	106.98		
Subtotal of Accounts Receivable		51,493,453.82	257,467.27	40,528,337.23	202,641.69
CSSC Zhenjiang Equipment Co., Ltd.	Advances to suppliers	42,920,000.00		37,940,000.00	
Hudong Heavy Industry Co., Ltd.	Advances to suppliers	4,000,000.00		13,500,000.00	
CSSC Ship System Engineering Department	Advances to suppliers	7,050,000.00		7,050,000.00	
CSSC Ship Industrial Trade Company	Advances to suppliers	3,726,121.08		3,446,440.20	
CSSC South China Ship Machine Limited Company	Advances to suppliers	1,061,400.00		2,520,000.00	
Jiujiang Haitian Equipment Manufacturing Limited Company, Manufacturing Base	Advances to suppliers	1,777,080.00		1,777,080.00	
Guangzhou Shipyard Limited Company	Advances to suppliers	1,000,000.00		1,000,000.00	
CSSC Nanjing Lvzhou Machinery Limited Company	Advances to suppliers			855,000.00	
China United Ship Limited Company	Advances to suppliers			267,531.65	
CSSC Guangzhou Nansha Longxue Construction Development Limited Company	Advances to suppliers	102,800.00		102,800.00	
Subtotal of Prepayment		61,637,401.08		68,458,851.85	

6.3.2 Payables to related parties

Name of Related Parties	Account	Ending Balance	Beginning Balance
Hudong Heavy Machine Limited Company	Accounts payable	1,995,000.00	37,150,000.00
China United Ship Limited Company	Accounts payable	24,655,181.91	14,134,919.94
CSSC Zhenjiang Equipment Limited Company	Accounts payable	2,736,430.00	12,250,430.00
China Ship and Marine Project Design&Research Institute	Accounts payable	1,038,475.00	11,672,800.00
Guangzhou Shipyard Limited Company	Accounts payable	7,985,843.46	11,349,421.56
Shanghai Ship Design&Research Institute	Accounts payable		8,300,000.00
CSSC Reconnaissance and Design Institute Limited Company	Accounts payable	3,583,473.87	7,832,315.56
CSSC Nanjing Lvzhou Machinery Limited Company	Accounts payable	11,513,575.00	6,641,625.00
CSSC South China Ship Machine Limited Company	Accounts payable	3,275,040.00	3,803,740.00
CSSC No.9 Design&Research Institute Project Limited Company	Accounts payable	942,368.00	1,311,062.80
Jiujiang Haitian Equipment Manufacturing Limited Company	Accounts payable	717,615.00	1,014,935.00
CSSC Beijing IT Limited Company	Accounts payable	768,000.00	768,000.00
CSSC Guijiang Shipbuilding Limited Company	Accounts payable	125,000.00	710,000.00
CSSC Ship System Project Department	Accounts payable	705,000.00	705,000.00
CSSC Jiujiang Changan Firefighting Equipment Limited Company	Accounts payable	1,476,200.00	578,200.00
Guangzhou Ship Industry Company	Accounts payable	1,001,245.14	410,420.00
Shanghai Hudong Shipbuilding Electric Device Company	Accounts payable	938,000.00	254,000.00
CSSC Shanghai Ship Design Technology State Engineering Research Center Limited Company	Accounts payable	190,000.00	190,000.00
South China Special Coating Industry Limited Company	Accounts payable	549,487.00	187,857.36
South China Cargo Shipping Passage Equipment Company	Accounts payable	116,375.00	116,375.00
Shanghai Navigation Equipment Limited Company	Accounts payable	39,000.00	115,000.00
CSSC Guangzhou Nansha Longxue Construction Development Limited Company	Accounts payable	100,000.00	100,000.00
CSSC Guangzhou Longxue Shipbuilding Limited Company	Accounts payable	194,550.56	85,422.00
Jiangxi Zhaoyang Machine Factory	Accounts payable	3,080.00	3,080.00
CSSC Ship Industrial Trade Company	Accounts payable	-48,701.38	-45,258.30
Anqing Ship Electric Device Limited Company	Accounts payable	19,200.00	
CSSC Guangzhou Huangpu Shipbuilding Limited Company	Accounts payable	10,703,326.63	
Shanghai CSSC Reconnaissance Rock Project Co., Ltd.	Accounts payable	122,557.83	
Subtotal of Accounts payable		75,445,323.02	119,639,345.92
Guangzhou Shipyard Limited Company	Other accounts payable	13,020.00	11,830.00
Subtotal of Other accounts payable		13,020.00	11,830.00
CSSC Guangzhou Nansha Longxue Construction Development Limited Company	Advance from customers	16,232,746.67	16,232,746.67
CSSC Guangzhou Longxue Shipbuilding Limited Company	Advance from customers	3,329,590.00	6,707,338.00
Guangzhou Shipyard Limited Company	Advance from customers	680,800.00	730,800.00
CSSC Comprehensive Technology Economics Institute	Advance from customers	623,100.00	623,100.00
Shanghai Ship Design&Research Institute	Advance from customers	700,000.00	600,000.00
CSSC South China Ship Machine Limited Company	Advance from customers	37,000.00	
Subtotal of Advance from customers		21,603,236.67	24,893,984.67

7. CONTINGENCIES

As at 30 June 2011, the Company does not have material contingencies to be disclosed

8. COMMITMENTS

8.1 Material Commitments Item

8.1.1 Pledge of Assets

As at 30 June 2011, the Company does not have other material pledge of assets to be disclosed except those of fixed deposit.

8.1.2 Forward contract not yet due for maturity

To avoid foreign exchange rate risk, the Company signed foreign exchange forward contract with the bank. As at 1 July 2011, the Company accumulated totally 10 inmatured forward contracts, with a settlement amount USD0.1458 billion, and the contracted delivery period is from 30 June 2011 to 27 April 2012.

In addition to above mentioned matter, as at 30 June 2011, the Company does not have other material commitments to be disclosed.

8.2 Prior Period Fulfillment of Commitments

The company can fulfill its commitments regarding the pledge for loans and forward contracts in accordance with the contracts.

In addition to above mentioned matter, as at 30 June 2011, the Company has no other material commitments to be disclosed.

9. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

9.1 Illustration of Profit distribution after the balance sheet date

According to the general shareholders meeting held on 31 May, 2011, first domestic shareholders meeting in 2011, and first foreign shareholders meeting in 2011, the profit distribution plan of 2010 is as follows:

- (1) 10% provision of statutory surplus reserves amount to RMB72,937,972.40;
- (2) The Company shall release cash dividend RMB0.10 per share (included tax) shall on the base of total shares amounted 494,677,580, all together the Company shall release cash dividends amounted RMB49,467,758.00.
- (3) Capital surplus shall transfer into capital, on base of total shares amounted 494,677,580, 3 shares each 10, all together 148,403,274 shares transferred. The shares amount to 643,080,854 after transfer. The profit distribution plan was implemented on 26 July 2011.

9.2 Other subsequent events

Regarding the lawsuit that the Company and its subsidiary, Guangzhou Guang Li ship Human Resource Services Limited ("Kwong Lee Company") brought to the Zhenjiang Intermediate People's Court ("Zhenjiang Intermediate People's Court") on December 31, 2010 (the lawsuit against Jiangsu Shenghua Company for return of property, technical services contract disputes, 79,600t bulk carrier vessels and 2 # 1 # ship "installation contract" dispute (For details, see the Company's 2010 annual report on important matters of major litigation and arbitration). Because Zhenjiang Intermediate Court was restricted by jurisdiction (lawsuit in terms of marine vessels manufacturing can only be heard in the maritime court), Zhenjiang Intermediate Court transferred 10 of these four cases to the Wuhan Maritime Court on 9 Mar and 10 March 2011. Wuhan Maritime Court formally accepted for filing the above-mentioned four cases on 8 July 2011.

In order to resolve Jiangsu Sheng Hua case properly as soon as possible, the Company intended to make a package of solutions to the case with Guangzhou Shipyard International (and Kwong Lee) through negotiations and mediation. The Company reached a consensus final document with Jiangsu Sheng China on 27 June 2011. Under the host of Wuhan Maritime Court, the Company, Kwong Lee Company and Jiangsu Shenghua signed a "Conciliation Agreement", which has been signed and sealed into effect, and the court will issue a formal court mediation letter.

According to "Conciliation Agreement", Jiangsu Sheng Hua confirmed the production management technical service fee of RMB200 million owed to the Company, and finished the payment 31 October 2011; Jiangsu Sheng Hua confirmed the outstanding "1 # ship installation contract", "2 # ship installation contract" amounting to RMB11.7 million and RMB524 million respectively, owed to Kwong Lee Company, which will be repaid in five installments, and repayment period from 30 September 2011 to 30 June 2013; the Company paid advance money for Jiangsu Sheng Hua electricity fee RMB100 million, will be repaid by three cars. After the valuation of vehicle administration office, the value of total three vehicles is worth to RMB106 million, which are under process of transfer.

The Company will closely follow the formal mediation letter issued by the Wuhan Maritime Court, and Jiangsu Sheng Hua's performance to its debt stated in "Conciliation Agreement", and urge Jiangsu Sheng Hua to fulfill ITS debt obligations on schedule, and actively carry out risk prevention measures.

10. OTHER SIGNIFICANT EVENTS

As at 30 June 2011, the Company does not have other significant events to be disclosed.

11. MATERIAL NOTES FOR PARENT COMPANY

11.1 Accounts receivable

11.1.1 Classification based on significance is listed as below:

Classification	Book Amount		Ending Balance		Net Value
	Amount	Ratio	Bad Debt Allowance Amount	Ratio	
1. Individually significant balance					
2. Individually insignificant but provision individually	1,271,069.29	0.28%	1,271,069.29	100.00%	0.00
3. Provision in group					
(1) No provision	118,194,517.35	26.05%			118,194,517.35
(2) Provision percent of ending balance	334,272,157.25	73.67%	1,043,924.66	0.31%	333,228,232.59
Total	453,737,743.89	100.00%	2,314,993.95	0.51%	451,422,749.94

Classification	Beginning Balance				
	Book Amount		Bad Debt Allowance		Net Value
	Amount	Ratio	Amount	Ratio	
1. Individually significant balance					
2. Individually insignificant but provision individually	1,271,069.29	0.39%	1,271,069.29	100.00%	0.00
3. Provision in group					
(1) No provision	124,923,810.31	38.02%			124,923,810.31
(2) Provision percent of ending balance	202,336,085.55	61.59%	1,043,924.66	0.52%	201,292,160.89
Total	328,530,965.15	100.00%	2,314,993.95	0.70%	326,215,971.20

Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB Equivalent	Original Currency	Exchange Rate	RMB Equivalent
USD	4,406,544.87	6.4716	28,517,395.78	7,031,372.09	6.6227	46,566,667.94
HKD	565,036.32	0.8316	469,884.21	1,732,015.41	0.8509	1,473,771.91
Total			28,987,279.99			48,040,439.85

Accounts receivable without provision:

Name	Ending Balance	Provision	Net Value
Receivables from Subsidiary	118,194,517.35		118,194,517.35
Total	118,194,517.35		118,194,517.35

Classification based on aging:

Aging	Ending Balance		Bad Debt Allowance	Net Value
	Amount	Ratio		
Within 1 year	300,326,395.96	89.84%	820,655.58	299,505,740.38
1-2 years (Inclusive)	29,192,992.36	8.73%	219,561.64	28,973,430.72
2-3 years (Inclusive)	84,574.00	0.03%		84,574.00
3-4 years (Inclusive)	4,115,904.00	1.23%	1,125.23	4,114,778.77
4-5 years (Inclusive)	480,666.20	0.14%	2,582.21	478,083.99
Over 5 years	71,624.73	0.02%		71,624.73
Total	334,272,157.25	100.00%	1,043,924.66	333,228,232.59

Aging	Beginning Balance		Bad Debt Allowance	Net Value
	Amount	Ratio		
Within 1 year	171,182,386.62	84.60%	820,655.58	170,361,731.04
1-2 years (Inclusive)	30,412,212.85	15.03%	219,561.64	30,192,651.21
2-3 years (Inclusive)				
3-4 years (Inclusive)	225,045.17	0.11%	1,125.23	223,919.94
4-5 years (Inclusive)	516,440.91	0.26%	2,582.21	513,858.70
Over 5 years				
Total	202,336,085.55	100.00%	1,043,924.66	201,292,160.89

11.1.2 Top 5 balances of accounts receivable are listed as below:

Name	Relationship with the Company	Ending Balance	Aging	Proportion %
China Shipping passenger ship co., Ltd.	External customer	103,600,000.00	Within 1 year	22.83
Guangzhou GSI Shipyard Large Machinery Co., Ltd.	Subsidiary	108,234,562.68	Within 1 year	23.85
Representative Bureau of haizhuang based in Guangzhou military region	External customer	48,016,371.00	Within 1 year	10.58
China Shipping Development Co., Ltd.	External customer	27,271,322.40	Within 1 year	6.01
Denmark A.P.MOLLER Company	External customer	17,231,505.47	Within 1 year	3.80
Total		304,353,761.55		67.07

11.1.3 Balance with related parties

Name	Relationship with the Company	Ending Balance	Proportion %
Guangzhou GSI Shipyard Large Machinery Co., Ltd.	Subsidiary	108,234,562.68	23.85
Guangzhou Xingshun Marine Service Co., Ltd.	Subsidiary	14,274,526.47	3.15
Guangzhou Yonglian Steel Structure Co., Ltd.	Subsidiary	1,688,139.40	0.37
Fan Guang Development Co., Ltd.	Subsidiary	994,542.98	0.22
Jiangnan Heavy Industry Co., Ltd.	Under the same control of CSSC	13,000,861.76	2.87
CSSC Guangzhou Longxue Shipbuilding Limited Company	Under the same control of CSSC	11,349,095.46	2.50
Total		149,541,728.75	32.96

11.2 Other receivables

11.2.1 Classification based on significance is listed as below:

Classification	Ending Balance				
	Book Amount		Bad Debt Allowance		Net Value
	Amount	Ratio	Amount	Proportion	
1. Individually significant balance	10,340,232.15	2.29%	10,340,232.15	100.00%	0.00
2. Individually insignificant but provision individually	57,600.00	0.01%	57,600.00	100.00%	0.00
3. Provision in group					
(1) No provision	303,811,812.87	67.17%			303,811,812.87
(2) Provision percent of ending balance	138,085,035.04	30.53%	1,393,669.32	1.01%	136,691,365.72
Total	452,294,680.06	100.00%	11,791,501.47	2.61%	440,503,178.59

Classification	Beginning Balance				
	Book Amount		Bad Debt Allowance		Net Value
	Amount	Ratio	Amount	Proportion	
1. Individually significant balance	10,340,232.15	2.10%	10,340,232.15	100.00%	
2. Individually insignificant but provision individually	57,600.00	0.01%	57,600.00	100.00%	
3. Provision in group					
(1) No provision	203,171,118.35	41.28%			203,171,118.35
(2) Provision percent of ending balance	278,587,364.75	56.61%	1,393,669.32	0.50%	277,193,695.43
Total	492,156,315.25	100.00%	11,791,501.47	2.40%	480,364,813.78

Receivables without provision:

Name	Ending Balance	Bad Debt Allowance	Net Value
Bank of Communications Zhongshan Torch Development Zone Branch	200,000,000.00		200,000,000.00
Zhongshan Torch Development Zone Branch of ICBC	100,000,000.00		100,000,000.00
Receivables from Subsidiary	3,811,812.87		3,811,812.87
Total	303,811,812.87		303,811,812.87

Classification based on ageing:

Aging	Ending Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	137,652,432.21	99.69%	1,391,191.16	136,261,241.05
1-2 years (Inclusive)	232,310.13	0.17%	1,178.60	231,131.53
2-3 years (Inclusive)	103,098.11	0.07%	481.42	102,616.69
3-4 years (Inclusive)	45,194.59	0.03%	600.00	44,594.59
4-5 years (Inclusive)	40,000.00	0.03%	8.14	39,991.86
Over 5 years	12,000.00	0.01%	210.00	11,790.00
Total	138,085,035.04	100.00%	1,393,669.32	136,691,365.72

Aging	Beginning Balance			
	Amount	Ratio	Bad Debt Allowance	Net Value
Within 1 year	278,289,345.16	99.89%	1,392,179.22	276,897,165.94
1-2 years (Inclusive)	112,425.00	0.04%	562.13	111,862.87
2-3 years (Inclusive)	23,594.59	0.01%	117.97	23,476.62
3-4 years (Inclusive)	120,000.00	0.04%	600.00	119,400.00
4-5 years (Inclusive)				
Over 5 years	42,000.00	0.02%	210.00	41,790.00
Total	278,587,364.75	100.00%	1,393,669.32	277,193,695.43

Insignificant balance but single assess of impairment

Name	Ending Balance	Provision	Proportion	Reason
Hong Kong Guanghong International Corp.	10,340,232.15	10,340,232.15	100%	Not perform rely on predicted debt restructure
Guangzhou City Construction Archives	57,600.00	57,600.00	100%	File lost
Total	10,397,832.15	10,397,832.15		

11.2.2 Top 5 balances of other receivables are listed as below:

Name	Content	Relationship with the Company	Ending Balance	Aging
Business entrusted loans (Lenders: zhongshan ship)	Entrusted Loan	Outer banks	300,000,000.00	within 1 year
Products subsidy receivable	Subsidies on products	Others	126,799,634.00	within 1 year
Hong Kong Guanghong International Corp.	Trust loans	Others	10,340,232.15	Over 5 years
Jiangsu Sheng Hua Shipping Co., Ltd.	Advance payment for electricity bill	Others	1,000,000.00	within 1 year
China Shipping Development Co., Ltd.	Advanced rent	External client	300,000.00	within 1 year
Total			438,439,866.15	

Note: The Company provide entrust loans amounted to RMB300,000,000.00 to its subsidiary Zhongshan Guangchuan International Marine and Ocean Project Co., Ltd by Zhongshan Torch Development Zone Branch of Communication Bank.

11.2.3 Balance with related parties

Name	Relationship with the Company	Ending Balance	Proportion (%)
Guangdong Guangzhou Shipyard International Elevator Co., Ltd.	Subsidiary	1,900,000.00	0.42
Guangzhou Shipyard Large Machinery Co., Ltd.	Subsidiary	1,271,118.35	0.28
Total		3,171,118.35	0.70

11.3 Long-term Equity Investment

Investee	Measurement	Investment	Initial Balance	Beginning ("-" for decrease)	Increase Ending Balance
Guangzhou Xingshun Shipping Service Company Co., Ltd.	Cost Method	500,000.00	500,000.00		500,000.00
Guangzhou Masterwood Shipbuilding Company Limited	Cost Method	3,685,222.80	1,690,741.80	1,994,481.00	3,685,222.80
Guangzhou United Steel Structures Co., Ltd.	Cost Method	37,522,079.55	37,522,079.55		37,522,079.55
Guangdong GSI Elevator Co., Ltd.	Cost Method	19,950,000.00	19,950,000.00		19,950,000.00
Guangzhou Hongfan Information Technique Co., Ltd.	Cost Method	2,550,000.00	2,550,000.00		2,550,000.00
Glory Group Developing Co., Ltd.	Cost Method	26,443,792.13	26,443,792.13		26,443,792.13
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Cost Method	3,052,492.77	3,052,492.77		3,052,492.77
Guangzhou GSI Heavy Mechanical Co., Ltd.	Cost Method	188,610,000.00	188,610,000.00		188,610,000.00
Zhongshan GSI Marine Engineering Co., Ltd.	Cost Method	100,000,000.00	100,000,000.00		100,000,000.00
Shenzhen Yuanzhou technical Co., Ltd.	Cost Method	1,000,000.00	1,000,000.00		1,000,000.00
Special Skills of Shipbuilding Industry 007 Evaluation Station	Cost Method	800,000.00	800,000.00		800,000.00
South China Marine and Industrial Special Coating Co., Ltd.	Equity Method	1,937,780.53	3,464,960.75	448,421.06	3,913,381.81
Zhanjiang Nanhai Navy Technical Service Co., Ltd.	Equity Method	800,000.00	814,382.75	-21,141.11	793,241.64
Total		386,851,367.78	386,398,449.75	2,421,760.95	388,820,210.70

Investee	Holding Ratio	Representative Ratio	Impairment	Current Period Impairment Provision	Current Period Cash Bonus
Glory Group Developing Co., Ltd.	100.00	100.00			
Guangzhou Hongfan Information Technique Co., Ltd.	51.00	51.00			
Guangzhou GSI Large-size Heavy Mechanical Equipment Co., Ltd.	100.00	100.00			
Guangdong GSI Elevator Co., Ltd.	95.00	100.00			
Guangzhou Xingshun Shipping Service Co., Ltd.	83.00	100.00			
Guangzhou United Steel Structures Co., Ltd.	51.00	51.00			
Guangzhou Masterwood Shipbuilding Company Limited	51.00	100.00			
Guangzhou Guangli Marine Human Resource Service Co., Ltd.	80.00	100.00			
Zhongshan GSI Marine Engineering Co., Ltd.	100.00	100.00			
Special Skills of Shipbuilding Industry 007 Evaluation Station	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			-	-	-

Note: The sixth board of directors of the Company No. 24 meeting of the Company approved the following resolution. On 15 February 2011, the Company with the CSSC Guangzhou Huangpu Shipbuilding Limited Company ("Huangpu Shipbuilding") signed a "share transfer contract", which uses the estimated value of RMB1,994,481.00 (including transactional fees and tax) to acquire 24% shares of Guangzhou Masterwood Shipbuilding Co., Ltd ("Masterwood") held by Huangpu Shipbuilding.

After the completion of the acquisition, Masterwood 75% stake directly held by the Company, and a wholly-owned Subsidiary Rong Guang Development Co., Ltd. indirectly holds 25% stake. Masterwood's acquisition meet the the Company's development strategy, and contribute to the shipbuilding business-related coordination.

11.4 Revenue and Cost

11.4.1 Details of revenue and cost:

Item	Current Period	Last Period
Revenue	3,722,880,639.52	2,747,829,845.76
Including: Income from principal activities	3,660,245,936.18	2,674,634,164.38
Other Operating income	62,634,703.34	73,195,681.38
Costs	3,264,076,566.84	2,346,587,494.25
Including: Cost of goods sold	3,222,425,537.19	2,290,020,452.01
Other operating expenses	41,651,029.65	56,567,042.24

11.4.2 Classification of principal activities based on product is listed as below:

Product	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Shipbuilding product	3,616,964,312.68	3,185,946,305.04	2,620,474,594.38	2,239,928,336.16
Steel Structure Project	5,505,585.94	5,427,496.15		
Mechanical & electrical products and others	37,776,037.56	31,051,736.00	54,159,570.00	50,092,115.85
Total	3,660,245,936.18	3,222,425,537.19	2,674,634,164.38	2,290,020,452.01

11.4.3 Revenue from top 5 clients and its proportion of total revenue are listed below:

Customer	Current Period	Proportion to total revenue
1	570,077,042.72	15.57%
2	434,831,140.31	11.88%
3	341,559,411.80	9.33%
4	295,119,784.41	8.06%
5	275,480,260.14	7.53%
Total	1,917,067,639.38	52.38%

11.5 Investment Income

11.5.1 The sources of investment income are listed as below:

Sources of investment income	Current Period	Last Period
Income from holding of long-term equity investment with equity method	427,279.95	377,348.59
Income from holding of available-for-sale financial assets	5,048,218.50	200,000.00
Income from disposal of transactional financial assets	10,019,585.50	47,758,341.90
Total	15,495,083.95	48,335,690.49

11.5.2 Investment income from long-term equity investment with equity method:

Investee	Current Period	Last Period	Reason for Fluctuation
South China Special Coating Industry Limited Company	448,421.06	437,671.90	Increased profit
Zhangjiang Nanhai ship High-tech Service Co., Ltd.	-21,141.11	-60,323.31	Decreased profit
Total	427,279.95	377,348.59	

11.6 Supplementary Information to Cash Flow Statement

Supplementary Information	Current Period	Last Period
1. Reconciliation of net income to cash flows from operating activities:		
Net profits	262,113,864.41	352,228,836.04
Add: Provision for fixed assets	179,517,990.16	0.00
Depreciation of fixed assets, biological assets and depletion of oil and nature gas assets	42,580,950.02	44,894,015.87
Amortization of intangible assets	3,168,523.72	3,230,859.95
Amortization of long-term expenses to be apportioned	97,107.35	
Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	38,924.93	-3,114,017.51
Losses from scrapping of fixed assets ("-" for gains)		
Losses from movement of fair value ("-" for gains)	-14,946,202.89	52,048,204.25
Financial expense ("-" for gains)	-117,247,529.58	-61,898,367.04
Investments losses ("-" for gains)	-15,495,083.95	-48,335,690.49
Decrease of deferred tax assets ("-" for increase)	-22,601,314.29	436,760.52
Increase of deferred tax liabilities ("-" for decrease)	2,241,930.45	-20,603,757.05
Decrease of inventories ("-" for increase)	154,928,713.91	-270,532,808.05
Decrease of operating receivables ("-" for increase)	70,020,822.21	-46,393,234.72
Increase of operating payables ("-" for decrease)	-581,606,498.02	45,065,841.80
Others		
Net cash flow from operating activities	-37,187,801.57	47,026,643.57
2. 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 financial lease		
3. Net increase in cash and cash equivalents:		
Cash at the end of the period	4,887,885,710.46	3,589,835,302.80
Less: Cash at the beginning of the period	4,776,783,586.93	4,174,852,057.51
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	111,102,123.53	-585,016,754.71

12. SUPPLEMENT INFORMATION

12.1 Current year unusual profits or losses

In accordance with the "Questions and Answers for the Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No.1—Exceptional item in Profits and losses" (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	Note
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	10,317.97	
Government subsidies recognized in the current profits and losses	9,228,811.52	
Gains/Losses from fair value changes of transactional securities and transactional financial liabilities, and investment income from disposal of transactional assets, transactional financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's main operation	24,965,788.39	
Reverse of receivable provision		
Apart from the above items, other non-operating profits and losses	2,317,673.54	
Subtotals (effect on income before tax)	36,522,591.42	
Less: influence on income tax	5,478,388.71	
Net influence of unusual item in profits or losses	31,044,202.71	
Including: attributable to minority interests	959,968.85	
Influence attributable to common shareholders of parent company	3,0084,233.86	
Net profits attributable to common shareholders of parent company after deducting unusual item in profits or losses	233,301,630.10	

12.2 Return of 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), return of net assets and earning per share are calculated and details are listed as follows:

Profit of accounting period	Current Period		
	Return on weighted average net assets	EPS	
		Basic EPS	Diluted EPS
Net profits attributable to the common shareholders	6.94	0.41	0.41
Net profits attributable to the common shareholders after deducted exceptional profits or losses	6.15	0.36	0.36

Profit of accounting period	Last Peirod		
	Return on weighted average net assets	EPS	
		Basic EPS	Diluted EPS
Net profits attributable to the common shareholders	10.68	0.53	0.53
Net profits attributable to the common shareholders after deducted exceptional profits or losses	10.38	0.52	0.52

13. THE APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board Meeting held on August 23, 2011.

VIII. DOCUMENT AVAILABLE FOR INSPECTION

- The financial statements signed and chopped by the legal representative, chief financial officer and accounting manager.
- During the reporting period, the original documents and announcements' manuscript which were disclosed in the "Shanghai Securities", website of Shanghai Stock Exchange (www.sse.com.cn), website of the Hong Kong Stock Exchange (www.hkexnews.com) and the Company's website.