



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

2012

CONTENTS

	Page No.
I. Important Notice	2
II. Overview of the Company	2
III. Changes of Share Capital and Shareholders' Information	4
IV. Information of Directors, Supervisors, Senior Management and Staff	4
V. Report of the Board of Directors	5
VI. Significant Events	7
VII. Financial Reports (Unaudited)	11
VIII. Documents Available for Inspection	70

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, 2012 (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, including independent non-executive director Ms. De Lihua acting as proxy of independent non-executive director Mr. Fu Zhengping and non-executive director Mr. Gao Feng acting as proxy of non-executive director Mr. Pan Zunxian attended the eleventh meeting of the seventh term of the Board of Directors held on August 23, 2012, at which the Report was approved by unanimous vote.
3. Mr. Chen Jingqi, Legal representative of the Company, 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 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:	廣州廣船國際股份有限公司
Abbreviation of Chinese Name of the Company:	廣船國際
Registered English Name of the Company:	Guangzhou Shipyard International Company Limited
Abbreviation of English Name of the Company:	GSI
Legal Representative of the Company:	Mr. Chen Jingqi
Joint Company Secretary Address: Tel: Fax: E-Mail Address:	Mr. Chen Liping 40 South Fangcun Main Road, Liwan District, Guangzhou, P.R.C. (8620) 8189 1712 ext. 3155 (8620) 8189 1575 chenlpaa@chinagsi.com
Joint Company Secretary Address: Tel: Fax: E-Mail Address:	Mr. Li Zhidong 40 South Fangcun Main Road, Liwan District, Guangzhou, P.R.C. (8620) 8189 1712 ext. 2962 (8620) 8189 1575 lzd@chinagsi.com
Authorized Securities Representative: Address: Tel: Fax: E-Mail Address:	Ms. Yang Ping 40 South Fangcun Main Road, Liwan District, Guangzhou, P.R.C. (8620) 8189 1712 ext. 2995 (8620) 8189 1575 yangping@chinagsi.com
The Company's Registered Address and Office:	40 South Fangcun Main Road, Liwan District, Guangzhou, The People's Republic of China
Postal code:	510382
The Company's Principal Place of Business in Hong Kong:	28/F, Three Pacific Place 1, Queen's Road East, Hong Kong
URL of the Company:	www.chinagsi.com
E-Mail Address:	gsi@chinagsi.com
Publications for Disclosing Information:	Shanghai Securities News
URL for Publishing the Report:	www.sse.com.cn, www.hkexnews.hk, www.chinagsi.com
Place for Inspection of the Interim Report:	The Board of Directors' Office
Place of Listing of the Company's Shares A Shares Abbreviated Name: Stock Code:	Shanghai Stock Exchange Guangzhou Shipyard International 600685
H Shares: Abbreviated Name: Stock Code:	The Stock Exchange of Hong Kong Limited Guangzhou Shipyard International 00317

2. MAJOR FINANCIAL DATA AND INDICATORS

Unit: RMB

Items	Unaudited	Audited	Change (%)
	As at June 30, 2012 (Consolidated)	As at December 31, 2011 (Consolidated)	
Total Assets	10,599,249,296.28	11,885,509,370.27	-10.82
Current assets	8,237,072,899.77	9,566,613,909.06	-13.90
Current liabilities	4,733,184,984.87	6,308,202,650.69	-24.97
Owners' equity attributable to shareholders of the Company	4,184,331,885.93	4,107,606,378.32	1.87
Net assets per share attributable to shareholders of the Company	6.51	6.39	1.87
Gearing ratios (%)	59.63	64.66	Decreased by 5.03 percent

Items	Unaudited		Change (%)
	For the first half of		
	2012 (Consolidated)	2011 (Consolidated)	
Operating profit	-58,774,290.15	271,994,521.09	-121.61
Total profit	108,329,919.83	316,343,555.07	-65.76
Net profit attributable to Shareholders of the Company	87,985,055.14	263,385,863.96	-66.59
Net profit attributable to Shareholders of the Company after deduction of exceptional items	72,687,086.16	233,301,630.11	-68.84
Basic earnings per share	0.14	0.41	-66.59
Basic earnings per share after deduction of exceptional items	0.11	0.36	-68.84
Diluted earnings per share	0.14	0.41	-66.59
Return on net assets (%)	2.00	6.79	Decreased by 4.79 percent
Weighted average return on net assets (%)	2.12	6.94	Decreased by 4.82 percent
Net cash flow from operating activities	-219,742,014.68	-91,959,244.76	Not applicable
Net cash flow per share from operating activities	-0.34	-0.14	Not applicable

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	3,092,932.22	Mainly was the profit from disposal of fixed assets.
Government subsidies recognized in the current profits and losses	5,401,664.27	Mainly were subsidies of software and new productions.
Gains/Losses from fair value changes of trading securities and trading financial liabilities, and investment income from disposal of trading assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's main operations	1,126,154.72	Mainly resulted from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets.
Reverse of the provision for receivable impairment which was tested individually	2,176,242.59	
Other non-operating profits and losses apart from above items	6,244,835.08	
Subtotals from non-operating profits and losses (effect on total profits)	18,041,828.88	
Less: influence on income tax	2,844,542.66	
Total influence on net profits	15,197,286.22	
Including: influence on attributable to minority interests	-100,682.76	
Influence on the net profits attributable to common shareholders of parent company	15,297,968.98	
Net profits attributable to common shareholders of parent company after deducting exceptional items	72,687,086.16	

III. CHANGES OF SHARE CAPITAL AND SHAREHOLDERS' INFORMATION

1. CHANGES OF SHARE CAPITAL

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

2. SHAREHOLDERS INFORMATION

As at June 30, 2012, the total number of shareholders of the Company was 72,525, including 72,150 shareholders of listed A-Shares and 375 shareholders of listed H-Shares.

(1) The 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	–	229,645,800	35.71	None	State-owned Shares	A Shares
HKSCC Nominees Limited	3,138,800	195,093,576	30.34	Unknown	Foreign legal entity	H Shares
DA ROSA JOSE AUGUSTO MARIA	–	3,900,000	0.61	Unknown	Foreign natural person	H Shares
China Southern Industry Theme Securities Investment Fund	-6,839,985	2,759,191	0.43	Unknown	Domestic legal entity	A Shares
CITIC Security Co., Ltd.	1,191,276	2,197,299	0.34	Unknown	Domestic legal entity	A Shares
Fang Shaoxia	110,000	1,358,000	0.21	Unknown	Domestic natural person	A Shares
Li Yongmian	–	937,568	0.15	Unknown	Domestic natural person	A Shares
China Southern 500 Index Securities Investment Fund (LOF)	47,526	641,327	0.10	Unknown	Domestic legal entity	A Shares
Ji Shenjin	16,000	618,000	0.10	Unknown	Domestic natural person	A Shares
Ma Lan	–	616,000	0.10	Unknown	Domestic legal entity	A Shares

Except for China Southern Industry Theme Securities Investment Fund and China Southern 500 Index Securities Investment Fund are under the management of China Southern Fund Management Co., Ltd., 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, their spouses and children under the age of 18.

2. CHANGE OF DIRECTORS' INFORMATION

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

Name	Title	Details of changes	Reasons
Chen Jingqi	Director	Resigned as the Chairman of the Board of Directors of the Company approved at the meeting of the Board of Directors held on August 23, 2012.	Age
Yu Baoshan	Director	Elected as the Chairman of the Board, appointed Mr. Yu as Chairman of the Strategy Committee in accordance with the Implementation Rules and Regulations of the Strategy Committee of the Board, and redesignated Mr. Yu Baoshan from non-executive director to executive director due to job relocation with effect from August 23, 2012.	Job relocation
Chen Ji	Director	Resigned as a vice president of the Company approved at the meeting of the Board of Directors held on August 23, 2012.	Job relocation

3. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the period under review, changes on directors and senior management were as follows:

Name	Title	Details of changes	Reasons
Ke Wangjun	Director	Resigned as a non-executive director of the Company approved at the 2011 annual general meeting held on June 8, 2012.	Job relocation
Zhou Dusheng	Director	Elected as a non-executive director of the Company at the 2011 annual general meeting held on June 8, 2012.	Appointment
He Qiuping	Vice President	Appointed as a vice president of the Company approved at the meeting of the Board of Directors held on August 23, 2012.	Appointment
Li Zhidong	Secretary to the Board of Directors	Resigned as Secretary to the Board of Directors and appointed as Joint Company Secretary of the Company approved at the meeting of the Board of Directors held on August 23, 2012.	Job relocation
Chen Liping	Secretary to the Board of Directors	Appointed as Secretary to the Board of Directors and Joint Company Secretary of the Company approved at the meeting of the Board of Directors held on August 23, 2012.	Appointment

4. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at June 30, 2012, except for the directors Mr. Chen Jingqi held 3,302 A-Shares of the Company, 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 Securities and Futures Ordinance ("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 Hong Kong Stock Exchange pursuant to section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "model code") or which were required to be entered in the register required to be kept under section 352 of the SFO.

5. STAFF AND THE REMUNERATION POLICY

The remuneration of the employees of the Company and its subsidiaries (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. As at the end of June, 2012, the number of employees on the payroll of the Company was 3,375, and number of employees of the Group was 9,268.

V. REPORT OF THE BOARD OF DIRECTORS

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

During the first half of 2012, under the double pressure of excess capacity of shipping market and shipbuilding, the shipbuilding market became further deterioration, and the new shipbuilding orders dried up. Since most shipbuilding enterprises were lack of shipbuilding orders to commence this year, for the purpose of securing the orders, the competition became more intense and the price of new orders declined sharply than the end of last year.

Facing serious situation, the Company accelerated to implement the "Twelve-Five" strategy pace, adjusted the industry structure, especially the combination of the four business, such as the shipbuilding, heavy machinery, service and off-shore engineering, increased efforts to develop the non-shipbuilding business, improved the overall anti-risk capacity and competition. For the purpose of reducing costs and increasing efficiency, the Company adjusted its organization structure and business management model, improved utilization and allocation of limited resources, improved the product research and development, reduced costs, improved management and productivity.

During the period under review, comparing with that of the same period last year, the income of the Group amounted to RMB3433 million, representing a decrease of 13.83%, the operating income of the Group amounted to RMB3386 million, representing a decrease of 13.70%, the operating profit of the Group amounted to RMB -59 million due to made a provision for shipbuilding contracts, the total profit was RMB108, the net profit attributable to owners' of the Company amounted to RMB88 million, representing a decrease of 66.59% and the earnings per share amounted to RMB0.14.

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 profit margin compared with that of the same period of last year (%)
Shipbuilding	2,924,347,295.79	2,778,644,856.49	4.98	-19.15	-12.78	-58.22
Steel structure	177,550,080.45	162,654,625.54	8.39	31.27	33.59	-15.93
Electrical & mechanical products and others	284,230,921.70	234,687,224.66	17.43	65.70	91.96	-39.33
Total	3,386,128,297.94	3,175,986,706.69	6.21	-13.70	-7.4	-50.64

During the period under review, the connected transactions in the products and labor services supplied to the controlling shareholder and its subsidiaries by the Company amounted to RMB96,468,351.95.

1) Shipbuilding

During the first half of 2012, the Company completed 9 vessels, commenced construction work on 8 vessels, and launched 10 vessels. The main clients are from European countries, such as Holland, Greece, Denmark 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 product oil tanker, 50,000 dwt semi-submersible heavy lift vessels.

Moreover, the Company secured new shipbuilding orders for 6 vessels with a total tonnage of 300,000 dwt. As at June 30, 2012, the Company had accumulated orders for building 40 vessels with a total tonnage of 1,650,000 dwt.

The shipbuilding income decreased compared with the same period last year, which was mainly due to the decrease in vessels price. The operating profit margin decreased, which was mainly due to the sharp decrease in vessel price, but the shipbuilding costs could not decrease with the same span including labour costs increase rigidly.

2) Non-shipbuilding operations

During the period under review, for the purpose of development of heavy machinery business, the Company restructured the Heavy Machinery Division, established Heavy Steel Structure Division, to focus on developing electrical and mechanical product and steel structure product respectively. During the first half of 2012, the Company completed 19,212 tons steel structure, produced 287 elevators and sold 353 hydraulic shearing machines.

The income of steel structure increased by 31.27% compared with that of the same period last year, which was mainly due to development of the steel structure market and the steel structure business increasing steadily after established the Heavy Steel Structure Division. The income of electrical & mechanical products and others increased by 65.70% compared with the same period last year, which was mainly due to income from shield machine and mining reclaimer.

(2) Geographical Statement of Operation

Unit: RMB

Area	Operating income		Change (%)
	For the first half of 2012	For the first half of 2011	
Holland	451,106,894.00	341,559,411.80	32.07
Greece	272,454,588.75	79,262,707.73	243.74
Demark	249,195,877.32	1,575,508,227.58	-84.18
Malta	128,210,255.04	36,372,073.36	252.50
Sweden	104,304,947.41	—	—
Colombia	66,703,419.13	—	—
USA	35,873,547.03	—	—
Canada	27,716,111.49	8,964,524.47	209.18
Thailand	22,338,172.30	—	—
Australia	19,023,561.51	52,459,464.36	-63.74
Hong Kong	13,336,533.62	240,115,590.22	-94.45
Others	7,471,499.75	25,537,047.51	-70.74
Mainland China	1,988,392,890.59	1,563,971,053.01	27.14
Total	3,386,128,297.94	3,923,750,100.04	-13.70

(3) Problems and difficulties of operation and their solutions

Shipbuilding business: for the situation such as insufficient demand of the market, the decrease in vessel price and the labour costs could not decrease with the same span in short term, as well as the worksite limit and the equipment degradation, it impacted the Company on operating and securing orders. The Company strengthened the work to optimize vessels, developed multiple-type of new vessels research and development, widened market channels, following the market fluctuations, secured orders actively with market price and decreased cost forcedly, adjusted organization structure, optimized personnel structure and resources relocation, enhanced production process, improved production efficiency, the meticulous management on cost and internal control, strengthened budget monitoring, strictly control all the costs.

Non-shipbuilding business: with the heavy machinery business restructuring, the Company gained some achievements in the areas of development of shield machine and mining machinery, but more products were under construction, there are some difficulties in the production organization and production site. The Company will take advantage of brand and certification of GSI to realize leaping development of non-shipbuilding business through strategic cooperation and the use of external resources.

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 RMB111.3429 million, representing a decrease 15.27% compared with that of last year (RMB131.4091 million). The major invested projects were as follows:

Unit: RMB

Item	Amount	Progress	Income
Constructional fees of Zhongshan GSI Marine Engineering Co., Ltd.	74,043,415.11	Under construction	Not yet generate income
Lengthening the tracks of 80t and 400t cranes of the dry dock (first phase)	3,760,636.40	Under construction	Not yet generate income
One 200t fixed crane near dock	3,363,708.12	Under construction	Not yet generate income
The innovated project of GSI Large-size Mechanical Equipment Co., Ltd.	3,136,787.78	Under construction	Not yet generate income
One self power barge for shipping	3,043,549.67	Under construction	Not yet generate income
Others	23,994,852.10	Under construction	Not yet generate income
Total	111,342,949.18	—	—

4. FINANCIAL POSITION AND ANALYSIS OF OPERATIONS

(1) Balance sheet items

Unit: RMB

Item	As at June 30, 2012	As at December 31, 2011	Change (± %)	Reasons for change
Trading financial assets	2,138,286.82	20,229,536.04	-89.43	Fair value change due to settlement of the forward contracts and fluctuations of the exchange rate.
Notes receivable	81,363.00	560,000.00	-85.47	Notes receivable were endorsed decrease in receipt of notes receivable at the balance sheet date.
Dividends receivable	1,043,381.78	—	—	Cash dividends receivable from association.
Others receivable	196,863,317.48	124,187,542.08	58.52	Increased subsidies receivable from production due to the change of production structure.
Inventories	874,189,623.16	1,514,217,309.31	-42.27	Made impairment loss for the shipbuilding orders which the expected total cost was more than expected income, and decreased in shipbuilding construction.
Construction in process	373,598,834.40	281,562,964.86	32.69	Increase investment in GSI Marine Engineering Co., Ltd.
Short-term borrowings	298,638,413.82	1,170,288,811.35	-74.48	Repaid the matured USD borrows.
Advances from customers	531,272,987.41	341,947,140.04	55.37	Increase in new secured orders.
Taxes payable	-40,687,854.21	48,106,774.49	-184.58	Enterprise income tax of last year was paid during the period under review.
Interest payable	9,104,347.06	23,593,106.60	-61.41	Decrease in bank loan during the period under review.

(2) Income statement items

Unit: RMB

Item	The first half of 2012	The first half of 2011	Change (%)	Reasons for change
Taxes and levies on operation	5,989,647.58	36,706,022.51	-83.68	Decrease in vessel price.
Selling expenses	-4,584,352.56	-2,121,413.56	116.10	Cancellation one shipbuilding order after negotiation with ship-owner, as well as the disposal of maintain fees
Financial expenses	-42,871,721.35	-115,604,913.22	-62.92	Decrease income from exchange rate.
Gain/loss from fair value changes	-17,923,681.50	14,946,202.89	-219.92	The settlement of some matured forward exchange contracts, as well as decrease in income from fair value change of the unsettled some forward exchange contracts impacted by exchange rate fluctuation.
Investment income	28,793,324.81	16,855,015.68	70.83	Mainly due to settlement of the matured forward contracts and receipt dividend.
Operating profit	-58,774,290.15	271,994,521.09	-121.61	Decrease in vessel price and the cost could not decrease with the same span.
Non-operating income	168,342,594.66	45,080,826.32	273.42	Subsidies increased due to product structure change.
Non-operating expenses	1,238,384.68	731,792.34	69.23	Paid credit compensation amounted to RMB800,000 during the period under review.
Impair loss from disposal of non-current assets	148,365.58	244,166.40	-39.24	Decrease in impair loss from disposal of fixed assets.
Total profit	108,329,919.83	316,343,555.07	-65.76	Decrease in vessel price and the cost could not decrease with the same span.
Income tax	19,075,395.12	50,064,737.85	-61.90	Decrease in the profit.
Net profit	89,254,524.71	266,278,817.22	-66.48	Decrease in vessel price and the cost could not decrease with the same span.
Net profit Attributable to the parent company	87,985,055.14	263,385,863.96	-66.59	Decrease in vessel price and the cost could not decrease with the same span.
Minority interest	1,269,469.57	2,892,953.26	-56.12	Decrease in profit of associated companies compared with the same period last year.

(3) Cash flow statement items

Unit: RMB

Item	The first half of 2012	The first half of 2011	Change (%)	Reasons for change:
Net cash flow from operating activities	-219,742,014.68	-91,959,244.76	-	Mainly due to increase in purchase accounting
Net cash flow from investing activities	1,151,200,985.32	-309,942,507.39	-	The pledged deposit matured at beginning of the year
Net cash flow from financing activities	-513,004,590.24	471,626,949.16	-208.77	Repaid the matured liabilities during the period under review

5. DETAILED INFORMATION ON CHARGES ON ASSETS OF THE GROUP

As at June 30, 2012, the deposit amounted to RMB2,464,392,845.36 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

During the second half of the year, facing the continuing hard market situation, the Company will continue to be market-oriented, accelerate the progress of product research and development, target advanced technology and low cost, focus on development of energy-saving type of vessels and special vessels, enhance the Company's competitive power. Fully utilize external resources, break through the Company productivity bottlenecks, develop the market of the large-size vessels and special vessels through strategic cooperation model, optimize the shipbuilding product structure. Strengthen the market development and project management of non-shipbuilding business, create the second pillar industry. Aimed at the balanced production and reduce costs and increase efficiency, the Company will improve cost management and energy efficiency analysis, increase the research and innovation on technology and engineering method, further optimize the production sites relocation, equipment and personnel resources etc., strictly control the production construction in rhythm, strengthen internal control and risk management, maintain the Company's profitability and ability to resist risks, improve market competitiveness.

VI. SIGNIFICANT EVENTS

1. CORPORATE GOVERNANCE INFORMATION

(1) Corporate Governance

In order to improve and perfect the reasonable, sustainable and stable dividends mechanism and monitoring mechanism, further improve the transparency of the profit distribution, protect the legitimate rights and interests of the shareholders, the Company proposes to amend the relevant terms about dividend distribution policy in the Articles of Association with the requirement of Notice Related to the Further Implementation of the Cash Dividends of Listed Companies issued by China Securities Regulatory Commission, Notice in relation to Further Implementation of the Dividends of Listed Companies issued by Guangdong Securities Regulatory Bureau (Guangdong Securities [2012] No. 91) and combining with the Company's actual situation. Such amendments will become effective after approved by shareholders at the next shareholders' meeting.

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 relating to the corporate governance, actively improved its corporate governance structure and standardized its operations. On April 1, 2012, the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("Former CG Code") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code"). The Company has adopted the code provisions as set out in the New CG Code as the code of the Company in substitution for and to the exclusion of the Former CG Code with effect from April 1, 2012.

During the six months ended June 30, 2012, the Company has complied with the code provisions set out in the Former CG Code and New CG Code.

(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. 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 the required standard of dealings as set out in the Model Code during the period under review.

(3) Meetings of Board of Directors

During the period under review, the Board of Directors of the Company held five meetings, including three meetings 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 of 2011 and the first quarter of 2012 of the Group. The Nomination Committee of the Board held a meeting to review and select the candidate for director. 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 2011. The Strategy Committee held a meeting to discuss the items relating to development of the Company and its strategy.

2. THE PROFIT DISTRIBUTION AND THE IMPLEMENTATION

Approved by 2011 Annual General Meeting held on June 8, 2012, for maintaining the normal production and operation, promoting the Company to develop continuously, steadily and efficiently, basing on the long-term interest and benefits of the Company and its shareholders, the Board decided that the Company would not make profit distribution or issue new bonus shares by conversion of capital reserve for the year ended December 31, 2011.

3. THE BOARD OF DIRECTORS OF THE COMPANY DOES NOT MAKE PROFIT DISTRIBUTION AND NO CAPITAL INCREMENT FOR THE FIRST HALF OF 2012.

4. 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 cumulative paid cash dividends accounted for 32.54% in the total average distributable profits for the latest three years.

5. SIGNIFICANT LITIGATION OR ARBITRATION EVENT

On December 31, 2010, the Company and its subsidiary Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd. ("Guangli Company") filed three unsolved lawsuits to the Intermediate People's Court of Zhenjiang, Jiangsu Province including the Company sued Jiangsu Shenghua Shipbuilding Co., Ltd.. In respect of the dispute cases on the technical service contract case and Guangli Company sued Jiangsu Shenghua in respect of the installment contracts in relation to 79,600 tons bulk carrier #1 and #2 (for details please refer to the Significant Litigation or Arbitration Event in Significant Event of 2010 annual report, 2011 interim report and 2011 annual report). The Company had applied to court for compulsory enforcement under the mediation of Wuhan Maritime Court, and Wuhan Maritime Court had frozen the mortgage of Jiangsu Shenghua and judged the auction for its property which was pledged to the Company and Guangli Company. As at the disclosure date of this report, the execution procedure of assessment and auction has started.

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

6. 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 2012	Profit and loss during the period under review	Changes in shareholders' equity of the Company	Accounting Subject	Source of the shareholding
600036	Merchants Bank	27,483,602.50	0.081	190,091,538.00	7,311,213.00	-14,056,677.38	Available-for-sale financial assets	Purchasing
601872	Merchants Energy Shipping	37,100,000.00	0.233	32,200,000.00	100,000.00	2,805,000.00	Available-for-sale financial assets	Purchasing
Total		64,583,602.50	-	222,291,538.00	7,411,213.00	11,251,677.38	-	-

7. PROPERTY AND INTEREST TRANSFER

As approved by the second meeting of the seventh term of the Board, the Company signed the compensation agreements for demolition with the Heshan Weili Real Estate Development Company Limited, for the demolition of four sets of villas located at Baodao Village, Shaping Town, Heshan City of Guangdong Province at the evaluation price of RMB5,385,000.00. During the period under review, the Company had received all funds.

Apart from disclosure above, there was no other property transfer event during the period under review.

8. SIGNIFICANT CONNECTED TRANSACTIONS

The Company's routine connected transaction and comprehensive service contract constituted continuing connected transactions under the Chapter 14A of the Listing Rules, 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 Company to CSSC (including its subsidiaries)	96,468,351.95			
1.1	Electrical and mechanical engineering equipment and metallic materials	1,403,006.05	0.04	Market price or agreed price	Through the bank
1.2	Utilities	662,400.46	0.02	Cost plus management fee	Through the bank
1.3	Labor supply, design and technology services	94,402,945.44	2.75	Not less than the price to the third parties	Through the bank
2	Total amount of products and services provided by CSSC to the Company	262,030,682.80			
2.1	Electrical and mechanical engineering equipment and metallic materials, ship-building accessories and equipment use on ships	184,809,205.79	7.52	Market price or agreed price, and not more than the price offered by the third independent parties	Through the bank
2.2	Labor supply, design and technology services	77,221,477.01	3.14	Cost plus management fee or market price	Through the bank
3	Financial services supplied from CSSC	598,334,515.06			
3.1	Deposits	592,238,625.78	10.14	Interest rate on deposits published by the People's Bank of China	
3.2	Interest on deposits	6,095,889.28	6.4		Through the bank
3.3	Loans	-	-	Not higher than interest rate on loan published by the People's Bank of China	
3.4	Interest on loans	-	-		
4	Total guarantee fees for guarantee supplied to the Company from CSSC	-	-	Agreed fee, not more than the price offered by the third independent parties	Through the bank
5	Total sales agency fees paid by the Company to the CSSC	18,534,874.60	39.58	Not more than 1% of contract price in accordance with international practice	Through the bank
6	Total purchases agency fees paid by the Company to the CSSC	829,409.06	100	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 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 held on December 29, 2009, and the supplemental agreement in relation to *the Framework Agreement* approved by 2011 Annual General Meeting held on June 8, 2012.

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 November 23, 2011. 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 2012 was RMB4.20 million.

(3) Related party transactions of non-operating credits or debts

Unit: RMB

Related 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	-	-	210.00	14,420.00
Guangzhou Nansha Wenchuan Ship Engineering Co., Ltd.	Controlled by the same parent company	-	-	2,500.00	2,500.00
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 made significant impact on the operating results and financial position of the Company				

9. 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.

10. 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.

11. APPOINTMENT OR DIMISSION OF THE AUDITORS

As approved by 2011 Annual General Meeting held on June 8, 2012, the Company re-appointed ShineWing Certified Public Accountants Limited as auditors of the Company for 2012.

12. 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 on the Company and its directors, supervisors, senior management, controlling shareholders and actual controller.

13. OTHER SIGNIFICANT EVENTS

- (1) Approved by the eighth meeting of the seventh term of the Board of Directors of the Company, for the purpose of continuing operation, improving the situation of cash flow and stabilizing the work team, the Company secured 6 50,000 dwt chemical/production oil tankers (the "Vessels") shipbuilding contracts during the period under review. Since the Vessels price was low, the Company forecasted the profitability of the Vessels 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 eleventh meeting of the seventh term of the Board of Directors, the Company made an impairment loss provision amounting to RMB164,293,780.94 for the securing shipbuilding orders which will cause the losses.
- (2) For the purpose of integrating the resources, pushing and implementing the "twelfth five-year" development plan of the Company, developing the operation business of shipbuilding, heavy machinery and offshore engineering, strengthen the technological decision-making power and legal risk precaution work and improving the Company's anti-risk power and market competitiveness, at the eighth meeting of the seventh term of the Board of Directors of the Company, approval was given to the Company to establish Shipbuilding Division, Heavy Steel Structure Division and Offshore Engineering Department, rename Shipbuilding Management Department and Production Supporting Department as Production Management Department and Construction Planning Department respectively, and promote Chief Engineer Office and Risk Management Department (referred to as Law Affairs Office externally) as company-level departments.
- (3) In March 2012, the Company and A/S Dampskibsselskabet TORM Shipping Company ("TORM"), which is a Danish company, cancelled the construction contract of the Company for one vessel after friendly negotiation, and TORM has compensated for the losses.
- (4) Contingent Liabilities.
As at June 30, 2012, the Group had no significant contingent liabilities.
- (5) Gearing ratio
As at June 30, 2012, the gearing ratio of the Group was 59.63% (64.66% at the beginning of the period). The change is mainly due to the decrease in USD borrowings and advances from customers of the contracts during the period under review.
- (6) 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)

Consolidated Balance Sheet As at June 30, 2012

Unit: RMB

Items	Notes	The Ending Balance	The Beginning Balance
Current assets:			
Cash and bank	5.1	5,843,111,790.75	6,562,746,466.84
Settlement Reserves			
Interbank Lendings			
Financial assets held for trading	5.2	2,138,286.82	20,229,536.04
Notes receivable	5.3	81,363.00	560,000.00
Accounts receivable	5.4	817,888,357.67	736,726,644.10
Advances to suppliers	5.5	399,332,416.39	503,943,783.02
Premiums receivable			
Accounts receivable subinsurance			
Accounts receivable related to reinsurance contract reserves			
Interests receivable	5.6	102,424,362.72	104,002,627.67
Dividends receivable	5.7	1,043,381.78	-
Other receivables	5.8	196,863,317.48	124,187,542.08
Redemptory monetary capital for sale			
Inventories	5.9	874,189,623.16	1,514,217,309.31
Non-current assets matured within one year			
Other current assets			
Total current assets		8,237,072,899.77	9,566,613,909.06
Non-current assets:			
Issuance of loans and advances			
Financial assets available for sale	5.10	224,741,538.00	238,228,805.50
Held-to-maturity investment			
Long-term accounts receivables			
Long-term equity investment	5.11	47,079,753.82	45,790,860.01
Investment properties	5.12	30,694,892.31	31,070,557.34
Fixed assets	5.13	1,235,586,619.62	1,274,317,899.38
Construction in progress	5.14	373,598,834.40	281,562,964.86
Construction goods and assets			
Liquidation of fixed assets	5.15	5,094,624.79	5,044,668.76
Production-related biological assets			
Oil and gas assets			
Intangible assets	5.16	361,528,375.76	367,605,252.58
Development expenses	5.17		
Goodwill			
Long-term prepaid expenses	5.18	5,243,796.96	5,826,441.06
Deferred tax assets	5.19	78,607,960.85	69,448,011.72
Other non-current assets			
Total non-current assets		2,362,176,396.51	2,318,895,461.21
Total assets		10,599,249,296.28	11,885,509,370.27

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

Consolidated Balance Sheet (Continued)
As at June 30, 2012

Unit: RMB

Items	Notes	The Ending Balance	The Beginning Balance
Current liabilities:			
Short-term loan	5.21	298,638,413.82	1,170,288,811.35
Borrowings from Central Bank			
Deposit taking and deposit of interbank			
Interbank Borrowings			
Financial liabilities held for trading	5.22	992,368.22	1,159,935.94
Notes payable	5.23	562,762,907.61	688,987,230.48
Accounts payable	5.24	1,165,825,223.48	1,356,264,732.15
Advances from customers	5.25	531,272,987.41	341,947,140.04
Financial assets sold for repurchase			
Commissions payable			
Employee benefits payable	5.26	16,341,043.72	19,564,521.68
Tax payable	5.27	-40,687,854.21	48,106,774.49
Interests payable	5.28	9,104,347.06	23,593,106.60
Dividends payable	5.29	157,912.98	157,912.98
Other payables	5.30	29,106,928.28	27,290,727.01
Accounts payable reinsurance			
Reserves for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Non-current liabilities due within one year	5.31	727,363,500.00	593,796,816.00
Other current liabilities	5.32	1,432,307,206.50	2,037,044,941.97
Total current liabilities		4,733,184,984.87	6,308,202,650.69
Non-current liabilities:			
Long-term loan	5.33	1,311,892,500.42	1,081,390,350.04
Bonds payable			
Long-term payables			
Special payables	5.34	24,570,000.00	24,570,000.00
Estimated liabilities	5.35	173,814,534.17	195,155,923.71
Deferred tax liabilities	5.19	24,682,324.86	29,209,000.83
Other non-current liabilities	5.36	52,335,752.72	46,207,222.94
Total non-current liabilities		1,587,295,112.17	1,376,532,497.52
Total liabilities		6,320,480,097.04	7,684,735,148.21
Owners' equity:			
Share capital	5.37	643,080,854.00	643,080,854.00
Capital reserves	5.38	637,693,814.20	648,953,361.73
Less: Treasury stock			
Special reserves			
Surplus reserves	5.39	426,330,896.18	426,330,896.18
General risk preparations			
Undistributed profit	5.40	2,477,226,321.55	2,389,241,266.41
Currency translation differences			
Total equity attributable to parent company		4,184,331,885.93	4,107,606,378.32
Minority interest	5.41	94,437,313.31	93,167,843.74
Total equity		4,278,769,199.24	4,200,774,222.06
Total liabilities and equity		10,599,249,296.28	11,885,509,370.27

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

Balance Sheet of Parent Company
As at June 30, 2012

Unit: RMB

Items	Notes	The Ending Balance	The Beginning Balance
Current assets:			
Cash and bank		5,655,162,850.20	6,322,998,008.95
Settlement Reserves			
Interbank Lendings			
Financial assets held for trading		2,138,286.82	20,229,536.04
Notes receivable		-	560,000.00
Accounts receivable	13.1	822,750,667.56	720,532,379.23
Advances to suppliers		456,296,587.60	527,042,274.34
Premiums receivable			
Accounts receivable subinsurance			
Accounts receivable related to reinsurance contract reserves			
Interests receivable		102,665,195.95	104,213,877.58
Dividends receivable		1,043,381.78	-
Other receivables	13.2	772,150,339.30	584,652,005.96
Redemptory monetary capital for sale			
Inventories		697,409,196.41	1,384,554,827.41
Non-current assets matured within one year			
Other current assets			
Total current assets		8,509,616,505.62	9,664,782,909.51
Non-current assets:			
Issuance of loans and advances			
Financial assets available for sale		224,741,538.00	238,228,805.50
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	13.3	387,831,661.81	388,068,280.04
Investment properties		30,694,892.31	31,070,557.34
Fixed assets		987,798,603.42	1,023,650,443.02
Construction in progress		90,441,783.88	68,054,328.49
Construction goods and assets			
Liquidation of fixed assets		302,827.08	252,871.05
Production-related biological assets			
Oil and gas assets			
Intangible assets		68,054,539.24	71,045,901.04
Development expenses			
Goodwill			
Long-term prepaid expenses		5,243,796.96	5,826,441.06
Deferred tax assets		71,040,739.86	61,969,896.30
Other non-current assets			
Total non-current assets		1,866,150,382.56	1,888,167,523.84
Total assets		10,375,766,888.18	11,552,950,433.35

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

Balance Sheet of Parent Company
As at June 30, 2012

Unit: RMB

Items	Notes	The Ending Balance	The Beginning Balance
Current liabilities:			
Short-term loan		297,270,300.00	1,076,807,503.21
Borrowings from Central Bank			
Deposit taking and deposit of interbank			
Interbank Borrowings			
Financial liabilities held for trading		-	1,159,935.94
Notes payable		562,762,907.61	688,987,230.48
Accounts payable		1,132,707,032.99	1,350,663,840.58
Advances from customers		546,792,999.89	333,586,969.11
Financial assets sold for repurchase			
Commissions payable			
Employee benefits payable		10,602,322.68	9,295,358.19
Tax payable		-30,131,773.02	45,025,926.39
Interests payable		9,104,347.06	23,593,106.60
Dividends payable		157,912.98	157,912.98
Other payables		22,883,833.99	22,723,422.22
Accounts payable reinsurance			
Reserves for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Non-current liabilities due within one year		727,363,500.00	593,796,816.00
Other current liabilities		1,432,307,206.50	2,037,044,941.97
Total current liabilities		4,711,820,590.68	6,182,842,963.67
Non-current liabilities:			
Long-term loan		1,311,892,500.42	1,081,390,350.04
Bonds payable			
Long-term payables			
Special payables		24,570,000.00	24,570,000.00
Estimated liabilities		173,814,534.17	195,155,923.71
Deferred tax liabilities		23,990,544.49	28,517,220.46
Other non-current liabilities		49,884,355.47	43,755,825.69
Total non-current liabilities		1,584,151,934.55	1,373,389,319.90
Total liabilities		6,295,972,525.23	7,556,232,283.57
Owners' equity:			
Share capital		643,080,854.00	643,080,854.00
Capital reserves		637,693,814.20	648,953,361.73
Less: Treasury stock			
Special reserves			
Surplus reserves		425,155,084.01	425,155,084.01
General risk preparations			
Undistributed profit		2,373,864,610.74	2,279,528,850.04
Total equity		4,079,794,362.95	3,996,718,149.78
Total liabilities and equity		10,375,766,888.18	11,552,950,433.35

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

Consolidated Income Statement
From January to June 2012

Unit: RMB

Items	Notes	This Period	Last Period
1. Total operating revenue		3,432,639,468.18	3,983,430,810.12
Including: Operating income	5.42	3,432,639,468.18	3,983,430,810.12
Interest income			
Premium income			
Fee and commission income			
2. Total operating cost		3,502,283,401.64	3,743,237,507.60
Including: Operating cost	5.42	3,208,911,024.61	3,475,778,352.20
Interest expense			
Fee and commission expense			
Insurance refund expense			
Compensation expense			
Provision for insurance contract			
Insurance dividend			
Subinsurance expense			
Operating tax and surcharges	5.43	5,989,647.58	36,706,022.51
Selling expenses	5.44	-4,584,352.56	-2,121,413.56
General & Administration expenses	5.45	158,491,656.53	168,961,469.51
Financial expenses	5.46	-42,871,721.35	-115,604,913.22
Assets impairment losses	5.47	176,347,146.83	179,517,990.16
Add:			
Gains arising from changes in fair values (loss with "-")	5.48	-17,923,681.50	14,946,202.89
Investment income (loss with "-")	5.49	28,793,324.81	16,855,015.68
Including: share of profit of associates and joint venture		2,332,275.59	1,787,211.67
Foreign exchange gain (loss with "-")			
3. Operating profit (loss with "-")		-58,774,290.15	271,994,521.09
Add: Non-operating income	5.50	168,342,594.66	45,080,826.32
Less: Non-operating expense	5.51	1,238,384.68	731,792.34
Including: disposal loss of non-current assets		148,365.58	244,166.40
4. Total profit (loss with "-")		108,329,919.83	316,343,555.07
Less: Income tax expenses	5.52	19,075,395.12	50,064,737.85
5. Net profit (loss with "-")		89,254,524.71	266,278,817.22
Net profit attributable to parent company		87,985,055.14	263,385,863.96
Minority interest		1,269,469.57	2,892,953.26
6. Earnings per share			
(1) Basic EPS	5.53	0.14	0.41
(2) Diluted EPS	5.53	0.14	0.41
7. Other comprehensive income	5.55	-11,259,547.53	727,265.53
8. Total comprehensive income		77,994,977.18	267,006,082.75
Total comprehensive income attributable to parent company		76,725,507.61	264,113,129.49
Total comprehensive income attributable to minority interest		1,269,469.57	2,892,953.26

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

**Income Statement of Parent Company
From January to June 2012**

Items	Notes	This Period	Last Period
1. Total operating revenue		3,139,532,281.19	3,722,880,639.52
Including: Operating income	13.4	3,139,532,281.19	3,722,880,639.52
Interest income			
Premium income			
Fee and commission income			
2. Total operating cost		3,207,520,465.55	3,485,440,398.45
Including: Operating cost	13.4	2,959,127,704.69	3,264,076,566.84
Interest expense			
Fee and commission expense			
Insurance refund expense			
Compensation expense			
Provision for insurance contract			
Insurance dividend			
Subinsurance expense			
Operating tax and surcharges		1,782,410.57	32,030,676.01
Selling expenses		-7,342,974.25	-5,501,982.42
General & Administration expenses		122,019,830.13	132,564,677.44
Financial expense		-46,611,372.89	-117,247,529.58
Assets impairment losses		178,544,867.30	179,517,990.16
Add: Gains arising from changes in fair values (loss with "-")		-16,931,313.28	14,946,202.89
Investment income (loss with "-")	13.5	27,008,692.77	15,495,083.95
Including: share of profit of associates and joint venture		806,763.55	427,279.95
Foreign exchange gain (loss with "-")			
3. Operating profit (loss with "-")		-57,910,804.87	267,881,527.91
Add: Non-operating income		167,831,563.85	41,387,889.02
Less: Non-operating expense		425,307.50	615,568.10
Including: disposal loss of non-current assets		136,240.58	202,963.40
4. Total profit (loss with "-")		109,495,451.48	308,653,848.83
Less: Income tax expenses		15,159,690.78	46,539,984.42
5. Net profit (loss with "-")		94,335,760.70	262,113,864.41
6. Earnings per share			
(1) Basic EPS			
(2) Diluted EPS			
7. Other comprehensive income		-11,259,547.53	727,265.53
8. Total comprehensive income		83,076,213.17	262,841,129.94

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

**Consolidated Cash Flow Statement
From January to June 2012**

Unit: RMB

Items	Notes	This Period	Last Period
1. Cash flow from operating activities			
Cash receipts from sale of goods or rendering of services		3,260,663,437.19	3,969,644,845.88
Net increases in due to customers and balances with banks			
Net increase in due to Central Bank			
Net increase in placements with other financial institutions			
Cash receipt from premium of primary insurance contract			
Cash receipt from premium of second insurance contract			
Cash receipt from deposits and net investment of customers			
Cash receipt from disposal of financial assets held for trading			
Net increase in interest income, fee and commission Income			
Net increase from borrowing			
Net increase from repurchasing business			
Taxes refund		189,905,288.45	183,895,983.89
Other cash receipts in operating activities	5.56	89,082,647.71	161,444,885.40
Sub-total of cash inflows from operating activities		3,539,651,373.35	4,314,985,715.17
Cash payments for goods and services acquired		3,034,660,559.53	3,610,864,032.78
Net decreases in due from customers			
Net decrease in due from Central Bank and balances with banks			
Cash payments to primary insurance contracts			
Cash payments to interest income, fee and commission Income			
Cash payments to insurance dividends			
Cash payments to and on behalf of employees		441,243,156.05	483,550,702.94
Tax payments		175,299,481.04	204,290,496.48
Other cash payments from operating activities	5.56	108,190,191.41	108,239,727.73
Sub-total of cash outflows from operating activities		3,759,393,388.03	4,406,944,959.93
Net cash flows from operating activities		-219,742,014.68	-91,959,244.76
2. Cash flows from investing activities			
Cash receipts from return of investments			
Cash receipts from investments income		26,401,790.22	15,745,532.60
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		6,352,458.32	2,292,348.00
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash receipts in investing activities	5.56	1,901,661,341.83	67,034,777.34
Sub-total of cash inflows from investing activities		1,934,415,590.37	85,072,657.94
Cash payments to acquire fixed assets, intangible assets and other long-term assets		116,494,605.05	93,589,556.47
Cash payments to acquire investment		-	1,994,481.00
Cash payments to mortgaged loans			
Cash payments to acquire subsidiaries and other business			
Other cash payments in investing activities	5.56	666,720,000.00	299,431,127.86
Sub-total of cash outflows from investing activities		783,214,605.05	395,015,165.33
Net cash flows from investment activities		1,151,200,985.32	-309,942,507.39
3. Cash flows from financing activities			
Cash receipts from investment			
Including: cash receipts of subsidies from investment of minority shareholder			
Cash receipts from borrowings		994,401,934.75	1,893,840,764.79
Cash receipts from issuing bonds			
Other cash receipts from financing activities			
Sub-total of cash inflows from financing activities		994,401,934.75	1,893,840,764.79
Cash repayments of amount borrowed		1,451,832,992.19	1,387,265,445.25
Cash payments for distribution of dividends, profits or interest expenses		55,573,532.80	34,913,096.93
Including: subsidiary's payment for minority shareholders' interest and profit			
Other cash payments in financing activities	5.56	-	35,273.45
Sub-total of cash outflows from financing activities		1,507,406,524.99	1,422,213,815.63
Net cash flows from financing activities		-513,004,590.24	471,626,949.16
4. Effects of exchange rate changes on cash and cash equivalent		245,984.88	-1,089,084.11
5. Net increases in cash and cash equivalents		418,700,365.28	68,636,112.90
Add: the beginning balance of cash and cash equivalent		2,960,018,580.11	5,003,896,203.36
6. The ending balance of cash and cash equivalent		3,378,718,945.39	5,072,532,316.26

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

Cash Flow Statement of Parent Company
From January to June 2012

Unit: RMB

Items	Notes	This Period	Last Period
1. Cash flow from operating activities			
Cash receipts from sale of goods or rendering of services		2,898,611,506.08	3,816,888,587.37
Net increases in due to customers and balances with banks			
Net increase in due to Central Bank			
Net increase in placements with other financial institutions			
Cash receipt from premium of primary insurance contract			
Cash receipt from premium of second insurance contract			
Cash receipt from deposits and net investment of customers			
Cash receipt from disposal of financial assets held for trading			
Net increase in interest income, fee and commission Income			
Net increase from borrowing			
Net increase from repurchasing business			
Taxes refund		177,168,508.00	180,877,000.65
Other cash receipts in operating activities		47,298,658.48	148,801,300.96
Sub-total of cash inflows from operating activities		3,123,078,672.56	4,146,566,888.98
Cash payments for goods and services acquired		2,930,825,477.47	3,613,681,200.39
Net decreases in due from customers			
Net decrease in due from Central Bank and balances with banks			
Cash payments to primary insurance contracts			
Cash payments to interest income, fee and commission Income			
Cash payments to insurance dividends			
Cash payments to and on behalf of employees		181,494,041.56	226,370,041.05
Tax payments		134,848,013.70	165,521,037.54
Other cash payments from operating activities		160,756,986.57	178,182,411.57
Sub-total of cash outflows from operating activities		3,407,924,519.30	4,183,754,690.55
Net cash flows from operating activities		-284,845,846.74	-37,187,801.57
2. Cash flows from investing activities			
Cash receipts from return of investments			
Cash receipts from investments income		26,142,670.22	15,745,532.60
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		6,293,485.24	1,352,930.78
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash receipts in investing activities		1,903,927,671.45	65,619,036.67
Sub-total of cash inflows from investing activities		1,936,363,826.91	82,717,500.05
Cash payments to acquire fixed assets, intangible assets and other long-term assets		35,481,181.69	33,265,217.09
Cash payments to acquire investment		-	1,994,481.00
Cash payments to mortgaged loans			
Cash payments to acquire subsidiaries and other business			
Other cash payments in investing activities		666,720,000.00	253,317,849.00
Sub-total of cash outflows from investing activities		702,201,181.69	288,577,547.09
Net cash flows from investment activities		1,234,162,645.22	-205,860,047.04
3. Cash flows from financing activities			
Cash receipts from investment			
Cash receipts from borrowings		975,053,382.46	1,703,585,597.34
Cash receipts from issuing bonds			
Other cash receipts from financing activities			
Sub-total of cash inflows from financing activities		975,053,382.46	1,703,585,597.34
Cash repayments of amount borrowed		1,399,659,562.35	1,313,543,780.00
Cash payments for distribution of dividends, profits or interest expenses		55,499,895.04	34,750,844.14
Other cash payments in financing activities		-	9,634.67
Sub-total of cash outflows from financing activities		1,455,159,457.39	1,348,304,258.81
Net cash flows from financing activities		-480,106,074.93	355,281,338.53
4. Effects of exchange rate changes on cash and cash equivalent		542,707.70	-1,131,366.39
5. Net increases in cash and cash equivalents		469,753,431.25	111,102,123.53
Add: the beginning balance of cash and cash equivalent		2,730,487,268.95	4,776,783,586.93
6. The ending balance of cash and cash equivalent		3,200,240,700.20	4,887,885,710.46

Legal representative:
Chen Jingqi

Person in Charge of
accounting function:
Chen Liping

Person in Charge of
accounting department:
Hou Zengquan

Consolidated Statement of Changes in Equity
From January to June 2012

Unit: RMB

Items	Share Capital	Capital surplus	Equity attributable to parent company Less: treasury shares	This period			Minority Interest	Total Equity
				Share Capital	Capital surplus	Surplus reserve		
1. The ending balance of the Last Period	643,080,854.00	648,953,361.73	—	426,330,896.18	2,389,241,266.41	—	93,167,843.74	4,200,774,222.06
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Corrections for previous errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
2. The beginning balance of This Period	643,080,854.00	648,953,361.73	—	426,330,896.18	2,389,241,266.41	—	93,167,843.74	4,200,774,222.06
3. Increase/decrease for This Period (decrease marked as "-")	—	-11,259,547.53	—	87,985,055.14	87,985,055.14	—	1,269,469.57	77,994,977.18
(1) Net profit—	—	—	—	87,985,055.14	—	—	89,254,524.71	—
(2) Other comprehensive income	—	-11,259,547.53	—	—	—	—	-11,259,547.53	—
Total of (1) and (2)	—	-11,259,547.53	—	87,985,055.14	—	—	77,994,977.18	—
(3) Shareholders investing and reducing capital	—	—	—	—	—	—	—	—
I. Shareholders investing capital	—	—	—	—	—	—	—	—
II. Share payment in shareholders' equity	—	—	—	—	—	—	—	—
III. Others	—	—	—	—	—	—	—	—
(4) Profit distribution	—	—	—	—	—	—	—	—
I. Provision of surplus reserve	—	—	—	—	—	—	—	—
II. Provision of general risk reserve	—	—	—	—	—	—	—	—
III. Distribution for shareholders	—	—	—	—	—	—	—	—
IV. Others	—	—	—	—	—	—	—	—
(5) Shareholders' equity internal transfer	—	—	—	—	—	—	—	—
I. Capital reserve transferred to share capital	—	—	—	—	—	—	—	—
II. Surplus reserve transferred to share capital	—	—	—	—	—	—	—	—
III. Surplus reserve used for making up losses	—	—	—	—	—	—	—	—
IV. Others	—	—	—	—	—	—	—	—
(6) Special reserve	—	—	—	—	—	—	—	—
I. Provision of special reserve	—	—	—	—	—	—	—	—
II. Decrease in This Period	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	—	—
4. The ending balance of This Period	643,080,854.00	637,693,814.20	—	426,330,896.18	2,477,226,321.55	—	94,437,313.31	4,278,769,199.24

Legal representative: Chen Jingqi
Person in Charge of accounting function: Chen Liping

Person in Charge of accounting department: Hou Zengquan

Unit: RMB

Items	Share capital	Capital surplus	Equity attributable to parent company Less: treasury shares	Last Period			Minority Interest	Total Equity
				Share capital	Capital surplus	Surplus reserve		
1. The ending balance of the Last Period	494,677,580.00	821,635,348.08	—	377,234,714.40	1,969,471,836.12	—	90,907,120.53	3,753,926,599.13
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Corrections for previous errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
2. The beginning balance of This Period	494,677,580.00	821,635,348.08	—	377,234,714.40	1,969,471,836.12	—	90,907,120.53	3,753,926,599.13
3. Increase/decrease for This Period (decrease marked as "-")	—	727,265.53	—	213,918,105.96	2,892,953.26	—	898,472.26	215,543,843.75
(1) Net profit—	—	—	—	263,385,863.96	—	—	266,278,617.22	—
(2) Other comprehensive income	—	727,265.53	—	—	—	—	—	727,265.53
Total of (1) and (2)	—	727,265.53	—	263,385,863.96	—	—	267,006,082.75	—
(3) Shareholders investing and reducing capital	—	—	—	—	—	—	—	—
I. Shareholders investing capital	—	—	—	—	—	—	—	—
II. Share payment in shareholders' equity	—	—	—	—	—	—	—	—
III. Others	—	—	—	—	—	—	—	—
(4) Profit distribution	—	—	—	—	—	—	—	—
I. Provision of surplus reserve	—	—	—	—	—	—	—	—
II. Provision of general risk reserve	—	—	—	—	—	—	—	—
III. Distribution for shareholders	—	—	—	—	—	—	—	—
IV. Others	—	—	—	—	—	—	—	—
(5) Shareholders' equity internal transfer	—	—	—	—	—	—	—	—
I. Capital reserve transferred to share capital	—	—	—	—	—	—	—	—
II. Surplus reserve transferred to share capital	—	—	—	—	—	—	—	—
III. Surplus reserve used for making up losses	—	—	—	—	—	—	—	—
IV. Others	—	—	—	—	—	—	—	—
(6) Special reserve	—	—	—	—	—	—	—	—
I. Provision of special reserve	—	—	—	—	—	—	—	—
II. Decrease in current year	—	—	—	—	—	—	—	—
(7) Others	—	—	—	—	—	—	—	—
4. The ending balance of This Period	494,677,580.00	822,362,613.61	—	377,234,714.40	2,183,389,942.08	—	91,805,592.79	3,969,470,442.88

Legal representative: Chen Jingqi
Person in Charge of accounting function: Chen Liping

Person in Charge of accounting department: Hou Zengquan

Statement of Changes in Equity of Parent Company
From January to June 2012

Unit: RMB

Items	Share Capital	Capital surplus	treasury shares	Current period		Total Equity
				Less:	Undistributed profits	
1. The ending balance of the Last Period	643,080,854.00	648,953,361.73	-	-	425,155,084.01	3,996,718,149.78
Add: Changes in accounting policies	-	-	-	-	-	-
Corrections for previous errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
2. The beginning balance of This Period	643,080,854.00	648,953,361.73	-	-	425,155,084.01	3,996,718,149.78
Increase/decrease for This Period						
(1) Net profit	-	-11,259,547.53	-	-	-	83,076,213.17
(2) Other comprehensive income	-	-11,259,547.53	-	-	-	94,335,760.70
Total of (1) and (2)	-	-11,259,547.53	-	-	-	94,335,760.70
(3) Shareholders investing and reducing capital	-	-	-	-	-	-
Shareholders investing capital	-	-	-	-	-	-
Share payment in shareholders' equity	-	-	-	-	-	-
Others	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-
I. Provision of surplus reserve	-	-	-	-	-	-
II. Provision of general risk reserve	-	-	-	-	-	-
III. Distribution for shareholders	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
(5) Shareholders' equity internal transfer	-	-	-	-	-	-
I. Capital reserve transferred to share capital	-	-	-	-	-	-
II. Surplus reserve transferred to share capital	-	-	-	-	-	-
III. Surplus reserve used for making up losses	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
(6) Special reserve	-	-	-	-	-	-
I. Provision of special reserve	-	-	-	-	-	-
II. Decrease in current year	-	-	-	-	-	-
(7) Others	-	-	-	-	-	-
4. The ending balance of This Period	643,080,854.00	637,693,814.20	-	-	425,155,084.01	4,079,794,362.95

Person in Charge of accounting function:
Chen Liping

Legal representative:
Chen Jingqi

Person in Charge of accounting department:
Hou Zengquan

Unit: RMB

Items	Share Capital	Capital surplus	treasury shares	Current period		Total Equity
				Less:	Undistributed profits	
1. The ending balance of the Last Period	494,677,580.00	821,635,348.08	-	-	376,058,902.23	3,579,502,802.36
Add: Changes in accounting policies	-	-	-	-	-	-
Corrections for previous errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
2. The beginning balance of This Period	494,677,580.00	821,635,348.08	-	-	376,058,902.23	3,579,502,802.36
Increase/decrease for This Period						
(1) Net profit	-	727,265.53	-	-	-	212,646,106.41
(2) Other comprehensive income	-	727,265.53	-	-	-	262,113,864.41
Total of (1) and (2)	-	727,265.53	-	-	-	727,265.53
(3) Shareholders investing and reducing capital	-	-	-	-	-	-
Shareholders investing capital	-	-	-	-	-	-
Share payment in shareholders' equity	-	-	-	-	-	-
Others	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-
I. Provision of surplus reserve	-	-	-	-	-	-
II. Provision of general risk reserve	-	-	-	-	-	-
III. Distribution for shareholders	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
(5) Shareholders' equity internal transfer	-	-	-	-	-	-
I. Capital reserve transferred to share capital	-	-	-	-	-	-
II. Surplus reserve transferred to share capital	-	-	-	-	-	-
III. Surplus reserve used for making up losses	-	-	-	-	-	-
IV. Others	-	-	-	-	-	-
(6) Special reserve	-	-	-	-	-	-
I. Provision of special reserve	-	-	-	-	-	-
II. Decrease in current year	-	-	-	-	-	-
(7) Others	-	-	-	-	-	-
4. The ending balance of This Period	494,677,580.00	822,362,613.61	-	-	376,058,902.23	3,792,876,174.30

Person in Charge of accounting function:
Chen Liping

Legal representative:
Chen Jingqi

Person in Charge of accounting department:
Hou Zengquan

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”, the Company and its subsidiaries collectively referred to as “the Group”) was reorganised in 1993 from Guangzhou Shipyard, and incorporated in the PRC as a limited liability company. The Company was incorporated on 7 June 1993 and registered in Guangzhou, which was approved by Guojiatigaisheng (1993) Circular 83. The Company changed as a public limited liability company, which was approved by Guojiatigaisheng (1993) Circular 110 on 5 July 1993. Its registered address and principal place of business is No.40, south Fangcun Avenue, Liwan District, Guangzhou.

The Company's public offering A-shares of 337,279,600 listed on 22 September 1993 was approved by China Securities Regulatory Commission (1993) No.31, China Securities Regulatory Administrator Zheng Jian Fa trial (1993) No.26 and Shanghai Stock Exchange listing application (1993) No.2076. The shares were traded on 28 October 1993. The Company's public offering H-shares of 157,398,000 listed on 21 July 1993 on Hong Kong Stock Exchange were traded on 6 August 1993 and thereafter, the total amount of company share capital is 494,677,600 shares.

Pursuant to the Company's 2010 annual general meeting and revised Articles of Association, the Company applied to increase its registered capital by RMB 148,403,274 and capitalise its capital reserves to increase paid-in capital. The deadline for submitting the documents of transfer of H-shares was 15 July 2011 and the registration date of A-shares was 19 July 2011. The registered capital was therefore increased to RMB643,080,900. On 28 October 2011, Corporation Legal Representative Business Licence with registration NO.440101400025144 was reissued by and acquired from Guangzhou Municipal Bureau of Industrial and Commercial Administration. As of 30 June 2012, the Company's total amount of capital share is 643,080,900 shares, which are all unrestricted shares.

The Group belongs to shipbuilding industry. The principal business scope covers: shipbuilding, steel structure engineering, and other mechanical and electrical equipment. In addition to large vessels, the Company's principal products include steel structure's manufacturing, coating & erecting for bridges & high-rise construction & large-size pipe, manufacturing & installing of passenger/goods lift, foils and studs for hydrofoil, port machinery, hydraulic machines, production line for external painted steel plates of refrigeration and design & manufacturing of crane machinery.

The Company's Parent Company is China State Shipbuilding Corporation (“CSSC”), and the ultimate controlling party is the State-owned Assets Supervision and Administration Commission of the State Council.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

2.1 Basis for the preparation of financial statements

The Group prepares the financial statements on the basis of going concern and actual transactions and events.

The consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises issued on 15 February 2006 by the Ministry of Finance of the PRC, 38 items of specific accounting standards and subsequently issued guidelines of Accounting Standards for Business Enterprises, interpretations to Accounting Standards for Business Enterprises and relevant regulations, (together hereinafter referred to as “Accounting Standards for Business Enterprises”), and NO.15 of regulations on information disclosures of companies that issue public offering shares - General Rules of preparing financial reports (revised in 2010) issued by China Securities Regulatory Commission (CSRC).

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2.2 Complying with accounting standards for business enterprises

The financial statements have been prepared by the Company and the Group in accordance with the accounting standards for business enterprises, and reflect a true and fair view of the Group as of 30 June 2012 and of the operating results and cash flows for the period then ended.

2.3 Accounting period

The accounting period of the Group is from 1 January to 31 December.

2.4 Functional currency

The consolidated financial statements are prepared by Renminbi (“RMB”).

2.5 Basis of accounting and measurement

The accrual basis is adopted for accounting treatment to follow the historical cost method, except that some financial instruments are measured at fair value. If there is evidence showing the occurrence of assets impairment, the Group shall make the provision for impairment on assets accordingly.

2.6 Business combination

A business combination is combining more than two separate entities into one reporting entity. Business combination is divided into under common control and not under common control.

The Group recognises consolidated resulted assets and liabilities on consolidated date or on purchase date, which is the date when the control over the net assets and operation or business decisions of the acquiree is transferred to the Group.

2.6.1 Business combination under common control

A business combination under common control applies the equity combination method. The acquirer shall recognize the identifiable assets acquired and the liabilities at the acquiree's book value on the acquisition date. The difference between the book value of net assets acquired and the contribution amount 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. The direct expense related to acquisition, such as auditing fee, valuation fee, and legal service fee and so on, should be recognized into profit and loss of current period when incurred. The commission of issuing debt securities or other loans as consideration of the combination should be recorded as the original value of securities. The commission related to issuing equity securities should be offset with premium income of equity securities, and the remained amount should be adjusted to retained earnings.

2.6.2 Business combination not under common control

A business combination not under common control applies the purchase method.

The cost of combination is the aggregate of the fair value, at the acquisition date, of the assets transferred, liabilities incurred or assumed, and equity securities issued by the acquirer, and other related expenses incurred during the combination, which is to acquire the acquiree's control right.

For the enterprises not under the common control, the acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

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

2.7 Preparation of consolidated financial statements

2.7.1 Principles in determining the scope of the consolidation

The scope of consolidated financial statements is determined on the basis of control. Control refers to the right that the Group is able to make decisions on financial and operational policies of the invested company, and receiving benefits from the business activities conducted by the invested company.

2.7.2 Method of preparing consolidated financial statements

The Company begins to include a subsidiary in the scope of consolidation from the date that the Company acquires the effective control over the subsidiary. A subsidiary is excluded out of the consolidation scope from the date the Company loses effective control over it. The significant balance, transactions and unrealized profits in the consolidation scope are offset when prepare consolidation statements. Shareholders' equity of subsidiary and net profit and loss which are not belonging to the Company will be treated as minority shareholders' equity and profit and loss, which are presented separately under the shareholders' equity and the item below net profit in consolidation statements.

When accounting policy and accounting period that subsidiaries adopt are not in accordance with the Company, Subsidiaries' financial statements should be adjusted based on the Company's accounting policy and accounting period.

For subsidiaries acquired through business combination not under common control, their financial statements should be adjusted based on identifiable fair value of net assets at the purchase date. For subsidiaries acquired through business combination under common control, the business combination is treated occurred at the beginning of the earliest reporting period. The assets, liabilities, operation results and cash flow are recorded at the consolidation statements at its book value from the beginning of the earliest reporting period.

2.8 Cash and cash equivalents

Cash in the cash flow statement indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents are short-term (normally matured no more than 3 months), highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

2.9 Foreign currency

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date. On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into current profit and loss. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized is applied and the exchange difference is accounted into current profit and loss as a result of fair value change. For non-monetary accounts measured in foreign currency under historical cost method, the exchange rate on the date when the cost is recognized is applied and the amount in RMB kept unchanging.

2.10 Financial instruments

2.10.1 The classification of financial assets and financial liabilities

According to the investment purpose and economic substance, the Group classifies its financial assets as financial assets at fair value through profit and loss, Held-to-maturity investments, Loans and receivables and Financial assets held for trading.

- i) Financial assets at fair value through profit and loss, including financial assets held for trading and financial assets at fair value through profit and loss.

Financial assets held for trading is acquired principally for purpose of sale in short period. Except for designated hedge instruments, derivative financial instrument should be reclassified as financial assets at fair value through profit and loss.

- ii) Held-to-maturity investments are defined as non-derivative financial assets that have fixed maturity date, fixed or determinable payments and management has positive intent and ability to hold to maturity.

- iii) Loans and receivables are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- iv) Financial assets held for trading include non-derivative financial assets available for sale and others.

The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss and other financial liabilities.

Other financial liabilities mean non-derivative financial liabilities other than financial liabilities at fair value through profit or loss.

2.10.2 Financial assets and financial liabilities at fair value through profit or loss

A financial asset or financial liability is classified as held for trading if one of condition as bellows is satisfied:

It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making;

It is a derivative. Except for a derivative that is designated effective hedging instrument, a financial guarantee contract, or that is connected with and settled through an equity investment instrument with no quoted price in active market and no fair value, a designated and effective hedging instruments.

Financial assets or financial liabilities of the Group fulfilled one of the following conditions, financial assets or financial liabilities designated upon initial recognition as financial assets or financial liabilities at fair value through profit or loss:

- The designation can be eliminated or significantly reduced due to the different basis of measurement of the financial assets or financial liabilities related gains or losses in the measurement or recognition inconsistency;
- The Group's risk management or investment strategy has been stated in a formal written file in the financial asset portfolio, the portfolio of the financial liabilities or financial assets and financial liabilities portfolio, at fair value based management are reported to and evaluated by the key management personnel;

Hybrid instruments, financial assets or financial liabilities, designated as fair value through profit or loss. However, the following exceptions:

- i) Embedded derivatives did not materially change in the cash flow of the hybrid instrument;
- ii) Similar hybrid instruments embedding derivatives obviously should not be split from the relevant hybrid instruments.

The Group determines the classification of financial assets and financial liabilities at initial recognition.

The Group determines the classification of financial assets and financial liabilities in the initial recognition.

Financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those financial liabilities designed as of fair value through profit or loss, are subsequently measured at fair value. The gain or loss from the change of fair value and dividends and interest expenses are charged through profit and loss.

2.10.3 Recognition of financial assets and financial liabilities

The Group requires the initial recognition of a financial asset and financial liability when the Group becomes party to the contractual provisions of the financial instruments.

For financial assets and financial liabilities at fair value through profit or loss, transaction costs are charged to the profit and loss. For financial assets and financial liabilities are not measured at fair value through profit or loss, such transaction costs are added to the fair value for the initial costs.

2.10.4 Subsequent measurement of financial assets and financial liabilities

The financial assets or financial liabilities of the Group are measured at fair value without deducting the transaction cost of disposing the financial assets or financial liabilities. However, the following exceptions:

- Held-to-maturity investments, loans and receivables and other financial liabilities, which shall be measured at amortized cost using the effective interest method;
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost;

The changes in fair value of the Group's financial assets or financial liabilities, other than those related to hedging, are recognised as follows:

- Measured at fair value through profit or loss financial assets or financial liabilities, changes in fair value (excluding accrued interest income and expense) recognise in profit and loss as "profit or loss in fair value change".
- Gain or loss of fair value change of the held-for-sale financial asset, other than the impairment loss and exchange difference, directly recognise in capital reserve, when the financial assets derecognise, the capital reserve will recognise in invest income of profit and loss statement.

2.10.5 Fair value measurement considerations

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

For the financial instruments with active market-quoted prices, the Group adopts market price for a financial instrument without any deduction for transaction costs it may incur on sale or other disposal. In the active market, the appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price. When current bid and asking prices are unavailable, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For the financial instruments without active market-quoted prices, the Group values the financial instrument with the fair value of familiar financial instrument in the current trading price, discounted cash flows method and option pricing model. All the data is quoted in market price as far as possible in evaluating the fair value of the non active market trading financial instrument.

The Group would assess the valuation techniques at fixed period, and test the effectiveness.

2.10.6 Derecognition of financial assets and financial liabilities

The financial assets is derecognise entirely or partially when one of the following conditions are met.

- The contractual rights to cash flows from the financial asset are terminated.
- The most sufficient risk and reward of the financial instrument is transferred, neither no transfer nor retention ownership of the risk and reward of the financial instrument, but the control of the financial instrument has been abandoned.

Current obligations of the financial liabilities have been discharged in whole or in part.

2.10.7 Impairment of financial assets

Except for the financial assets at fair value through profit or loss, the Group shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall determine the amount of any impairment loss. The changes in fair value were previously recognized in equity now recognized in assets impairment losses, when there is a significant and extemporary decline in the fair value of the financial assets held for trading. Financial assets that are re-measured when the fair value is increased, reversed the changes in fair value were previously recognized into equity.

For the financial assets carried at amortized cost, asset impairment losses are measured as the difference between the carrying amount and the present value of estimated future cash flows (excluded the future credit risk), and attributes to current profit and loss. Financial assets that are re-measured when the fair value is increased, reversed the changes in fair value were previously recognized into current profit and loss.

Investments in equity instruments that do not have a quoted market price in an active market, an impairment loss recognized for such instruments is not be reversed while the value of the instrument is recovered.

Derivative financial instruments initially recognize at fair value at the contract date, and subsequently measured at their fair value. Except for designated as hedge instrument and high effective hedging instruments, the gain or loss arising from changes in fair value shall be recognized into related period profit or loss on the basis of accounting standards of hedging accounting based on hedge characteristics, and fair value change of other derivative instruments is recorded to current profit or loss.

2.10.8 Offsetting financial assets and financial liabilities

When there is legal entitle to offset financial assets and financial liabilities, and the parties involved is agreed to record the net amount, or settling financial assets and financial liabilities aggregately (Other than netting agreement), financial assets and financial liabilities can be offset in balance sheet statement.

2.11 Receivables

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

When the Group financing from bank or other financial institution in transferring claims receivables, pledge or bill discount, according to the agreement, if debtor has not satisfied debts obligation when the debts obligation to financial institution due, the claims receivable is recognized as hypothecate loan; if there is no obligation to any financial institutions, the claims receivables shall be transferred and recognized as gain or loss on obligation rights transferred.

When the accounts receivable is collected, the difference between receivables collected amount and book value of accounts receivables is recognized into current profit and loss.

The Company divides trade 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:

2.11.1 Receivables with individual significant amount and identification separately bad debt provision

Receivables over RMB10,000,000.00 are recognised as significant.

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

2.11.2 Receivables with individual insignificant amount and identification separately bad debt provision

Insignificant individual receivables aged over 1 year or there is indication of impairment, are categorized into provision of individual receivables with insignificant level. For the impaired receivables, the provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables. For the receivable which is not impaired, the rate of 0.5% of accounts receivables at balance date is made to the provision.

2.11.3 Receivables accrued bad debt provision by a certain percentage of the balance

The provision is made on individual receivables with no provision grouped with other no impairment tested accounts receivables, based upon ratio of 0.5% of the amount at balance date.

2.12 Inventories

The inventory of the Group covers raw material, low-valued consumables, work in process, and finished goods.

The inventory is measured at historical cost which covers purchase cost, processing cost and other expenditures for the purpose of inventory available for current location and status, when acquired.

Receiving or delivering inventory pricing model is as follows:

- i) Raw materials are stated at standard costs in daily in-out operating. The amount is adjusted for price variance to arrive at actual cost at the end of month;
- ii) Low-value consumables are amortised by write-off methods;
- iii) Finished products and work-in-progress are stated at historical cost in daily operating.

At the end of period, inventory is measured as the lower of historical cost and net realizable value. If the carrying amount of inventories exceeds their net realisable value, the provision of impairment for inventory will be made. The provision of impairment for finished goods and raw materials in a large amount is made on the basis of the difference of the cost of the individual inventory item over its net realizable value. The provision of impairment for the auxiliary materials with a large quantity and low cost is withdrawn in terms of classification.

The net realizable value of these inventories, such as finished goods, work in process and materials for sale, is the estimated price after estimated sales expenses and relevant taxes. The net realizable value of materials which are for production is estimated price of relevant finished goods after estimated cost for finished goods, estimated sales expenses and relevant taxes.

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

2.13 Long-term equity investments

Long-term equity investment includes the Company's long-term equity investments in subsidiaries, in associates, in jointly controlled entities, and in investees without control, common control or significant influence, and no quoted price or fair value in active market.

Subsidiaries are the companies of which the Company can exercise control over; joint ventures are the companies of which the Company can exercise joint control with other parties; and associates are the companies of which the Company has significant influence over its financial and operating policies.

2.13.1 Basis of control, common control and significant influence:

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In determining whether to exercise control over the investees, in which of current convertible corporate bonds and current executable warrants and potential voting rights factors are also be considered.

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.

Significant influence is the power to participate in the financial and operating policy decisions of investee but is not control or joint control over those polices. The evidence of significant influence is the direct ownership or indirect ownership through subsidiaries of from 20% up to 50% voting rights from investees otherwise there must be solid evidences showing investors cannot be involved in investees' decision making under such conditions.

2.13.2 Initial measurement

For the merger of enterprises under the same control, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

The investment cost acquired through a business combination but not involving an enterprise under common control shall be the combination cost which contains assets given, liabilities incurred or assumed and equity securities issued as consideration of business combination on the acquisition date. Goodwill is measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. When cost of the business combination less than the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised, the difference will be charged to profit or loss for the current period.

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement.

2.13.3 Subsequent measurement

Long-term equity investment to subsidiaries shall be accounted using the cost method and be adjusted when the Company prepares the consolidated financial statements. Long-term equity investment to joint ventures and associates shall be accounted for using the equity method; Long-term equity, which the Company does not have control, joint control or significant influence over the investees, the investment being not quoted in an active market even its fair value not having been reliably measured, all of them shall be accounted for using the cost method.

The initial investment cost is adjusted by increasing and withdrawal of long-term equity investment. The investment income is subject to the distribution of accumulative net profit or cash dividend from investees after the investment.

When equity method is adopted, the current investment gain or loss referring to the net gain or loss distributed quota which the investees should be on the responsibility of sharing or taking in current period, is adjusted to the book value of long-term equity investment; the other change in equity except for the reason of investee's gain or loss, when share percentage maintains unchanged, is adjusted to the book value of long-term equity investment and capital reserve (other capital reserve). When the company affirms the net profit quota getting from investees, it should base on the investees assets identification in fair value, then according to the company's accounting policies and accounting period, counteracting the parts the inner related dealings gain or loss in the light of holding shares quota arising from combine company and associated company, at last affirming the net profit of investee after adjusting. The share profit in investment is calculated according with the profit or cash dividends declared of the investees, and corresponding reduction in the carry amount of long-term investment. The Group reduces the book value of the long-term investments limited to zero, except the investment with the unlimited obligation contract, when the investees recognise net loss for the financial period. In addition, if the Group has investment with unlimited obligation contract, the loss will be recorded in the current income statement and estimated liabilities is recorded in the statement of financial position. If the investment recorded net profit in subsequent periods, the unrecognised share of loss will be revised, and record the share profit income statement. For the first time adoption of new accounting policy, the long term equity investment of joint ventures and associated companies, if the positive difference related to the equity investment exists, the positive balance by the straight line amortization should be reversed, and recognized as gain or loss on investment.

The long-term equity investment for which that Group doesn't have common control or significant influence over the investees any more as a result of the decrease of investment or other reasons, and there is no offer in the active market and of which the fair value cannot be reliably measured, the cost method shall be adopted for valuation; The long-term equity investment for which that the Group has control due to increased additional investment, the cost method shall be adopted for valuation; Equity method will be adopted under the following circumstances: investee that the Group has common control or significant influence but not control due to increased additional investment; due to reasons such as disposal of long-term investment Group no longer has control but only common control and significant influence over investees.

2.13.4 Disposal of a Long-term equity investment

The difference between the book value and the disposal gain on the long-term equity investment is accounted into current profit and loss. In using the equity method, the investment unit due to the net profit or loss other than the owner's equity than the other changes included in the rights of business owners, the disposal of the investment should be included in the original part of the owner's equity into the corresponding current profit and loss, about the original project included the amount transferred to capital reserve account investment income.

2.13.5 Impairment test method and provision method for impairment

At the balance date, the Group estimates the recoverable amounts of long-term equity investments of subsidiaries, joint-ventures and associated enterprise if there is an indication of possibility that impairment may occur, and the amount that recoverable amount less than book value are recorded as long-term equity impairment, and assets losses impairment in current profit and loss as well. If impairment occurs on other investment, the amount that the present value of future cash flow of similar financial assets' market profitability less book value is recognized as long-term impairment and assets losses impairment in current profit and loss as well. The above provision cannot be reversed in the future.

2.14 Investment property

The Investment property includes rented buildings.

The Investment property is initially recognized at its cost. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset. The cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use. The subsequent expenses related to Investment property, when economic benefit would probably flow into and the amount would be reliably measured, are recognized as cost of an investment real estate; otherwise, recognised as a component of income statement when incurred.

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

Classification	Useful life (years)	The rate of salvage value (%)	Amortization rate (%)
Building	45-70	3	1.39-2.16

The Group will review the useful life, the estimated salvage value and the amortization method of investment property on each balance sheet date, and make an appropriate adjustment when necessary.

When the Investment property is changed for self use, it shall be converted to fixed assets or intangible assets since the conversion date. When the real estate for owner occupied is changed for generating rents or capital appreciation, it is converted to the Investment property since the conversion date. The book value of the real estate prior to the conversion shall be entry value after conversion.

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

When the recoverable value of Investment property is lower than its book value, the carrying amount will be subject to the recoverable value. The impairment loss of Investment property shall not be reversed in subsequent accounting periods once confirmed.

2.15 Fixed assets

Fixed assets are defined as the tangible assets that have been used for more than one accounting year, and are held for the purpose of producing goods, rendering services, leasing for operation and management.

Fixed assets include buildings, machinery, transportation equipments and others.

The cost of an item of fixed assets shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Fixed assets of the Group are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, value-added tax, import custom duties and other related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use. The cost of a fixed asset contributed by an investor will be determined in accordance with the value stipulated in the investment contract or agreement, except where the value stipulated in the contract or agreement is not fair. A fixed asset that is obtained under a finance lease is measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent expenditure incurred on a fixed asset, such as repairs and maintenance cost, dismantlement, removal and restoration costs, is included in the cost of the fixed asset, only if it meets the recognition criteria of a fixed asset. The carrying amount of the replaced part is derecognised. Other subsequent expenditure that fails to meet the recognition criteria of a fixed asset shall be recognised in profit or loss in the period in which they are incurred.

The Group 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 and the depreciations are accounted into current profit and loss in accordance with the purposes of fixed assets. Hereby presented the useful life, the rate of salvage value and estimated depreciation rate:

Classification	Useful life (years)	The rate of salvage value (%)	Depreciation rate (%)
Building	8-50	3-10	1.8-12.13
Machinery	6-20	3-10	4.5-16.17
Transportation Equipment	10-15	3-10	6.47-9.7
Others	5-50	3-10	2.57-12.13

The Group assesses the useful life, the rate of salvage value and the method of depreciation for fixed assets at each period end. If any changes occur, they will be regarded as changes on accounting estimates.

For the fixed assets of financial lease nature, if the ownership can be determined reasonably at the end of lease, then same depreciation method as other fixed assets will be adopted during the leased assets' useful life; if the ownership cannot be determined reasonably at the end of lease, the same depreciation method as other fixed assets will be adopted for either useful life of the leased assets or lease term whichever is shorter.

The Group derecognizes fixed assets from the account which has been disposed or cannot generate economic benefits by application or disposal. The income from selling, transferring, disposal or impairment of fixed assets, after their book value and relevant taxes and expenses is accounted into current profit and loss.

When the recoverable value of fixed assets is lower than their book value, the carrying amount will be subject to the recoverable value. The impairment loss of fixed assets shall not be reversed in subsequent accounting periods once confirmed.

2.16 Construction-in-progress

Construction in progress is recognized at actual cost, which including all expenses relates to the construction in progress. Self-construction project is recognized at the cost of direct material, labour cost and construction expenses. Contracted construction is recognized at actual project price paid. Installed construction is recognized at the value of equipments, expenses of installation and assembly and expenditures of pilot run. Besides above, the cost of construction in progress comprises the borrowing cost which can be capitalized and foreign exchange gains and losses to achieve estimated usage status.

Constructions in progress are carried down into fixed assets at an estimated cost on the basis of the project budgeting, pricing and actual cost when completing and achieving estimated usage status. The corresponding depreciation on these fixed assets will be withdrawn since the month after carrying down into fixed assets. After clearing for completion of the project, the originally estimated cost of fixed assets will be adjusted on the basis of the actual cost.

When the recoverable value of construction in progress is lower than its book value, the carrying amount will be subject to the recoverable value. The impairment loss of construction in progress shall not be reversed in subsequent accounting periods once confirmed.

2.17 Borrowing costs

Borrowing cost includes interests from borrowing, amortization of discount or price premium, other attribute expenses and foreign exchange difference from borrowing in foreign currency. Borrowing cost which directly attributes to purchasing or constructing assets is to be capitalized when expenditures for assets and borrowing cost occur and the activities of purchasing or constructing made the assets available for use or sale commences. When assets reach the status available for use or sale, the capitalization of borrowing cost ceases. The rest of borrowing cost will be accounted into current period expenses.

The current actual interest expenses from specific borrowings are capitalized, after deducting interest income as deposit in bank or short-term investment gains. The capitalized amount for the general borrowing is calculated as weighted average of the general borrowing times the weighted average of the interest rate of the general borrowing. The capitalized rate is calculated by weighted average of the interest rate of the general borrowing.

During capitalization period, exchange differences of specific foreign currency borrowing will be capitalized; exchange differences for general foreign currency borrowing will be accounted for the current period profit and loss.

The qualified assets refer to the assets of fixed assets, Investment property and inventories which only can arrive at status of available for use or sale after purchasing and constructing in more than one year generally.

If a abnormal suspending takes place during the purchasing and constructing on the qualified assets for more than three months, the capitalization of borrowing cost is suspend until the purchasing and constructing of assets restart.

2.18 Intangible assets

The intangible assets include the land use right and non-patent technology.

Intangible assets are recognized at their actual cost when acquired. The cost of purchased intangible assets includes the actual purchase price and other necessary expenditures for purchase. The cost of intangible assets invested by investors is measured at the contract or agreement, except for those with unfair value in the contract or agreement. For the contract or agreement that failed to present fair value of intangible assets, intangible assets will be measured at the fair value.

For intangible assets with limited useful lives, the Group adopts straight line method at the month of acquisition. The Group amortizes land use right on the basis of its useful life by straight line method since it is acquired. The patent technology, non-patent technology and other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss.

The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

The Group does not amortize intangible assets with uncertain useful life, and make an impairment loss test at each financial year end. The Group would assess the estimated useful life of intangible assets with uncertain useful life during each accounting period. If there are evidences to prove the useful life of intangible assets is limited, the Group will estimate their useful life and amortize the intangible assets within the estimated lifetime.

When there is evidence to indicate impairment loss of intangible assets, the Group will perform impairment test on the intangible assets with certain useful life at the year end. For the intangible assets without certain useful life, Group will perform impairment test regardless whether there is evidence to indicate impairment loss.

When the intangible assets' recoverable amount is lower than book value, book value is subject to recoverable amount. The impairment loss of intangible assets shall not be reversed in subsequent accounting periods once confirmed.

2.19 Research and development expenditure

The research and development expenditure are classified as expenditure on research phase and expenditure on development phase in accordance with nature of expenditure and the possibility of forming into intangible asset.

Expenditure on the research phase shall be recognised in profit or loss for the period in which it is incurred.

Expenditure on the development phase shall be recognised as an intangible asset only when the Bank can demonstrate all of the following:

- i) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ii) The intention to complete the intangible asset and use or sell it;
- iii) The economic benefits generated by the intangible assets, including it could be proved that the intangible assets are so useful that the market is available for products of the intangible asset itself or the intangible asset itself, it can be used internally;
- iv) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- v) The reliably measured expenditures on the research and development of the intangible asset.

If the expenditures cannot meet the above criteria, they will be accounted into the profit and loss of the period when occurred. The expenditures expensed in previous accounting period cannot be recognized as the asset in later accounting period. The capitalized expenditures in development phase are presented as development expenditure in balance sheet and it is transferred to the intangible asset since the date when the asset reaches the status of available for use.

2.20 Impairment of non-financial assets

The Group makes the assessment on the long-term equity investment, fixed assets, construction in progress and intangible assets with useful life at each balance sheet date. If bellows indicators of impairment exist, the Group will perform impairment test.

- i) During the period, the market value of an asset has declined significantly and the decrease is far more than the decrease caused by timing or practice or by normal use.
- ii) Significant changes, in terms of economic, technical or legal environment and the market, with a negative effect on the Group have taken place during the period, or will take place in the near future.
- iii) Market interest rates or other market rates of return on investments have increased during the period, which is likely to affect the discount rate used in calculating the discounted net profit value of future cash flow of assets and lead to the decrease in the recoverable amount of assets in substance.
- iv) Evidences are available for the obsolescence or physical damage of an asset.
- v) An asset has been idle or is becoming idle, discontinued, or planned to be disposed in advance.
- vi) Evidences from internal reporting indicate that the economic performance of an asset is or will be, worse than expectations. For instance, the net cash flow or net profit generated by an asset is far lower than the amount expected.
- vii) Other evidences indicate the impairment of assets.

Assets impairment losses should be recorded by the book value of assets over recoverable amount. 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. Assets' provision for impairment is calculated based on the single asset, if the recoverable amount of single asset is difficult to estimate then the portfolio of which the single asset belonged to should be used as calculation unit. The portfolio is the minimal combination of assets which can generate cash inflow independently.

Impairment test should be made for goodwill, separately listed in the balance sheet, at least once a year regardless of whether there is indication of impairment loss. The book value of goodwill is distributed to assets portfolio or combination of assets portfolio which is expected to benefit from business combination agreement. Loss needs to be recognized when the result of the test indicates that recoverable value of asset portfolio or combination of asset portfolios which contains goodwill is lower than its book value. The provision of impairment amount is offset against the book value of distributed goodwill first, and then offset book value of other assets (assets that don't contain goodwill) based on the proportion of other assets of the asset portfolio or combination of asset portfolios.

The impairment loss of the above assets shall not be reversed in subsequent accounting periods once confirmed.

2.21 Long-term prepaid expenses

Long-term deferred expense is expense incurred and amortized in a period longer than 1 year (excluding 1 year). Long-term deferred expenses should be amortized evenly in the period.

If long-term prepaid expenses cannot benefit in the future accounting periods, the residual cost should be transferred to current profit or loss.

2.22 Employee benefits

Employee compensation comprises salary, bonus, allowance, welfare, social insurance, housing fund, labour union expenditure, employee education expenditure and other relevant expenditures on service rendered by the employees.

During the accounting period of an employee providing services to an enterprise, the enterprise shall recognize the compensation payable as liabilities. The compensations for the cancellation of the labour relationship with the employee with employees are accounted into current profit and loss.

2.23 Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfilment of obligations will probably cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

Estimated liabilities are initially recognized at the most appropriate estimation of obligations by considering relative risks, uncertainties and time value etc. If the effect from time value of currency is significant, the most appropriate estimation will be discounted into present value. The increase amount of book value of estimated contingent liability due to over time discounted is recognized as interest expenses.

The Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes, in order to indicate the most appropriate estimation of obligations.

2.24 Revenue

The revenue of the Group is mainly revenue from sales of goods, provision of services, property rental income and revenue from construction contracts. Revenue recognition principles are as follows:

i) Sales of goods

The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group doesn't hold continuing management rights or effective control rights of goods, and the relevant economic benefits may flow into the Group, and the amount of this relevant revenue can be measured reliably.

ii) Provision of services

The revenue from rendering service will be recognized when the total income and cost of service can be measured reliable, relative economic benefits likely flow into the Group, and the percentage of completion of the service can be measured reliably.

As of the balance date, the amount of rendering could be reliably measured, is recognized at percentage of completion, which is determined by the completed actual divided by total costs; The amount of rendering could not be reliably measured, is subject to estimated revenue generated from incurred costs, carry forward same amount into labor costs. If the incurred costs could not generate future benefit, the costs is accounts to current profits and losses, not recognized as services revenue.

iii) Property rental income

The revenue from the property alienation will be recognized at charge rate in the contract or agreement, when the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

2.25 Construction contracts

When the outcome of a construction contract can be estimated reliably at the balance date, contract related economic benefits could be probably flow into the Group, the percentage of completion and estimated future costs could be reliably measured, contract revenue and contract expenses will be recognised by using the percentage of completion method. The percentage is calculated by completion contract work load divided by estimated total contract work load.

When the outcome of a construction contract cannot be estimated reliably, if contract costs can be recovered, contract revenue will be recognised to the extent of the contract costs that can be recovered; and contract costs will be recognised as contract expenses in the period in which they are incurred; if contract costs cannot be recovered, they will be recognised as contract expenses immediately when incurred and contract revenue will not be recognised.

Long term ship construction contract, such as a first-made shipbuilding contract, the contract result is reasonable foreseeable 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 recognised at the actual amount of incurred expenditure, and equivalent amount as revenue, zero margin as a result.

Foreign currency revenue is recognised base upon contracted currency, and is translated into Renminbi according to No.19 Accounting Standards for Business Enterprises - Foreign Currency Translation. For the foreign currency received when revenue recognized, is subject to the received amount; for the foreign currency not received when revenue recognized, is subject to the amount calculated by spot rate at balance date. The amount of combination is recognized as accumulated RMB revenue. The accumulated RMB revenue less prior accounting period accumulated RMB revenue is recognized as current period RMB revenue.

At the balance sheet date, if estimated total construction contract costs exceed estimated total construction contract revenue, the provision is made and estimated loss is recognized as current period expenses.

2.26 Government grant

A government subsidy of the Group shall be recognized if the Group can meet the conditions for the government subsidy and also can obtain the government subsidy.

If a government subsidy is a monetary asset, it is measured in the light of the received or receivable amount.

If a government subsidy is a non-monetary asset, it is measured at its fair value. If the fair value of a non-monetary asset cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

The government subsidies pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life.

The government subsidies pertinent to incomes are recognized as deferred income, and equally accounted into current profit and loss during the useful life.

The government subsidies pertinent to incomes are recognized as deferred income, and accounted into current profit and loss when the relevant expenses are recognized if those subsidies used for compensating the related future expenses or losses of the Group; If a government subsidy is for historical costs or loss in previous accounting period, is recognized in current period profits and losses.

When the deferred income exists when the recognized government subsidy should be returned, reverse the deferred income, the exceed amount is accounts to current profits and losses; if deferred income does not exist, the amount is directly accounts to current profits and losses.

2.27 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liability are recognized at the differences (temporary tax differences) between the tax base of an asset or liability and its book value. According to Taxation law, the Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the temporary difference arise from goodwill recognition is not recognized as deferred tax liability. For assets or liabilities arise from non-consolidation transactions which do not give any influence on the temporary difference arise from neither accounting profits nor taxable profits, is not recognized as deferred tax assets or deferred tax liability. On the balance sheet date, deferred tax assets and deferred tax liability are measured at applicable tax rate.

The group probably received deductible temporary difference, is recognized as deferred tax liability. When the Group estimates that there is not sufficient tax loss could recouped, the initial recognized deferred tax assets shall be impaired. When the Group estimates that there is sufficient tax loss could recouped, the initial recognized deferred tax assets shall be reversed.

The taxable temporary differences arise from investments on subsidiaries or joint ventures, is recognized as deferred tax liabilities, unless the Group could control the time of temporary differences reverse and highly probably the temporary difference could not be reversed in the foreseeable future. The deductible temporary difference arise from investments on subsidiaries or joint ventures, the temporary difference is highly probable to be reversed in the foreseeable future and the tax losses could recouped, is recognized as deferred tax assets.

The Group shall offset deferred tax assets and deferred tax liability if, and only if, the Group:

- i) Deferred tax assets and deferred tax liabilities are related to the same tax collection and administration department to the same entity in the Group; and
- ii) Has a legally enforceable right to set-off the recognized amounts.

2.28 Lease

The Group categorizes the lease into the financial lease and the operating lease.

The financial lease is the lease in which all risks and returns related to the ownership of assets are transferred in substance. The Group as a lease holder, on the date of lease, the financial lease is recognized as the fixed asset at lower cost of fair value of the rental asset and the NPV of minimum payment of leasing. The minimum payment of leasing is recognized as long-term payable and the difference is accounted into unrecognized financing expense.

The operating lease is the lease apart from the financial lease. The Group, as a lease holder, accounts the rents into current period by straight line method during the term of the lease. The Group, as a leaser, accounts the rental income into current period by straight line method during the term of the lease. The initial costs with significant amount is capitalized, is accounts into current profits and losses based upon rent revenue recognition method during the lease period.

2.29 Taxation

The Group shall recognize income tax by balance sheet liability method. The income taxes of the current period and deferred income tax of the Group shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred in the following circumstances: the transactions or events related current tax expenses and deferred tax expenses directly recognized as the owner's equity; and the deferred tax adjustment on goodwill arise from business combination. The income taxes of the current period and deferred income tax recorded as a component of income statements.

The tax currently payable is based on taxable profit for the current year transactions and events. Deferred tax will be measured at the difference between deferred tax assets and deferred tax liabilities on balance sheet and initially recognized, according to balance sheet liability method.

2.30 Segment report

Business segment is confirmed in accordance with governance structure, management requests, internal reporting system, and the Group confirm the report segment on the basis of business segment.

Business segment is a component of the Group that satisfies the following conditions simultaneously: the component can take revenue and expenses; the management level can appraise the operating performance of the component in order to allocation of resource and appraise the performance; and the Group can acquire the financial position, operating performance and cash flow of the component etc. If two or more than two segments carry similar economic characteristics, and satisfied certain condition, could merger as one operation segment.

Each segment transfer price is on the basis of marketing price, common costs except for unreasonable allocated costs, is allocated based upon revenue proportion on each segment.

2.31 Changes in accounting policies and accounting estimates

There is no change in accounting policies, accounting estimates and correction of previous errors in 2011.

2.32 Corrections of prior year errors

There is no correction of previous errors in 2011.

3. TAXATION

3.1 Turnover tax and surcharge

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

3.2 Enterprise Income Tax

Name of Company	Tax Rate	Notes
Guangzhou Shipyard International Company Limited	15%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
Guangzhou United Steel Structures Co., Ltd.	15%	
Rongguang Developing Co., Ltd.	16.5%	
Fonkwong Developing Co., Ltd.	16.5%	
Other subsidiary company	25%	

3.3 Tax incentives and approvals

The Company and its subsidiary Guangzhou Hongfan Technology Co., Ltd. are approved to be Hi-tech Enterprises, taxed at 15% since January 1, 2011 to 31 December 2013.

One of the subsidiaries, Guangzhou United Steel Structures Co., Ltd. is approved to be Hi-tech Enterprises, taxed at 15% since January 1, 2009 to 31 December 2011. At present, the subsidiary's Hi-tech Enterprises qualification is in the processing procedures, current period tax rate is 15% temporary.

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

4.1 Details of Subsidiaries

Company	Type	Registration place	Business nature	Registered Capita ('000)	Business scope	Investment as of This Period (RMB'000)	Share (%)	Voting rights (%)	Consolidated (Y/N)	Minority interest
Subsidiaries acquired through established or investment and etc.										
Guangzhou Wanda Shipyard International Co. Ltd	Subsidiary	Guangzhou	Ships built	USD600	Designing, production, installation, repairing; ship out-fitting, ship piping, ventilation system, furniture, interior decoration, sales of production.	3,685.20	75.00	100.00	Y	
Guangzhou Xinsun Shipping Service Limited Co.	Subsidiary	Guangzhou	Ship welding, outfitting, painting	RMB2000	Hull installation, welding, outfitting, painting, repairing.	500.00	83.33	100.00	Y	
Guangzhou United steel structures Ltd. Co.	Subsidiary	Guangzhou	Large steel structure	USD8,850	Production, designing of steel products, sales of enterprise products & providing after-sale installation services	37,522.10	51.00	51.00	Y	82,251,578.92
Guangdong GSI Elevator Ltd. Co	Subsidiary	Guangzhou	Production of elevator	RMB21,000	designing, manufacturing & sales, installation & modification, repairing all types of elevators	19,950.00	95.00	100.00	Y	
Guangzhou Hongfan Information Technology Ltd. Co	Subsidiary	Guangzhou	Computer sales, system integration development	RMB5,000	Computer sales, system integration development	2,550.00	51.00	51.00	Y	9,446,657.16
Guangzhou Guangli ship human resource service Ltd. Co	Subsidiary	Guangzhou	Provide labour service	RMB500	Provide labour service, ship installation, welding, copy rusting, painting etc.	3,052.50	80.00	100.00	Y	
Guangzhou Hongfan hotel Co., Ltd	Subsidiary	Guangzhou	Catering service	RMB10,000	Industry of Catering, tourist, beauty, code drinks and hair dressing			100.00	Y	
Glory group developing Co., Ltd	Subsidiary	Hong Kong	General business trade	HKD30,000	General business trade	26,443.80	100.00	100.00	Y	
Fankwang Development Co., Ltd	Subsidiary	Hong Kong	General business trade	HKD200	General business trade			70.00	Y	2,739,077.23
Guangzhou Shipyard heavy machinery Co., Ltd	Subsidiary	Guangzhou	Designing, manufacturing and installation.	RMB188,610	Design, manufacture, installation and sales, auxiliary ships, large mechanical and electrical equipments	188,610.00	100.00	100.00	Y	
Zhongshan Guangchuan International Marine and ocean project Co., Ltd	Subsidiary	Zhongshan	Accessories of ship and marine engineering equipment manufacturing	RMB100,000	Design, manufacture, installation, sales of ships and auxiliaries (for fishing purpose excluded) ocean project equipments	100,000.00	100.00	100.00	Y	

4.2 Explanation of changes in consolidation scope

There is no change in terms of consolidation scope during This Period.

5. NOTES OF MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

For the disclosure of financial statements information, unless otherwise stated, "The Beginning Balance" means the balance as of 1 January 2012, "The Ending Balance" means the balance as of 30 June 2012, "This Period" means the period from 1 January 2012 to 30 June 2012, "Last Period" means the period from 1 January 2011 to 30 June 2011, the functional currency is RMB.

5.1 Cash and bank

Items	The Ending Balance			The Beginning Balance		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
1. Cash						
RMB			118,436.61			114,598.12
USD	3,567.80	6.3249	22,565.98	3,567.80	6.3009	22,480.35
HKD	26,326.68	0.8152	21,461.51	32,346.08	0.8107	26,222.97
GBP	917.25	9.8169	9,004.55	917.25	9.7116	8,907.97
EURO	954.84	7.8710	7,515.55	954.84	8.1625	7,793.88
Subtotal			178,984.20			180,003.29
2. Bank						
RMB			2,524,867,619.40			2,696,975,893.34
USD	131,651,970.43	6.3249	832,685,547.77	38,952,689.88	6.3009	245,437,003.66
HKD	7,123,964.05	0.8152	5,807,455.51	7,779,783.20	0.8107	6,307,070.22
EURO	1,915,429.90	7.8710	15,076,348.74	1,352,902.60	8.1625	11,043,067.48
Subtotal			3,378,436,971.42			2,959,763,034.70
3. Other						
RMB			2,464,495,835.13			3,602,803,428.85
Subtotal			2,464,495,835.13			3,602,803,428.85
Total			5,843,111,790.75			6,562,746,466.84

The ending balances of other monetary fund include credit card deposit of RMB 102,989.77, guarantee deposit of RMB 9,470,695.36 and fixed deposit for mortgage amounted RMB 2,454,992,150.00.

As of 30 June 2012, there is no existence of pledge, frozen or potential risk of recovery except for guarantee and fixed deposit mentioned above.

As of 30 June 2012, the Company deposits RMB 592,238,625.78 in CSSC Financial Co., one of subsidiaries of CSSC is a non-bank financial institution and authorised and monitored by People's bank of China.

5.2 Financial assets held for trading

Item	The Ending fair value	The Beginning fair value
Financial assets designated as of fair value through current profit or loss	2,138,286.82	20,229,536.04
Total	2,138,286.82	20,229,536.04

Compared with 1 January 2012, the ending balance of fair value has decreased by 89.43%, which is due to the delivery of long term contract and fluctuation of exchange rate. The fair value is determined by the banks' public offer with valuation technique. There is no significant limitation for realization of investment.

5.3 Notes receivable

5.3.1 Classification of notes receivable

Items	The Ending Balance	The Beginning Balance
Bank acceptance bill	81,363.00	560,000.00
Total	81,363.00	560,000.00

Compared with 1 January 2012, the ending balance of notes receivables has decreased by 85.47%, which is mainly influenced by the endorsed and transferred notes receivables and reduction in volume of receipt of outstanding notes.

5.3.2 Notes receivable endorsed but not yet due during the end of period

Item	Name of company	Endorsed date	Due date	Amount	Notes
Bank acceptance bill	Shenzhen Desheng elevator Co., Ltd	2012-2-29	2012-8-29	150,000.00	
	Hefei Midea & Royalstar Refrigerator Co., Ltd.	2012-2-22	2012-8-22	624,000.00	
	Zhaoqing Lidao New material technology Co., Ltd	2012-3-30	2012-9-22	600,000.00	
	Gongyi City Dragon Refractory Co., Ltd.	2012-3-22	2012-9-22	50,000.00	
	Shenzhen Desheng elevator Co., Ltd	2012-1-9	2012-7-9	100,000.00	
	Shenzhen Gome Co., Ltd	2012-3-15	2012-9-15	223,558.24	
	Shenzhen energy and environment protection Co., Ltd.	2012-5-16	2012-11-16	1,869,000.00	
Total			3,616,558.24		

5.4 Accounts receivable

5.4.1 Classifications of risks of accounts receivable

Items	The Ending Balance					The Beginning Balance					
	Book Value		Bad Debts		Net Value	Book Value		Bad Debts		Net Value	
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)		
Accounts receivable with individual significant amount and identification separately bad debt provision											
Accounts receivable with individual insignificant amount and identification separately bad debt provision	7,379,686.98	0.89	7,379,686.98	100.00			11,177,669.05	1.49	9,532,003.20	85.28	1,645,665.85
Accounts receivable accrued bad debt provision by a certain percentage of the balance	821,992,045.94	99.11	4,103,688.27	0.50	817,888,357.67		738,725,558.93	98.51	3,644,580.68	0.50	735,080,978.25
Total	829,371,732.92	100.00	11,483,375.25	1.38	817,888,357.67		749,903,227.98	100.00	13,176,583.88	1.76	736,726,644.10

- i) Accounts receivables with significant amount of the ending balance, or accounts receivable with individual insignificant amount and identification separately bad debt provision

Company Name	Book Value	Bad Debts	Ratio (%)	Reasons for Provision
WHL-FONKWANG	2,608,630.04	2,608,630.04	100	Long outstanding period, and client suffering operating difficulty
Macao Ludang Co., Ltd	863,566.90	863,566.90	100	Long outstanding period, and client suffering operating difficulty
Chongqing Yuandong Fushi Jidian Company	670,000.00	670,000.00	100	Long outstanding period, and client suffering operating difficulty
Hefei Rong Shida Electric Refrigerator Co. Limited	476,000.00	476,000.00	100	Long outstanding period, and client suffering operating difficulty
Federal Metal Project Co., Ltd	407,502.39	407,502.39	100	Long outstanding period, and client suffering operating difficulty
Guilin Hongyun Elevator Company	398,250.00	398,250.00	100	Long outstanding period, and client suffering operating difficulty
Chongqing Guangchuan Elevator Co. Limited	313,700.00	313,700.00	100	Long outstanding period, and client suffering operating difficulty
Chongqing Nanfang Group Company	257,884.00	257,884.00	100	Long outstanding period, and client suffering operating difficulty
Qingdao Haier Special Electric Refrigerator Co. Ltd.	208,000.00	208,000.00	100	Long outstanding period, and client suffering operating difficulty
Chengdu Jiexiang Real Estate Company	187,903.01	187,903.01	100	Long outstanding period, and client suffering operating difficulty
Others	988,250.64	988,250.64	100	Long outstanding period, and client suffering operating difficulty
Total	7,379,686.98	7,379,686.98	100	

- ii) Accounts receivable accrued bad debt provision by a certain percentage of the balance

Items	The Ending Balance			The Beginning Balance		
	Amount	Ratio (%)	Bad Debts	Amount	Ratio (%)	Bad Debts
Within 1 year	773,054,640.18	94.05	3,843,014.69	706,449,847.50	95.62	3,480,584.19
1-2 years (include)	23,421,201.36	2.85	132,811.76	5,214,002.49	0.71	27,617.90
2-3 years (include)	25,259,064.49	3.07	126,514.83	26,930,019.03	3.65	135,658.85
3-4 years (include)	199,574.00	0.02	997.87	74,124.00	0.01	370.62
4-5 years (include)						
over 5 years	57,565.91	0.01	349.12	57,565.91	0.01	349.12
Total	821,992,045.94	100.00	4,103,688.27	738,725,558.93	100.00	3,644,580.68

5.4.2 The aging of accounts receivable

Items	The Ending Balance				The Beginning Balance			
	Amount	Ratio (%)	Bad Debts	Net Value	Amount	Ratio (%)	Bad Debts	Net Value
Within 1 year	773,054,291.06	93.21	3,843,014.69	769,211,276.37	706,525,137.50	94.22	3,480,584.19	703,044,553.31
1-2 years (include)	24,091,201.36	2.90	802,811.76	23,288,389.60	11,410,066.02	1.52	4,840,805.58	6,569,260.44
2-3 years (include)	29,249,811.54	3.53	4,117,261.88	25,132,549.66	27,985,229.03	3.73	1,003,368.85	26,981,860.18
3-4 years (include)	244,213.74	0.03	45,637.61	198,576.13	74,124.00	0.01	370.62	73,753.38
4-5 years (include)								
over 5 years	2,732,215.22	0.33	2,674,649.31	57,565.91	3,908,671.43	0.52	3,851,454.64	57,216.79
Total	829,371,732.92	100.00	11,483,375.25	817,888,357.67	749,903,227.98	100.00	13,176,583.88	736,726,644.10

5.4.3 Recovery (collection) of bad debts provisions during This Period

Company Name	Book Value of Accounts Receivable	Provisions for Bad Debts Before Recovery (Collection)	Recovered (Collected) During This Period	Reasons for Preparing For Bad Debts Initially	Reasons for Recovery (Collection) During This Period
Chongqing Yuandong Fushi Jidian Company	670,000.00	1,010,140.00	340,140.00	Long period and financial predicament	Demand repayment
Chongqing Nanfang Group Company	263,698.87	807,884.00	550,000.00	Long period and financial predicament	Demand repayment
Chongqing Guangchuan Elevator Co. Limited	810,776.76	613,700.00	300,000.00	Long period and financial predicament	Demand repayment
Chongqing Yicheng Real Estate Company	123,465.32	306,945.32	183,480.00	Long period and financial predicament	Demand repayment
WHL-FONKWANG	2,608,630.04	3,387,326.26	802,622.59	Financial predicament	Collect part of overdues according to agreements
Total	4,476,570.99	6,125,995.58	2,176,242.59		

5.4.4 As of the end of This Period, there are no accounts receivable of shareholders holding 5% or more than 5% of voting stocks.

5.4.5 The top five companies of accounts receivable balance:

Company Name	Relationship with the Company	Amount	Aging	Proportion (%)
China Shipping Development Co. Ltd.	External customer	250,254,221.20	Within 1 year	30.17
Holland—FAIRSTAR HEAVY	External customer	197,969,370.00	Within 1 year	23.87
China Shipping Passenger Ship Co. Ltd.	External customer	104,604,141.00	Within 1 year	12.61
Shenzheng China Ocean Shipping (Group) Company	External customer	38,500,000.00	Within 1 year	4.64
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Under the Same Control of China State Shipbuilding Corporation (CSSC)	29,098,703.15	0-3 years	3.51
Total		620,426,435.35		74.80

5.4.6 Accounts receivable with related parties

Company Name	Relationship with the Company	Amount	Proportion (%)	Aging
CSSC Beijing IT Co., Ltd	Under the Same Control of CSSC	355,000.00	0.04	within 1 year
Guangzhou Marine and Engineering Design & Research Institute	Under the Same Control of CSSC	72,726.15	0.01	within 1 year
Guangzhou Wenchong Shipyard Co., Ltd	Under the Same Control of CSSC	12,000.00	0.00	within 1 year
Guangzhou Shipyard Ltd.	Under the Same Control of CSSC	4,315,710.07	0.52	within 1 year
CSSC Guangzhou Huangpu Shipyard Ltd.	Under the Same Control of CSSC	6,799,022.95	0.82	within 1 year
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	Under the Same Control of CSSC	385,534.00	0.05	within 1 year
CSSC Huanan Ship Machinery Co., Ltd.	Under the Same Control of CSSC	453,321.80	0.05	within 1 year
Guangzhou CSSC Ocean Ship Co., Ltd	Under the Same Control of CSSC	54,486.38	0.01	within 1 year
CSSC Jiangnan Heavy Machine Co., Ltd	Under the Same Control of CSSC	17,308,505.47	2.09	within 0-3 years
Guangzhou CSSC Marine Diesel Company	Under the Same Control of CSSC	201,451.00	0.02	within 1 year
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Under the Same Control of CSSC	29,098,703.15	3.51	0-3 years
Total		59,056,460.97	7.12	

5.4.7 Accounts receivables with foreign currency balance

Currency	The Ending Balance			The Beginning Balance		
	Primary Currency	Exchange Rate	Reporting Currency RMB	Primary Currency	Exchange Rate	Reporting Currency RMB
USD	44,605,450.30	6.3249	282,125,012.36	54,412,205.54	6.3009	342,845,865.89
HKD	4,383,669.00	0.8152	3,573,566.96	7,520,255.46	0.8107	6,096,671.10
MOP	3,277,585.17	0.7959	2,608,630.04	5,656,385.17	0.7886	4,460,625.36
Total			288,307,209.36			353,403,162.35

5.4.8 The credit term for accounts receivable of the Group

Business	Credit Term
Ship building	1 month after issuing invoice
Other business	Generally 1 to 6 months

Aging analysis of accounts receivable based on invoice issued are as follows

Aging	The Ending balance	The Beginning balance
0 - 120 days	530,787,919.90	486,088,969.84
121 - 365 days	242,266,371.16	220,436,167.66
1 - 2 years	24,091,201.36	11,410,066.02
2 - 3 years	29,249,811.54	27,985,229.03
Over 3 years	2,976,428.96	3,982,795.43
Total	829,371,732.92	749,903,227.98

5.5 Advances to suppliers

5.5.1 Aging of advances to suppliers

Item	The Ending Balance		The Beginning Balance	
	Amount	(%)	Amount	(%)
Within 1 year	392,369,200.84	98.26	496,123,702.54	98.45
1 - 2 years	6,022,290.26	1.50	6,013,954.32	1.19
2 - 3 years	156,000.00	0.04	1,266,826.16	0.25
Over 3 years	784,925.29	0.20	539,300.00	0.11
Total	399,332,416.39	100.00	503,943,783.02	100.00

5.5.2 The top 5 ending balance of advance to suppliers

Company name	Relationship	Amount	Aging	Outstanding Reasons
Dalian Marine Diesel Engine Co., Ltd.	External supplier	133,185,000.00	Within 1 year	Not complete
China Shipping Group International trading Co., Ltd.	External supplier	61,907,225.14	Within 1 year	Not complete
Chongqing steel Co., Ltd.	External supplier	23,370,000.00	Within 1 year	Not complete
Zhenjiang CSSC Equipment Co., Ltd.	Common control of CSSC	20,620,000.00	Within 1 year	Not complete
Shanghai Dacheng venture investment Co., Ltd.	External supplier	20,082,798.75	Within 1 year	Not complete
Total		259,165,023.89		

5.5.3 There are no advances to suppliers of shareholders holding 5% or more than 5% of voting stocks as of the end of This Period.

5.5.4 The balance of advances to suppliers in foreign currencies:

Foreign currency	The Ending Balance			The Beginning Balance		
	Original currency	Exchange rate	Amount (RMB)	Original currency	Exchange rate	Amount (RMB)
USD	13,536,141.86	6.6460	89,961,239.68	16,169,400.67	6.3400	102,514,325.65
EUR	8,750,513.81	8.6071	75,316,729.80	11,025,169.59	8.9803	99,009,347.74
HKD	486,586.00	0.8810	428,700.87	486,586.00	0.8657	421,229.08
Total			165,706,670.35			201,944,902.47

5.6 Interests receivable

Item	The Beginning Balance	Increase	Decrease	The Ending Balance
Interest of fixed deposit	104,002,627.67	95,192,616.28	96,770,881.23	102,424,362.72
Total	104,002,627.67	95,192,616.28	96,770,881.23	102,424,362.72

There is no overdue interest as of the end of This Period.

5.7 Dividends receivable

Items	The Beginning Balance	Increase	Decrease	The Ending Balance	Outstanding Reason	Impairment
Aging within 1 year Include: Guangzhou Economic and Technical Development Zone South China Marine and Industrial Special Coating Co., Ltd.		1,043,381.78		1,043,381.78		
		1,043,381.78		1,043,381.78	-	-
Total		1,043,381.78		1,043,381.78		

5.8 Other receivables

5.8.1 Classification based on risk

Items	The Ending Balance					The Beginning Balance					
	Book Value		Bad Debts		Net Value	Book Value		Bad Debts		Net Value	
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)		
Other receivables with individual significant amount and identification separately bad debt provision	10,340,232.15	4.96	10,340,232.15	100.00			10,340,232.15	7.65	10,340,232.15	100.00	
Other receivables with individual insignificant amount and identification separately bad debt provision	57,600.00	0.03	57,600.00	100.00			57,600.00	0.04	57,600.00	100.00	
Other receivables accrued bad debt provision by a certain percentage of the balance	197,849,700.97	95.01	986,383.49	0.50	196,863,317.48		124,768,102.56	92.31	580,560.48	0.50	124,187,542.08
Total	208,247,533.12	100.00	11,384,215.64	5.47	196,863,317.48		135,165,934.71	100.00	10,978,392.63	8.12	124,187,542.08

- i) Other receivables with significant amount of the ending balance, or accounts receivable with individual insignificant amount and identification separately bad debt provision

Company name	Book value	Bad debts	Rate (%)	Reasons
Hong Kong Guanghong International Co., Ltd.	10,340,232.15	10,340,232.15	100.00	Note
Guangzhou Construction Archives	57,600.00	57,600.00	100.00	Incapable to receive
Total	10,397,832.15	10,397,832.15	100.00	

Note: Trusted deposits have been exchanged for some assets with Guangzhou National Investment Corp. under the Company and Guangzhou National Investment Debt Restructuring Agreement. On 17th August 2005, according to the "Delegatio Nominis contract" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB10,640,000.00 to Hong Kong Guanghong international Corp, which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Guanghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before September 2005, and pay the rest of debt with interest in Guanghong Optoelectronic Technology Corp, on which Hong Kong Guanghong international Corp has the right of disposition. On 21 September 2009, the Guangdong Province Higher People's Court of Final Appeal has made the judgment, Hong Kong Guanghong international Corp. has to settle the debt principal and interest of the Company within 10 days from the legal effective day. As of 30 June 2012, the Company has not received the above mentioned debt principal and interest, and shall pay attention to further follow-up.

Other receivable accrued bad debt provision by a certain percentage of the balance

Items	The Ending Balance			The Beginning Balance		
	Amount	(%)	Bad debts	Amount	(%)	Bad debts
Within 1 year	189,928,542.46	96.00	946,777.69	121,494,349.74	97.38	563,367.99
1-2 years	6,730,902.14	3.40	33,654.51	2,600,906.92	2.08	8,828.97
2-3 years	994,660.60	0.50	4,973.30	470,165.31	0.38	5,521.96
3-4 years (inclusive)	75,311.00	0.04	376.56	60,937.59	0.05	832.85
4-5 years (inclusive)	89,783.00	0.05	448.92	123,343.00	0.10	1,916.71
Over 5 years	30,501.77	0.02	152.51	18,400.00	0.01	92.00
Total	197,849,700.97	100.00	986,383.49	124,768,102.56	100.00	580,560.48

5.8.2 The aging details of other receivables

Items	The Ending Balance				The Beginning Balance			
	Amount	(%)	Bad debts	Net value	Amount	(%)	Bad debts	Net value
Within 1 year	189,928,542.46	91.20	946,777.69	188,981,764.77	121,494,349.74	89.89	563,367.99	120,930,981.75
1-2 years (inclusive)	6,730,902.14	3.23	33,654.51	6,697,247.63	2,600,906.92	1.92	8,828.97	2,592,077.95
2-3 years (inclusive)	994,660.60	0.48	4,973.30	989,687.30	470,165.31	0.35	5,521.96	464,643.35
3-4 years (inclusive)	75,311.00	0.04	376.56	74,934.44	60,937.59	0.05	832.85	60,104.74
4-5 years (inclusive)	89,783.00	0.04	448.92	89,334.08	123,343.00	0.09	1,916.71	121,426.29
Over 5 years	10,428,333.92	5.01	10,397,984.66	30,349.26	10,416,232.15	7.70	10,397,924.15	18,308.00
Total	208,247,533.12	100.00	11,384,215.64	196,863,317.48	135,165,934.71	100.00	10,978,392.63	124,187,542.08

5.8.3 There are no other receivables of shareholders holding 5% or more than 5% of voting stocks.

5.8.4 The top 5 company of other receivables balance

Company name	Relationship	Amount	Aging	Proportion (%)	Content
Product subsidy receivables	Others	168,922,126.97	Within 1 year	81.12	Subsidy
Hong Kong Guanghong International Co., Ltd.	External customer	10,340,232.15	Over 5 years	4.97	Trust loans
Hong Kong J&D Company	External customer	4,950,228.91	1-2 years	2.38	Disbursement of engineering project
Hong Kong Baoying Company	External customer	1,459,154.71	1-2 years	0.70	Disbursement of engineering project
Hainan Haizheng Bidding Co., Ltd.	External customer	1,000,000.00	Within 1 year	0.48	Guarantee
Total		186,671,742.74		89.65	

5.8.5 Other receivables in foreign currencies:

Foreign currency	The Ending Balance			The Beginning Balance		
	Original currency	Exchange Rate	Amount (RMB)	Original currency	Exchange Rate	Amount (RMB)
HKD	10,519,984.38	0.8152	8,575,891.26	9,695,544.96	0.8107	7,886,383.30
Total			8,575,891.26			7,886,383.30

The decrease in other receivables of 58.52% in the ending balance compared to the beginning is resulted from the change of product structure and the increased amount of subsidies.

5.9 Inventories

5.9.1 Classification of inventories

Items	The Ending Balance			The Beginning Balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Raw materials	394,626,173.34	6,996,709.71	387,629,463.63	428,971,762.09	6,996,709.71	421,975,052.38
Work-in-process	548,764,879.82	15,943,727.76	532,821,152.06	467,507,215.62	16,219,843.71	451,287,371.91
Finished goods	6,681,558.46	184,746.68	6,496,811.78	11,023,779.00	336,553.69	10,687,225.31
Inventories under construction contract	293,725,930.15	354,338,166.69	-60,612,236.54	893,624,622.07	293,711,909.40	599,912,712.67
Goods in Transit	7,854,432.23		7,854,432.23	30,354,947.04		30,354,947.04
Total	1,251,652,974.00	377,463,350.84	874,189,623.16	1,831,482,325.82	317,265,016.51	1,514,217,309.31

5.9.2 Inventory impairment

Items	The Beginning Balance	Accrued	Decrease		The Ending Balance
			Reversal	Transferred out	
Raw material	6,996,709.71				6,996,709.71
Work-in-process	16,219,843.71		24,724.63	251,391.32	15,943,727.76
Finished goods	336,553.69		59,863.25	91,943.76	184,746.68
Inventories under construction contract	293,711,909.40	184,378,448.75	6,659,328.42	117,092,863.04	354,338,166.69
Total	317,265,016.51	184,378,448.75	6,743,916.30	117,436,198.12	377,463,350.84

5.9.3 The methods of provision for inventory impairment

Items	Method	Reasons for reversal	Proportion of reversal in total balance of inventory
Raw material	Carry cost above net realizable value (NRV) (estimated disposal income less related taxes)		
Work-in-process	Carry cost above net realizable value (estimated disposal income less related expenses to achieve sales condition)	Sales price on inventory is above NRV	
Inventory	Carry cost above net realizable value (estimated disposal income less related taxes)	Sales price on products is above NRV	
Inventories under construction contract	The expected contract costs exceeded the expected contract revenue.	Completion of total cost is expected to decline.	

The ending balance of inventory was reduced by 42.27% in the comparison with the beginning balance, which is due to the accrued impairment of the construction contract of which the estimation of total cost is above total income and the reduced amount of ships under construction.

5.10 Financial assets available for sale

Item	The Ending Balance	The Beginning Balance
Equity instrument available for sale		
Include: China Merchants Bank Co., Ltd. (CMBC)	190,091,538.00	206,628,805.50
China Merchants Energy and Transportation Co., Ltd. (CMES)	32,200,000.00	28,900,000.00
Wu Han Gold and silver lake golf club identification.	2,450,000.00	2,700,000.00
Total	224,741,538.00	238,228,805.50

As of 30 June 2012, 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 30 June 2012.

5.11 Long-term equity investment

5.11.1 Classification of long term equity investment

Item	The Ending Balance	The Beginning Balance
Long-term equity investment under cost method	1,900,000.00	1,900,000.00
Long-term equity investment under equity method	45,179,753.82	43,890,860.01
Total	47,079,753.82	45,790,860.01
Less: provision for impairment		
Net book value	47,079,753.82	45,790,860.01

5.11.2 The long-term equity investment under cost and equity method:

Invested Company Name	Shareholding (%)	Voting Rights (%)	Original investing capital	The Beginning Balance	New Investment	Decreased Investment	Adjustment	Cash Dividends for Current Year	The Ending Balance	Provision for Impairment	Accrued Provision Within This Period
Cost method											
CSSC Information Co., Ltd.	5.63	5.63	900,000.00	900,000.00					900,000.00		
CSSC Heavy Industry Yuanzhou (Beijing) Technology Co., Ltd.	4.05	4.05	1,000,000.00	1,000,000.00					1,000,000.00		
Subtotal			1,900,000.00	1,900,000.00					1,900,000.00		
Equity method											
Guangzhou Economic and technology development Zone South China Special coating industry Co., Ltd.	25.00	25.00	1,722,060.00	3,932,104.61			823,422.87	1,043,381.78	3,712,145.70		
Zhanjiang Nan Ocean Marine High Technology Service Co., Ltd.	40.00	40.00	800,000.00	822,588.18			-16,659.32		805,928.86		
Zhenjiang Zhongchuan Modern Power Generation Equipment Co., Ltd.	32.00	32.00	15,558,800.00	39,136,167.22			1,525,512.04		40,661,679.26		
Subtotal			18,080,860.00	43,890,860.01			2,332,275.59	1,043,381.78	45,179,753.82		
Total			19,980,860.00	45,790,860.01			2,332,275.59	1,043,381.78	47,079,753.82		

5.11.3 Investment in associated companies and joint ventures:

Investee	Type of Company	Registration place	Legal representative	Business type	Registered capital ('000)	shareholding (%)	Voting right (%)
Joint venture							
South China Special Coating Industry Co., Ltd.	Company with limited liability (the PRC and foreign countries of joint venture)	Guangzhou	Li Tongan	Developing a special coating technology, undertaking special coating works at home and abroad, setting up scaffolding structures, cleaning cabin	USD1,200	25	25
Associates							
Zhanjiang Nan Ocean Marine High technology Service Co., Ltd.	Company with limited liability	Zhanjiang	Chen Miaogen	Repairing, debugging, maintenance, training, software development and technical application of ship equipment & system	RMB2,000	40	40
Zhanjiang Zhongchuan Modern Power Generation Equipment Co., Ltd.	Company with limited liability (Taiwan, Hong Kong, Macao and the PRC of joint venture)	Zhenjiang	Wang Wenju	Production and sales of generators, marine and land use generator sets and accessories	RMB85,000	32	32

Investee	The Ending Balance of total assets	The Ending Balance of total liabilities	The Ending Balance of net assets	Total operating revenue	Net profit
Joint venture					
South China Special Coating Industry Co., Ltd.	21,576,101.44	5,002,468.55	16,573,632.89	19,381,362.51	3,293,691.49
Associates					
Zhanjiang Nan Ocean Marine High Technology Service Co., Ltd.	5,151,495.02	3,144,149.28	2,007,345.74	2,475,122.00	-41,648.30
Zhenjiang ZhongChuan Modern Power Generation Equipment Co., Ltd.	248,724,492.95	120,308,873.36	128,415,619.59	109,886,646.70	4,767,225.12
Total	275,452,089.41	128,455,491.19	146,996,598.22	131,743,131.21	8,019,268.31

5.12 Investment properties

5.12.1 Cost method under cost model

Item	The Beginning Balance	Increase	Decrease	The Ending Balance
Original cost	36,977,375.29			36,977,375.29
Buildings	36,977,375.29			36,977,375.29
Accumulative depreciation and amortization	4,051,806.36	375,665.03		4,427,471.39
Buildings	4,051,806.36	375,665.03		4,427,471.39
Net book value	32,925,568.93			32,549,903.90
Buildings	32,925,568.93			32,549,903.90
Provision for impairment	1,855,011.59			1,855,011.59
Buildings	1,855,011.59			1,855,011.59
Book value	31,070,557.34			30,694,892.31
Buildings	31,070,557.34			30,694,892.31

Depreciation and amortization altogether of This Period are RMB 375,665.03 (Last Period: RMB 407,772.22)

5.13 Fixed assets

5.13.1 The details of fixed assets

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Original cost	2,245,216,908.80	20,732,704.08	9,154,747.92	2,256,794,864.96
Include: Buildings	1,071,296,182.95	1,485,449.31	5,508,224.35	1,067,273,407.91
Machinery	1,077,809,630.58	15,126,562.31	2,893,128.68	1,090,043,064.21
Transportation equipments	39,076,014.55	2,660,048.12	753,394.89	40,982,667.78
Office equipments	57,035,080.72	1,460,644.34		58,495,725.06
Accumulative depreciations	967,957,211.71	56,336,094.21	6,026,858.29	1,018,266,447.63
Include: Buildings	327,921,693.30	20,838,345.51	2,568,369.87	346,191,668.94
Machinery	593,828,884.07	32,935,662.86	2,724,763.27	624,039,783.66
Transportation equipments	16,620,729.17	1,792,032.66	733,725.15	17,679,036.68
Office equipments	29,585,905.17	770,053.18		30,355,958.35
Net book value	1,277,259,697.09			1,238,528,417.33
Include: Buildings	743,374,489.65			721,081,738.97
Machinery	483,980,746.51			466,003,280.55
Transportation equipments	22,455,285.38			23,303,631.10
Office equipments	27,449,175.55			28,139,766.71
Total impairment	2,941,797.71			2,941,797.71
Includes: Buildings				
Machinery	2,941,797.71			2,941,797.71
Transportation equipments				
Office equipments				
Net book value	1,274,317,899.38			1,235,586,619.62
Includes: Buildings	743,374,489.65			721,081,738.97
Machinery	481,038,948.80			463,061,482.84
Transportation equipments	22,455,285.38			23,303,631.10
Office equipments	27,449,175.55			28,139,766.71

- i) Total fixed assets transferred from construction in progress during This Period amounted to RMB 19,307,079.64.
- ii) The current amount of total depreciation for fixed assets is RMB 56,336,094.21 (Last Period: RMB 51,853,876.87).

5.13.2 There is no idle fixed asset at end of This Period.

5.13.3 Assets which have not obtained certificate of the title yet

Items	Book value	Reason	Expected time to obtain
Mechanical and electrical suppliers storage	28,173,539.24	Not complete real estate cancellation mortgage registration	Non predictable
Company 5 floors office building (3-5)	5,005,274.51	Not complete real estate cancellation mortgage registration	Non predictable
Company 5 floors office building (first 2 floors)	3,466,681.49	Not complete real estate cancellation mortgage registration	Non predictable
Total	36,645,495.24		

5.14 Construction in progress

5.14.1 The details of construction in progress

Items	The Ending Balance		The Beginning Balance			
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Construction fees of Zhongshan Guangchuan International and Ocean Project Co., Ltd.	275,296,719.33		275,296,719.33	207,027,680.08		207,027,680.08
Movement of large machinery and workshop NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)	11,729,938.80		11,729,938.80	11,703,473.91		11,703,473.91
Renovation project of Guangchuan large-scale machinery and equipment company	6,219,760.00		6,219,760.00	6,201,847.23		6,201,847.23
Ship generator load test integrated system	7,822,546.99		7,822,546.99	5,973,713.59		5,973,713.59
Network reconstruction	3,312,054.35		3,312,054.35	2,302,167.92		2,302,167.92
Preconstruction cost for Zhongshan shipping industry base	2,631,006.06		2,631,006.06	2,631,006.06		2,631,006.06
1 tug for shipping ministry	2,482,965.21		2,482,965.21	2,482,965.21		2,482,965.21
Preconstruction cost Infrastructure and energy saving transformation	7,033,950.67		7,033,950.67	4,490,720.64		4,490,720.64
Transformation of team room 3 and surrounding space	1,025,645.92		1,025,645.92	1,020,170.26		1,020,170.26
12.5m CNC Double Column Vertical Lathe	3,732,549.61		3,732,549.61	2,361,008.29		2,361,008.29
A loaded class outfitting shed and team room	12,450,297.65		12,450,297.65	14,035,006.08		14,035,006.08
1 shipping own motor barge	3,195,078.88		3,195,078.88	1,422,590.60		1,422,590.60
The third stage of environmental anti-pollution engineering 1-2 tender	4,419,653.12		4,419,653.12	1,376,103.45		1,376,103.45
Welding fumes governance for tube plus workshop	1,431,111.15		1,431,111.15	1,258,074.65		1,258,074.65
Dock prolong 80T, 400T (1st period)	1,025,072.32		1,025,072.32	1,025,072.32		1,025,072.32
1 set 200 tons Fixed cranes	3,760,636.40		3,760,636.40			
3-6 Relocation of the shelter project	3,363,708.12		3,363,708.12			
200 cubic meters air compressor for energy centre	1,619,424.52		1,619,424.52	883,149.31		883,149.31
200 tons of fixed pier crane base	1,522,363.68		1,522,363.68	484,178.95		484,178.95
1 set 60HZ inverter power supply for production of security department	1,179,268.07		1,179,268.07			
Other projects	1,011,101.39		1,011,101.39	14,884,036.31		14,884,036.31
Total	17,333,982.16		17,333,982.16	281,562,964.86		281,562,964.86

5.14.2 The changing details of construction in progress

Project name	The Beginning Balance	Increase	Decrease		The Ending Balance
			Transfer to fixed assets	Others	
Construction fees of Zhongshan Guangchuan International and Ocean Project Co., Ltd.	207,027,680.08	74,043,415.11	5,774,375.86		275,296,719.33
Renovation project of Guangchuan large-scale machinery and equipment company	5,973,713.59	3,136,787.78	1,287,954.38		7,822,546.99
12.5m CNC Double Column Vertical Lathe	14,035,006.08	-1,584,708.43			12,450,297.65
The movement of large machinery and workshop	11,703,473.91	26,464.89			11,729,938.80
1 tug for shipping ministry	4,490,720.64	2,543,230.03			7,033,950.67
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)	6,201,847.23	17,912.77			6,219,760.00
A loaded class outfitting shed and team room	1,422,590.60	1,844,445.54	71,957.26		3,195,078.88
Transformation of team room 3 and surrounding space	2,361,008.29	1,371,541.32			3,732,549.61
1 shipping own motor barge	1,376,103.45	3,043,549.67			4,419,653.12
Network reconstruction	2,631,006.06				2,631,006.06
Ship generator load test integrated system	2,302,167.92	1,009,886.43			3,312,054.35
Preconstruction cost for Zhongshan shipping industry base	2,482,965.21				2,482,965.21
Preconstruction cost Infrastructure and energy saving transformation	1,020,170.26	5,475.66			1,025,645.92
Dock prolong 80T, 400T (1st period)		3,760,636.40			3,760,636.40
1 set 200 tons Fixed cranes		3,363,708.12			3,363,708.12
200 tons of fixed pier crane base		1,179,268.07			1,179,268.07
200 cubic meters air compressor for energy centre	484,178.95	1,038,184.73			1,522,363.68
1 set 60HZ inverter power supply for production of security department		1,011,101.39			1,011,101.39
3-6 Relocation of the shelter project	883,149.31	736,275.21			1,619,424.52
The third stage of environmental anti-pollution engineering 1-2 tender	1,258,074.65	173,036.50			1,431,111.15
Welding fumes governance for tube plus workshop	1,025,072.32				1,025,072.32
others	14,884,036.31	14,622,737.99	12,172,792.14		17,333,982.16
Total	281,562,964.86	111,342,949.18	19,307,079.64		373,598,834.40

Project name	Budget	Ratio (%)	Process	Accumulated capitalised interest	Current year capitalised interest	Current year capitalised interest rate (%)	Source of capital
Construction fees of Zhongshan Guangchuan International and Ocean Project Co., Ltd.	793,140,000.00	77.90	In process				Self-finance
Renovation project of Guangchuan large-scale machinery and equipment company	6,000,000.00	151.84	In process				Self-finance
12.5m CNC Double Column Vertical Lathe	16,000,000.00	77.81	In process				Self-finance
The movement of large machinery and workshop	12,000,000.00	97.75	In process				Self-finance
1 tug for shipping ministry	7,500,000.00	93.79	In process				Self-finance
NO. 1-5 Simple steel shed engineering of Guangchuan International (New paint shed)	4,920,000.00	126.42	In process				Self-finance
A loaded class outfitting shed and team room		45.94	In process				Self-finance
Transformation of team room 3 and surrounding space	7,000,000.00		In process				Self-finance
1 shipping own motor barge	4,800,000.00	92.08	In process				Self-finance
Network reconstruction	3,050,000.00	86.26	In process				Self-finance
Ship generator load test integrated system	4,700,000.00	70.47	In process				Self-finance
Preconstruction cost for Zhongshan shipping industry base	2,700,000.00	91.96	In process				Self-finance
Preconstruction cost Infrastructure and energy saving transformation	984,000.00	104.23	In process				Other funds
Dock prolong 80T, 400T(1st period)	23,320,000.00	16.13	In process				Self-finance
1 set 200 tons Fixed cranes	12,500,000.00	36.34	In process				Self-finance
200 tons of fixed pier crane base			In process				Self-finance
200 cubic meters air compressor for energy centre	4,000,000.00	38.06	In process				Self-finance
1 set 60HZ inverter power supply for production of security department	1,200,000.00	84.26	In process				Self-finance
3-6 Relocation of the shelter project	1,600,000.00	101.21	In process				Self-finance
The third stage of environmental anti-pollution engineering 1-2 tender	2,500,000.00	57.24	In process				Self-finance
Welding fumes governance for tube plus workshop	1,500,000.00	68.34	In process				Self-finance
Others	69,132,200.00	42.68	In process				Self-finance
Total	978,546,200.00						

Compared with 1 January 2012, the balance of construction in progress has increased by 32.69%, which is due to additional investment on project of Period I of Zhongshan Guangchuan International and Ocean Co., Ltd.

5.15 Liquidation of fixed assets

Item	The Ending Balance	The Beginning Balance	Reason for disposal
Machinery and equipment	5,094,624.79	5,044,668.76	Scrapped
Total	5,094,624.79	5,044,668.76	

5.16 Intangible assets

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Original cost	440,956,681.99			440,956,681.99
Involves: land use right	378,085,665.69			378,085,665.69
Non-patented technology	62,871,016.30			62,871,016.30
Accumulated amortization	73,351,429.41	6,076,876.82		79,428,306.23
Involves: land use right	31,856,340.54	3,824,743.40		35,681,083.94
Non-patented technology	41,495,088.87	2,252,133.42		43,747,222.29
Net book value	367,605,252.58			361,528,375.76
Involves: land use right	346,229,325.15			342,404,581.75
Non-patented technology	21,375,927.43			19,123,794.01
Provision for impairment				
Book value	367,605,252.58			361,528,375.76
Involves: land use right	346,229,325.15			342,404,581.75
Non-patented technology	21,375,927.43			19,123,794.01

- The increased amount of amortization for This Period RMB 6,076,876.82.
- As of the end of the period, Guangzhou Guangchuan Heavy machinery and equipment Co., Ltd is the subsidiary which has approximately 59,500 square meters of land in Nansha Longxue Island for shipbuilding base and above-ground buildings that both property rights are being processed. The relevant information has been submitted to the approval of the Guangdong Provincial land and resource department, and the completion date is unclear.

5.17 Development expenses

Project	The Beginning Balance	Increase	Decrease		The Ending Balance
			Accounted for profit and loss	As intangible assets	
2010 breakthroughs project at key areas in Guangdong and Hong Kong (high technology shipping)		13,832,282.72	13,832,282.72		
Development of large semi-submersible transport ship 4000 Research and development projects		3,397,288.85	3,397,288.85		
Development and application of information technology solutions in shipbuilding industry		4,691,659.14	4,691,659.14		
Collier development		3,280,062.85	3,280,062.85		
6000 tons tank ship development		1,311,383.72	1,311,383.72		
50,000 tons updating development of handymax product for tank ship		1,134,855.93	1,134,855.93		
Development of 3-dimensional digital roll-on roll-off model ship		828,499.87	828,499.87		
Research and development of 48000 tons refined oil and crude oil ship		635,675.97	635,675.97		
Special studies of innovative enterprises in Guangzhou		521,503.36	521,503.36		
Shipbuilding computer integrated manufacturing system- GSI-SCIMS II		513,156.51	513,156.51		
Automatic molding robot development for processing outside ship board		482,919.63	482,919.63		
Other research and development projects		417,864.71	417,864.71		
		3,189,434.61	3,189,434.61		
Total		34,236,587.87	34,236,587.87		

5.18 Long- term prepaid expenses

Item	The Beginning balance	Increase	Amortization	Decrease	The Ending balance	Reason for decrease
Project of additional berthing pier at Guangzhou Island	5,826,441.06		582,644.10		5,243,796.96	
Total	5,826,441.06		582,644.10		5,243,796.96	

5.19 Deferred tax assets and liabilities

5.19.1 Recognized deferred tax assets and liabilities

Items	The Ending Balance	The Beginning Balance
Deferred tax assets		
Provision for impairment of inventories	56,644,190.40	47,248,818.13
Housing allowance for retiree	7,810,461.51	7,812,132.99
Provision for bad debts	3,319,993.32	4,049,382.84
Deductible loss	5,314,248.85	4,227,428.33
Prepaid housing subsidy	2,949,232.21	3,211,352.28
Expected onerous contracts	1,399,162.26	1,211,363.03
Unpaid salaries for	172,758.00	646,845.25
Provision for impairment of investment properties	278,251.74	278,251.74
Early retired personnel	139,212.93	164,121.20
Medical insurance for retiree within 10 years	139,179.97	157,046.27
Provision for impairment of fixed assets	441,269.66	441,269.66
Total	78,607,960.85	69,448,011.72
Deferred tax liabilities:		
Net movement on fair value of available for sale financial assets	23,669,801.47	25,656,780.44
Held for trade financial derivatives	320,743.02	2,860,440.02
Investment income	691,780.37	691,780.37
Total	24,682,324.86	29,209,000.83

5.19.2 Temporary difference arisen from assets and liabilities projects

Item	Temporary difference
The Ending Balances:	
Deductible temporary difference and deductible loss:	
Provision for impairment of inventories	377,615,157.84
Housing allowance for retiree	52,069,743.40
Provision for bad debts	17,436,246.78
Prepaid housing subsidy	19,086,053.05
Deductible loss	21,256,995.38
Expected loss of contract	9,327,748.40
Unpaid salary	1,151,720.00
Provision for impairment of investment properties	1,855,011.59
Early retiree benefits	928,086.20
Medical insurance for retirees within 10 years	927,866.47
Provision for impairment of fixed assets	2,941,797.71
Subtotal	504,596,426.82
Taxable temporary difference:	
Net movement on fair value of available for sale financial assets	157,798,676.47
Held for trade Financial derivatives	2,138,286.80
Investment income	4,192,608.30
Subtotal	164,129,571.57
The Beginning Balance:	
Deductible temporary difference and deductible loss:	
Provision for impairment of inventories	314,992,120.91
Housing allowance for retiree	52,080,886.57
Provision for bad debts	23,823,035.07
Prepaid housing subsidy	20,896,793.53
Deductible loss	16,909,713.31
Expected loss of contract	8,075,753.56
Unpaid salaries	3,229,469.00
Provision for impairment of investment properties	1,855,011.59
Early retiree benefits	1,094,141.39
Medical insurance for retirees within 10 years	1,046,975.13
Provision for impairment of fixed assets	2,941,797.71
Subtotal	446,945,697.77
Taxable temporary difference:	
Net movement on fair value of available for sale finance assets	171,045,202.96
Held for trade financial derivatives	19,069,600.10
Investment income	4,192,608.30
Subtotal	194,307,411.36

5.20 Provision for assets impairment

1 January 2012-30 June 2012

Item	The Beginning balance	Increase	Decrease		The Ending Balance
			Reverse	Write-off	
Bad debts	24,154,976.51	888,856.97	2,176,242.59		22,867,590.89
Involves: accounts receivables	13,176,583.88	483,033.96	2,176,242.59		11,483,375.25
Other receivables	10,978,392.63	405,823.01			11,384,215.64
Provision for impairment of inventories	317,265,016.51	184,378,448.75	6,743,916.30	117,436,198.12	377,463,350.84
Provision for impairment of investment properties	1,855,011.59				1,855,011.59
Provision of impairment of fixed assets	2,941,797.71				2,941,797.71
Total	346,216,802.32	185,267,305.72	8,920,158.89	117,436,198.12	405,127,751.03

1 January 2011-31 December 2011

Item	The Beginning balance	Increase	Decrease		The Ending Balance
			Reverse	Write-off	
Bad debts	19,771,424.05	5,230,319.59	846,767.13		24,154,976.51
Involves: accounts receivables	7,946,264.29	5,230,319.59			13,176,583.88
Other receivables	11,825,159.76		846,767.13		10,978,392.63
Provision for impairment of inventories	22,269,946.64	334,086,912.43		39,091,842.56	317,265,016.51
Provision for impairment of investment properties	17,344,400.27			15,489,388.68	1,855,011.59
Provision of impairment of fixed assets		2,941,797.71			2,941,797.71
Total	59,385,770.96	342,259,029.73	846,767.13	54,581,231.24	346,216,802.32

5.21 Short-term loan

Type	Currency	The Ending Balance			The Beginning Balance		
		Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Pledged loan	USD	30,000,000.00	6.3249	189,747,000.00	136,000,000.00	6.3009	856,922,400.00
Credit loan	USD	17,216,306.00	6.3249	108,891,413.82	42,715,665.91	6.3009	269,147,139.33
Credit loan	EUR				5,417,368.70	8.1625	44,219,272.02
Total				298,638,413.82			1,170,288,811.35

- i) Pledged borrowings are pledged by bank statement of deposit.
ii) All short-term borrowings are denoted in USD with the borrowing interest rate from 1.8% to 4.28%.
iii) Compared with 1 January 2012, the balance of short-term loan has reduced by 74.48%, which is due to repayments of due amount of loan.

5.22 Financial liabilities held for trading

Item	Ending fair value	Beginning fair value
Measured at fair value and movements in fair value are accounted for profit and loss in This Period	992,368.22	1,159,935.94
Total	992,368.22	1,159,935.94

The fair value of financial liabilities held for trading (forward contracts) is determined by bank public offer with valuation technique.

5.23 Notes payable

Type	The Ending balance	The Beginning balance
Bank acceptance bill	562,762,907.61	688,987,230.48
Total	562,762,907.61	688,987,230.48

The above bank acceptance bill is due within 3 months.

5.24 Accounts payable

5.24.1 Aging of accounts payable

Items	The Ending balance	The Beginning balance
Within 1 year	1,124,864,816.93	1,330,415,145.15
1-2 years	28,441,480.77	18,424,536.20
2-3 years	7,361,377.33	2,218,016.40
Over 3 years	5,157,548.45	5,207,034.40
Total	1,165,825,223.48	1,356,264,732.15

5.24.2 As of the end of This Period, over 1 year aging accounts payable with great amount are as follows:

Client	Amount	Function	Reasons for the unsettled
China Shipbuilding Industry Corporation Institutes	39,020,244.11	Loan	Unsettled
THYSSENKRUPP MATERIA	32,882,297.82	Loan	Unsettled
MITSUBISHI Heavy industries Electromechanical System Company	30,834,470.40	Loan	Unsettled
Dalian Marine Diesel Company	23,790,000.00	Loan	Unsettled
Chongqing Iron & Steel Company	17,199,776.94	Loan	Unsettled

5.24.3 As of the end of This Period, there is no accounts payable of shareholders holding 5% or more than 5% of the voting stocks.

5.24.4 Accounts payable with foreign currency balance

Currency	The Ending Balance			The Beginning Balance		
	Primary Currency	Exchange Rate	Reporting Currency RMB	Primary Currency	Exchange Rate	Reporting Currency RMB
USD	10,692,264.87	6.3249	67,627,506.08	393,533.69	0.8107	319,037.76
HKD	451,203.14	0.8152	367,820.80			
Total			67,995,326.88			319,037.76

5.25 Advances from customers

5.25.1 Aging for advances from customers

Item	The Ending Balance	The Beginning Balance
Within 1 year	422,227,405.89	272,195,709.76
Over 1 year	109,045,581.52	69,751,430.28
Total	531,272,987.41	341,947,140.04

5.25.2 As of the end of the period, over 1 year aging advances from customers with significant amount are as follow:

Clients	Amount	Content	Reason for not carry forward
Greece Pioneer transportation shipping Company	30,004,642.82	Ship progress payment	Not started
Guangdong NO.2 water and electricity department Co., Ltd.	21,100,246.80	Shield machine model payment	Unsettled
Thyssen-krupp mining and material transportation technology (china) Co., Ltd.	19,507,383.25	Project payment	Unsettled
Construction steel structure Limited company	15,329,985.82	Project payment	Unsettled
Qingdao Haier special refrigerator CO., Ltd.	3,119,247.86	Project payment	Unsettled
Total	89,061,506.55		

5.25.3 As of 30 June 2012, there are no advances from customers of shareholders holding 5% or more of the voting rights.

5.25.4 Advances from customers in foreign currencies:

Foreign currency	The Ending Balance			The Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	46,317,178.21	6.4404	298,301,654.40	8,639,309.19	6.7878	58,642,079.19
HKD	1,406,940.62	0.8169	1,149,335.42	1,012,775.60	0.8141	824,501.89
Total			299,450,989.82			59,466,581.08

Compared with 1 January 2012, the balance of advances from customers has increased by 55.37%, which is due to increment of newly signed orders.

5.26 Employee benefits payable

5.26.1 Details of accrued employee benefits payable are as follow:

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Wages or salaries, bonuses, allowances and subsidies	4,264,863.00	310,620,406.98	314,829,369.98	55,900.00
Staff welfare	5,072,441.30	15,555,988.63	15,556,008.63	5,072,421.30
Social insurance	2,025,838.66	85,564,559.70	86,077,432.19	1,512,966.17
Involves: Medical insurance (Note 1)	100,312.62	24,369,336.47	24,469,649.09	
Basic pension fund (Note 2)	149,660.26	43,549,150.22	43,698,810.48	
Unemployment insurance (Note 3)	222,002.67	5,203,279.75	5,425,282.42	
Work injury insurance		1,700,516.89	1,700,516.89	
Maternity insurance		1,597,184.12	1,597,184.12	
Supplementary medical insurance				
Annuity (Note 4)	1,553,863.11	9,145,092.25	9,185,989.19	1,512,966.17
Housing fund (Note 5)	167,190.00	33,410,712.84	33,317,865.84	260,037.00
Union & Education funds	6,331,047.33	6,258,180.14	4,077,594.38	8,511,633.09
Non- monetary benefits				
Termination benefits	1,094,141.39	541,252.00	707,307.23	928,086.16
Involves: 1. Compensation for cancellation of labour contract (Note 6)				
2. Estimated retiree fund (Note 7)	1,094,141.39	541,252.00	707,307.23	928,086.16
Outsourcing labour costs and others	609,000.00	274,240,875.49	274,849,875.49	
Involves: Cash settled share-based payment				
Total	19,564,521.68	726,191,975.78	729,415,453.74	16,341,043.72

As stipulated by the relevant regulations of the PRC government, the Company and its local subsidiaries had provided existing and upon retire personnel with medical insurance, basic pension, unemployment insurance, work injury insurance, maternity insurance, supplementary medical insurance, annuity, housing fund, etc. Other than those disclosed employee benefit schemes, the Group had no other significant legal or constructive obligations for retiring payment to retiree or existing employees.

Note 1: Medical insurance: Since 2001, the Company and its local subsidiaries had joined the Guangzhou City scheme of basic medical insurance for workers and paid the basic medical insurance for workers based on 8% of the last year's average salary of the Group or the average salary of Guangzhou City.

Note 2: Basic pension fund: Basic pension: Since 1994, the Company and its local subsidiaries had joined the pension fund plan proposed by the Guangdong Province and paid the basic medical for workers based on 18% of the last year's average salary of the Group or the average salary of Guangzhou City. Guangzhou Province Social Insurance Fund Management Authority, the underwriting unit, will pay the retired workers monthly.

Note 3: Unemployment insurance: Unemployment insurance: Since 1999, the Company and its local subsidiaries had joined the unemployment insurance plan proposed by the Guangdong Province and paid the unemployment insurance based on 2% of the last year's average salary of the Group or the average salary of Guangzhou City.

Note 4: Annuity: According to the State Regulation, the proposed annuity program of the Group was examined and approved by the representatives of the employees of the General Assembly and board of directors of the Group, which was reported to and reviewed by the Guangdong Provincial Labour and Social Security Department. The Group had established the Annuity Council, which is responsible for daily management of annuity. Segregation of management of annuity assets and the Group's assets was implemented. Annuity Council had engaged independent third party to act as the annuity account-in-charge and investment management-in-charge. The Group should account the annuity in the profit and loss in the respective period and pay the annuity into the bank account opened by the employees at the annuity account-in-charge on a quarterly basis. No significant changes in the annuity program occurred during the year.

Note 5: Housing fund: The Company and its local subsidiaries were required to pay housing allowance, based on 12% of total staff salary.

Note 6: Compensation for cancellation of labour contract: When the Group had formally proposed the plan of termination of labour, either termination of labour before the date stated on the employment contract or compensation proposal of voluntary acceptance of termination, and that the plan will be implemented, the Group could not unilaterally cancel the plan for termination of labour and compensation can not be accounted into the profit or loss.

Note 7: Estimated retiree fund: The Company approved several personnel's retirement application. In accordance with the retirement plan, the Company estimated the retiree fund based on the last year's amount required by the retiree, and paid by monthly basis. Retiree will enjoy the same staff welfare as existing staff (social insurance including basic pension, housing fund, medical insurance, etc), which is calculated with basis on the monthly payment of retiree fund.

5.27 Tax payable

Items	The Ending Balance	The Beginning Balance
Value-Added Tax	-78,815,782.12	-77,996,141.77
Business Tax	296,679.46	882,439.37
Corporate Income Tax	28,786,149.47	111,945,633.31
Individual Income Tax	868,448.29	7,603,954.27
City Maintenance and Construction Tax	324,621.62	642,928.41
Real Estate Tax	2,451,165.33	774,110.48
Land Appreciation Tax	2,227,700.86	273,550.80
Education Surcharge	235,266.17	490,777.62
Flood control and maintain expenses	2,937,896.71	3,489,522.00
Total	-40,687,854.21	48,106,774.49

Compared with 1 January 2012, the balance of tax payables has decreased by a great amount, which is due to the payment of corporation income tax of last year.

5.28 Interests payable

Items	The Ending Balance	The Beginning Balance
Interest on instalment payment of interest due and principal repayments of long-term loan	7,157,866.41	13,410,394.12
Interest on short-term loans	1,946,480.65	10,182,712.48
Total	9,104,347.06	23,593,106.60

Compared with 1 January 2012, the balance of interests payable has decreased by 61.41%, which is due to the reduced amount of loans leading to less interest payable.

5.29 Dividends payable

Investors	The Ending Balance	The Beginning Balance	Reasons for unsettlement over 1 year
Unpaid A share dividend	59,118.75	59,118.75	In progress of confirming the right indeed for the dividend of individual shareholder
Unpaid H share dividend	98,794.23	98,794.23	In progress of confirming the right indeed for the dividend of individual shareholder
Total	157,912.98	157,912.98	

5.30 Other payables

5.30.1 Aging for other payables:

Items	The Ending Balance	The Beginning Balance
Within 1 year	17,864,745.29	16,080,755.24
1-2 years	2,052,975.22	1,794,621.02
2-3 years	1,198,702.95	1,376,178.33
Over 3 years	7,990,504.82	8,039,172.42
Total	29,106,928.28	27,290,727.01

5.30.2 As of the end of This Period, over 1 year aging other payables with significant amount are as follow:

Item	Amount	Nature or Content	Reasons for not carrying forward
Supplementary pension insurance	3,251,393.73	Collection and payment of pension funds	Collect and unpaid
Wu Han Gold and silver lake Golf club company and Fubao Property Company	1,210,000.00	Advanced receivable of club ID	Unpaid
Denmark LAURITAEN TARKERS	815,564.86	Fuel costs	Collect and unpaid
Employee aid fund for purchasing house	789,300.00	Aid fund for purchasing house	Unpaid
Science and Technology progress Award Fund for MR. Ren fuhui	455,960.73	Award funds	Ending balance of award funds
Total	6,522,219.32		

5.30.3 As of the end of This Period, there are no other payables of shareholders holding 5% or more of the voting rights.

5.30.4 Major ending balances of other payables are displayed as below:

Items	Amount	Aging	Nature or content
Employee aid fund for purchasing house	3,658,560.00	0-4 years	Employee aid fund for purchasing house
Denmark LAURITAEN TARKERS A/S	3,299,172.89	0-2 years	Fuel costs
Supplementary pension insurance	3,251,393.73	Over 3 years	Supplementary pension insurance
Fuoshan Weixing Investment and development Co., Ltd.	1,360,000.00	Within 1 year	Rental of factory and land
Wu Han Gold and silver lake Golf club company and Fubao Property Company	1,210,000.00	Over 3 years	Advanced receivable of club ID
Total	12,779,126.62		

5.31 Non-current liabilities due within one year

Items	The Ending Balance	The Beginning Balance
Long-term loans mature in 1 year	727,363,500.00	593,796,816.00
Total	727,363,500.00	593,796,816.00

For the status of long term liabilities matured within 1 year, please refer to Note 5.33.

5.32 Other current liabilities

Items	The Ending Balance	The Beginning Balance
Long term construction contracts settlement		
Shipbuilding products	1,430,171,737.62	2,034,909,482.66
Deferred income		
Infrastructure construction projects	1,229,522.28	1,231,074.60
150tons self-propelled hydraulic flatbed (Revamp fund)	166,666.68	166,666.68
Technological transformation potential fund- 4000tons ship to develop new equipment and technological transformation	142,191.84	142,191.84
Dock adaptive transformation	26,666.64	26,666.64
Noise control engineering for painting workshop	15,789.48	15,789.48
Coating technology and transformation (coating workshop building)	153,698.64	153,698.64
Noise control engineering for new area	7,599.96	7,599.96
Transferring capabilities of regional value integration and upgrading technologies	60,000.00	58,438.11
Innovative capacity-building projects of the Enterprise Technology Centre	300,000.00	300,000.00
Dock adaptive transformation (1)	33,333.36	33,333.36
Total:	1,432,307,206.50	2,037,044,941.97

Compared with 1 January 2012, the balance of other current liabilities has decreased by 29.69%, which is due to the reducing amount in advanced receivable of ship progress payment.

5.33 Long-term loans

5.33.1 Classifications of long-term loans

Classifications	The Ending Balance	The Beginning Balance
Pledged loans	2,039,256,000.42	1,675,187,166.04
Less: due within 1 year	727,363,500.00	593,796,816.00
Total	1,311,892,500.42	1,081,390,350.04

Long-term loans maturity analysis is as follows:

	The Ending Balance	The Beginning Balance
Within 1 year	727,363,500.00	593,796,816.00
1-2 years	1,311,892,500.42	1,081,390,350.04
Total	2,039,256,000.42	1,675,187,166.04

Long-term loans all in USD are pledged by bank statement and interest rate is ranged from 2.2% to 4.25%.

5.33.2 The top 5 companies with the largest long-term loans balance

Company name	Start date	Ending date	Currency	Rate (%)	The Ending Balance		The Beginning Balance	
					Foreign currency	RMB	Foreign currency	RMB
Bank of Guangzhou Haizhu Branch	2012.5.17; 2012.4.25; 2012.1.31;	2014.5.17; 2014.4.24; 2014.1.31;	USD	3.58	76,000,000.00	481,498,000.00		
JP Morgan Chase Bank branch in Guangzhou	2011.9.14; 2011.8.19	2013.9.6; 2013.8.16	USD	3.37	51,366,557.24	325,432,823.39	51,366,557.24	324,888,337.89
CITI Bank (China) Limited Guangzhou Branch	2011.11.28; 2011.10.27; 2011.10.20; 2011.10.11	2013.11.28; 2013.10.28; 2013.10.21; 2013.10.11	USD	4.25	43,304,476.14	274,355,508.58	43,304,476.14	273,896,481.14
Deutsche bank, Shanghai Branch	2011.4.19; 2010.10.26; 2010.9.29	2013.4.19; 2012.10.26; 2012.9.29	USD	3.31	40,000,000.00	253,420,000.00	40,000,000.00	252,996,000.00
Shanghai Pudong Development Bank, Guangzhou Branch	2012.05.23	2014.5.23	USD	3.5	31,446,080.00	199,226,639.84		
Total					242,117,113.38	1,533,932,971.81	134,671,033.38	851,780,819.03

5.34 Special payables

Items	The Beginning Balance	Increase	Decrease	The Ending Balance	Index
High-speed ro-ro passenger ships technological transformation projects	6,720,000.00			6,720,000.00	Ship fiscal [2001] NO.13
18000 tons Semi-submersible	17,850,000.00			17,850,000.00	Boatman account [2002] NO.350
Total	24,570,000.00			24,570,000.00	

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

5.35 Estimated Liabilities

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Product quality warranties	134,999,283.58	-10,503,298.08	12,078,943.15	112,417,042.35
Unpaid retiree housing subsidy	52,080,886.57	979,316.00	990,459.16	52,069,743.41
Onerous contract	8,075,753.56	1,091,016.78	-160,978.07	9,327,748.41
Total	195,155,923.71	-8,432,965.30	12,908,424.24	173,814,534.17

5.36 Other non-current liabilities

5.36.1 Other non-current liabilities

Items	The Ending Balance	The Beginning Balance
Deferred income (CSSC)	41,609,402.71	34,271,013.49
Deferred income (Guangdong Province Economic and Trade Commission/ Bureau of Finance)	1,991,963.08	2,255,250.88
Deferred income (Guangzhou City Economic and Trade Commission/ Bureau of Finance)	2,585,000.13	2,506,141.59
Deferred income (Guangzhou Municipal Bureau of Finance)		3,000,000.00
Deferred income (Guangzhou Environmental Protection Bureau)	1,711,146.06	1,409,519.39
Deferred income (Development Zone, Zhongshan City Bureau of Finance/Development and Reform Bureau)	1,951,397.25	1,951,397.25
Deferred income (Others)	2,486,843.49	813,900.34
Total	52,335,752.72	46,207,222.94

5.36.2 Government grants

Item	The Ending Balance	Increase	Decrease	Reasons for return
Deferred income (CSSC)	41,609,402.71	798,927.74		
Deferred income (Guangdong Province Economic and Trade Commission/ Bureau of Finance)	1,991,963.08	87,762.60		
Deferred income (Guangzhou City Economic and Trade Commission/ Bureau of Finance)	2,585,000.13	96,666.66		
Deferred income (Guangzhou Environmental Protection Bureau)	1,711,146.06	89,159.35		
Deferred income (Development Zone, Zhongshan City Bureau of Finance/ Development and Reform Bureau)	1,951,397.25	0		
Deferred income (Others)	2,486,843.49	1,133,980.30		
Total	52,335,752.72	2,206,496.65		

5.37 Share capital

The Company's shares are ordinary shares of nominal value of RMB1 per share. Movement of share capital in current year is listed as below:

1 January 2012- 30 June 2012

Type	The Beginning Balance		Increase/decrease					The Ending Balance	
	Amount	Ratio (%)	Issue new shares	Stock dividend	Capitalisation of capital reserve	Others	Subtotal	Amount	Ratio (%)
Unrestricted shares									
RMB ordinary shares	438,463,454.00	68.18						438,463,454.00	68.18
Foreign Capital Stocks Listed Domestically	204,617,400.00	31.82						204,617,400.00	31.82
Total Unrestricted shares	643,080,854.00	100.00						643,080,854.00	100.00
Total	643,080,854.00	100.00						643,080,854.00	100.00

1 January 2011- 31 December 2011

Type	The Beginning Balance		Increase/decrease					The Ending Balance	
	Amount	Ratio (%)	Issue new shares	Stock dividend	Capitalisation of capital reserve	Others	Subtotal	Amount	Ratio (%)
Unrestricted shares									
RMB ordinary shares	337,279,580.00	68.18			101,183,874.00		101,183,874.00	438,463,454.00	68.18
Foreign Capital Stocks Listed Domestically	157,398,000.00	31.82			47,219,400.00		47,219,400.00	204,617,400.00	31.82
Total Unrestricted shares	494,677,580.00	100.00			148,403,274.00		148,403,274.00	643,080,854.00	100.00
Total	494,677,580.00	100.00			148,403,274.00		148,403,274.00	643,080,854.00	100.00

5.38 Capital reserves

1 January 2012- 30th June 2012

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Share premium	502,982,007.95			502,982,007.95
Other reserve	145,971,353.78		11,259,547.53	134,711,806.25
Total	648,953,361.73		11,259,547.53	637,693,814.20

1 January 2011 - 31 December 2011

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Share premium	651,385,281.95		148,403,274.00	502,982,007.95
Other reserve	170,250,066.13		24,278,712.35	145,971,353.78
Total	821,635,348.08		172,681,986.35	648,953,361.73

Other reserve: Compared with last year, capital reserves have decreased, which is due to the movements in fair value of financial asset available for sale.

5.39 Surplus reserves

1 January 2012- 30 June 2012

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Statutory surplus reserve	407,404,508.75			407,404,508.75
Discretionary surplus reserve	18,926,387.43			18,926,387.43
Total	426,330,896.18			426,330,896.18

1 January 2011- 31 December 2011

Items	The Beginning Balance	Increase	Decrease	The Ending Balance
Statutory surplus reserve	358,308,326.97	49,096,181.78		407,404,508.75
Discretionary surplus reserve	18,926,387.43			18,926,387.43
Total	377,234,714.40	49,096,181.78		426,330,896.18

5.40 Undistributed profit

1 January 2012 - 30 June 2012

Item	Amount	Appropriated portion (%)
The Ending Balance of last year	2,389,241,266.41	
Add: Beginning adjusted amount		
– Change in accounting policies		
– Correction of material previous errors		
– Change in consolidation scope under common control		
– Other factors		
The Beginning Balance of this year	2,389,241,266.41	
Add: Net profit attributable to Parent Company	87,985,055.14	
Less: Provision of statutory surplus reserve		
Provision of arbitrary surplus reserve		
Provision of general risk reserve		
Ordinary stock dividend payable		
Ordinary stock dividend transferred to share capital		
The Ending Balance of This Period	2,477,226,321.55	

1 January 2011 - 31 December 2011

Item	Amount	Appropriated portion (%)
The Ending Balance of last year	1,969,471,836.12	
Add: Beginning adjusted amount		
– Change in accounting policies		
– Correction of material previous errors		
– Change in consolidation scope under common control		
– Other factors		
The Beginning Balance of this year	1,969,471,836.12	
Add: Net profit attributable to Parent Company	518,333,370.07	
Less: Provision of statutory surplus reserve	49,096,181.78	10% of company's net profit
Provision of arbitrary surplus reserve		
Provision of general risk reserve		
Ordinary stock dividend payable	49,467,758.00	
Ordinary stock dividend transferred to share capital		
The Ending Balance of This Period	2,389,241,266.41	

5.41 Minority interest

Minority interest of subsidiaries is as follows:

Subsidiary	Percentage of shareholding (%)	The Ending balance	The Beginning balance
Guangzhou United Steel Structures Co. Ltd.	49	82,251,578.92	80,562,329.57
Guangzhou Hongfan Information Technique Co. Ltd.	49	9,446,657.16	8,977,610.04
Fonkwang Development Limited	30	2,739,077.23	3,627,904.13
Total		94,437,313.31	93,167,843.74

5.42 Operating income, operating cost

Items	This Period	Last Period
Revenue from principle operating	3,386,128,297.94	3,923,750,100.04
Other operating income	46,511,170.24	59,680,710.08
Total	3,432,639,468.18	3,983,430,810.12
Cost of principle operating	3,175,986,706.69	3,429,967,045.96
Other operating cost	32,924,317.92	45,811,306.24
Total	3,208,911,024.61	3,475,778,352.20

5.42.1 Main operating – classified by products

Name of Product	This Period		Last Period	
	Revenue from principle operating	Cost of principle operating	Revenue from principle operating	Cost of principle operating
Shipbuilding product	2,924,347,295.79	2,778,644,856.49	3,616,964,312.68	3,185,946,305.04
Steel Structure Project	177,550,080.45	162,654,625.54	135,252,196.62	121,760,391.05
Mechanical & electrical products & others	284,230,921.70	234,687,224.66	171,533,590.74	122,260,349.87
Total	3,386,128,297.94	3,175,986,706.69	3,923,750,100.04	3,429,967,045.96

5.42.2 Main operating – classified by geographic distribution

Countries	This Period		Last Period	
	Revenue from principle operating	Cost of principle operating	Revenue from principle operating	Cost of principle operating
Holland	451,106,894.00	386,131,668.49	341,559,411.80	341,559,411.80
Greece	272,454,588.75	232,922,524.00	79,262,707.73	82,507,837.73
Denmark	249,195,877.32	212,265,562.43	1,575,508,227.58	1,288,452,531.33
Malta	128,210,255.04	101,746,443.48	36,372,073.36	36,365,923.36
Sweden	104,304,947.41	103,667,764.96		
Columbia	66,703,419.13	58,955,988.73		
The United States	35,873,547.03	31,347,299.34		
Canada	27,716,111.49	24,805,919.78	8,964,524.47	8,511,994.67
Thailand	22,338,172.30	22,264,349.68		
Australia	19,023,561.51	17,109,857.13	52,459,464.36	42,856,120.50
Hong Kong	13,336,533.62	16,234,080.83	240,115,590.22	199,262,813.92
Others	7,471,499.75	5,456,938.80	25,537,047.51	23,256,705.66
China	1,988,392,890.59	1,963,078,309.04	1,563,971,053.01	1,407,193,706.99
Total	3,386,128,297.94	3,175,986,706.69	3,923,750,100.04	3,429,967,045.96

5.42.3 Revenue from construction contracts

Contracts	Total Amount	Accumulated costs incurred	Accumulated gross profit	Billed amount	Estimated loss	Note
39000 series (tankers for product oil/chemicals)	672,483,463.56	398,539,870.43	71,830,313.86	482,868,463.56	33,461,612.38	Note
50500 series (tankers for product oil/chemicals)	2,171,722,056.07	866,845,311.86	144,579,782.36	1,349,356,083.25		
Ro-ro passenger ship series	1,038,059,529.90	787,002,806.30	251,056,723.60	1,038,059,529.90		
52300 series (tankers for product oil/chemicals)	1,527,069,325.12	1,124,418,354.01	190,676,993.57	1,236,264,594.56	23,354,201.55	Note
37500 series (tankers for product oil/chemicals)	925,687,860.00	20,249,774.83		269,866,060.59		
Special ships	2,992,440,000.00	1,483,033,198.57	88,536,529.93	1,963,500,000.00		
50000 series (semi-submerged ships)	2,023,048,557.20	1,192,452,576.70	112,096,405.07	1,273,831,263.76		
48000 series (tankers for crude oil/chemicals)	2,177,464,954.20	1,023,753,214.68	174,390,582.64	1,551,814,202.00	60,531,717.18	Note
50000 series (bulk carrier)	770,000,000.00	206,430,070.45	14,315,522.26	385,000,000.00	43,784,318.29	Note
6000 tankers for product oil	65,000,000.00	33,423,768.25		39,000,000.00	28,912,536.35	Note
50000 series (tankers for product oil/chemicals)	1,363,291,295.00				164,293,780.94	Note
Total	15,726,267,041.05	7,136,148,946.08	1,047,482,853.29	9,589,560,197.62	354,338,166.69	

Note: The estimated losses of estimated total cost over estimated total revenue of the Group's some contracts are due to the continuously decreasing price of the ship, the appreciation of RMB against USD, and the increasing cost when adopted higher building standard occurred by keen competition in market. The expected loss is RMB 177,719,120.33. (Last Period: RMB179,517,990.16)

5.42.4 Revenue from the top 5 customers is RMB 2,190,370,021.12, accounting for 63.81% of total revenue. (Last Period: RMB 1,917,067,639.38, accounting for 48.13%)

5.42.5 During This Period, other operating income amounted to RMB 46,511,170.24, (Last Period: RMB 59,680,710.08), which was generated by selling of materials and scrap metal and earning of rental income in the mainland of China.

5.43 Operating tax and surcharges

Item	This Period	Last Period	Tax Base
Business tax	2,180,789.53	2,462,158.52	Service revenue
City maintenance and construction tax	2,206,722.21	19,981,832.04	Business+ VAT payables
Educational surcharge	1,602,135.84	14,262,031.95	Business+ VAT payables
Total	5,989,647.58	36,706,022.51	

Compared with Last Period, operating tax and surcharges significantly have decreased by a great amount, which is mainly due to price reduction, within This Period, of exported ships leading to zero as tax calculation base of tax and surcharges "exempted/deducted tax. (Last Period: RMB 253,857,571.84)

5.44 Selling expenses

Item	This Period	Last Period
Ship maintenance fee	-9,252,998.08	-7,001,227.44
Salary	1,760,000.71	2,185,100.19
Business expenditure	1,066,942.96	1,202,274.18
Consignment fee		877,000.00
Advertisement	411,113.13	169,306.95
Exhibition	84,053.97	121,950.00
Other	1,346,534.75	324,182.56
Total	-4,584,352.56	-2,121,413.56

Compared with Last Period, selling expense has decreased by RMB 2,462,939.00, which is due to an order form cancelled ship maintaining fees.

5.45 General & Administrative expenses

Item	This Period	Last Period
Entertainment	2,509,537.77	2,568,031.53
Research and development fee	34,236,587.87	28,010,008.31
Salaries	51,650,511.14	60,889,597.07
Repairing expenses	16,126,838.70	27,828,380.89
Taxation	9,229,664.71	8,932,246.62
Depreciation	7,199,223.29	6,801,746.92
Amortisation of intangible assets	6,025,633.03	3,168,523.72
Rental expense	7,271,858.47	2,041,468.48
Agency fee	2,498,692.98	1,116,624.00
Insurance expense	3,978,512.50	4,565,825.46
Board meeting fee	2,962,772.10	4,809,370.55
Water supply and electricity expense	1,819,739.38	1,834,838.05
Travelling expense	1,813,278.85	2,259,808.76
Security expense	1,794,343.36	794,578.08
Office supply	1,092,142.70	1,259,740.91
Labour training	1,099,999.98	1,006,200.00
Environmental protection fee	713,858.57	581,138.00
Construction cost		3,830,759.62
Others	6,468,461.13	6,662,582.54
Total	158,491,656.53	168,961,469.51

5.46 Financial expenses

Item	This Period	Last Period
Interest expense (due within 5 years)	44,177,970.88	30,464,617.65
Less: Capitalised interest		
Net interest expense	44,177,970.88	30,464,617.65
Less: Interest income (based on actual interest rate)	95,206,768.06	86,349,406.74
Add: Exchange loss	7,427,764.34	-61,247,727.60
Add: Others	729,311.49	1,527,603.47
Total	-42,871,721.35	-115,604,913.22

Compared with Last Period, Finance cost increases by RMB 72,733,191.87 which is due to less exchange loss occurred by the exchange rate of RMB against USD.

5.47 Assets impairment losses

Item	This Period	Last Period
Impairment loss of accounts receivables	-1,287,385.62	
Impairment loss of inventory	177,634,532.45	179,517,990.16
Total	176,347,146.83	179,517,990.16

5.48 Gains (loss) arising from changes in fair value

Item	This Period	Last Period
Financial assets held for trading	-16,931,313.28	14,946,202.89
Include: Gain from changes in fair value of derivative financial instruments	-16,931,313.28	14,946,202.89
Financial liabilities held for trading	-992,368.22	
Include: Gain from changes in fair value of derivative financial instruments	-992,368.22	
Total	-17,923,681.50	14,946,202.89

Compared with Last Period, gain from changes in fair value decreased by 219.92%, which is due to delivery of foreign exchange forward contracts matured and the decrease of gain from change in fair value of foreign exchange forward contracts immature occurred by the fluctuation of exchange rate.

5.49 Investment income

5.49.1 Sources of investment income

Item	This Period	Last Period
Long-term equity investment income under equity method	2,332,275.59	1,787,211.67
Long-term equity investment income under cost method		
Investment income from financial assets available for sale	7,411,213.00	5,048,218.50
Investment income from disposal of financial assets available for sale	59,259.00	
Investment income from disposal of long-term equity investment		
Investment income from disposal of financial assets held for trading	18,990,577.22	10,019,585.51
Investment income from disposal of financial liabilities held for trading		
Total	28,793,324.81	16,855,015.68

No material restrictions on repatriation of investment income within the Group.

5.49.2 Long term equity investment under equity method

Items	This Period	Last Period	Reason for fluctuation occurred between two periods
Total	2,332,275.59	1,787,211.67	
Include: Zhenjiang CSSC Electricity Power Equipment Ltd.	1,525,512.04	1,359,931.72	Increase in profit in the investee

Compared with Last Period, investment income has increased by 70.83%, which is due to income from delivery of forward contracts matured.

5.50 Non-operating income

5.50.1 Non-operating income list

Item	This Period	Last Period
Gains on disposal of non-current assets	3,241,297.80	254,484.37
Include: gains on disposal of fixed assets	3,241,297.80	254,484.37
Government grants	157,766,442.68	42,275,526.84
Penalty income	47,045.00	72,080.00
Compensation income	7,285,249.18	
Other	2,560.00	2,478,735.11
Total	168,342,594.66	45,080,826.32

The Company signed an agreement with TORM to cancel the construction contract of 52300ton A4# ship, amounting to RMB 7,126,200 in compensation income under non-operating income during This Period.

5.50.2 Government grants list

Items	This Period	Last Period	Notes
Product subsidy	152,364,778.41	33,046,715.32	
New product subsidy	4,959,456.54	7,159,128.41	
Finance subsidy	40,000.00		
Rebate from sale of self-produced software	399,591.13	2,069,683.11	
Guangzhou employment subsidy	2,616.60		
Total	157,766,442.68	42,275,526.84	

Compared with Last Period, non-operating income has increased by 273.42%, which is due to changes in product structures and increment of product subsidies.

5.51 Non-operating expense

Item	This Period	Last Period
Loss on disposal of non-current assets	148,365.58	244,166.40
Inc: Loss on disposal of fixed assets	148,365.58	244,166.40
Donation		105,000.00
Penalty expense	16,746.00	21.24
Compensation	1,071,013.35	
Others	2,259.75	382,604.70
Total	1,238,384.68	731,792.34

5.52 Income tax expenses

5.52.1 Income tax expenses

Item	This Period	Last Period
Current income tax expenses	32,762,020.22	69,778,119.94
China	32,762,020.22	69,778,119.94
Hong Kong		
Deferred income tax expenses	-13,686,625.10	-19,713,382.09
Total	19,075,395.12	50,064,737.85

5.52.2 Current income tax expenses

Income tax expenses calculation is based on the profit (loss) in the consolidated income statement and the applicable tax rates:

Item	This Period	Last Period
Total profit (loss) in the consolidated income statement	108,329,919.83	316,343,555.07
Add: offset of profit (loss) in the consolidated statement	10,598,781.86	4,940,067.05
Accounting profit	118,928,701.69	321,283,622.12
Income Tax calculated at tax rate of 15% (Last Period: 15%)	18,700,058.74	48,107,345.44
Tax payment effect on tax-free income		
Tax payment effect on non-deductible fees	2,644,641.83	23,597,693.04
Tax payment effect on unrecognised deductible loss and deductible temporary difference	-1,797,256.08	-23,755,331.88
Effect of tax exemption granted	1,307,000.51	-2,306,022.42
Effect of different tax rates among the Group	992,402.60	719,106.57
Utilisation of tax payment effect on previous unrecognised deductible loss and deductible temporary difference	-2,739,522.02	3,395,948.03
Under provision of income tax of last year	-31,930.46	305,999.07
Change of deferred tax assets/liability resulting from an increase/decrease in applicable tax rate		
Total	19,075,395.12	50,064,737.85

Compared with Last Period, income tax expenses of This Period have decreased by 61.90%, which is due to the decrease of realised profit during report period.

5.53 Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company (the numerator) divided by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company's net profit after adjustment of the following factors: (1) the recognised interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average number of issued ordinary shares of the Company in basic earning per share; and (2) the weighted average number of shares after conversion of the dilutive potential ordinary shares into ordinary shares.

In calculating the weighted average number of shares after conversion of dilutive potential ordinary shares into ordinary shares, the dilutive potential ordinary shares which were converted in previous years are assumed to be converted at the beginning of This Period and the dilutive potential ordinary shares which were converted during This Period are assumed to be converted at the conversion date.

Basic earnings per share and diluted earnings per share are calculated as follows:

Items	NO.	This Period	Last Period
Net profit attributable to shareholders of Parent Company	1	87,985,055.14	263,385,863.96
Non-operating profit and loss attributable to shareholders of Parent Company	2	15,297,968.98	30,084,233.85
Net profit after deducting non-operating profit and loss attributable to shareholders of Parent Company	3=1-2	72,687,086.16	233,301,630.11
Total number of shares at the beginning of the year	4	643,080,854.00	494,677,580.00
The number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		148,403,274.00
The number of shares increased due to issuance of new shares or debt for equity swap (II)	6		
The number of months from next month to the year end regarding the number of shares(II)	7		
The number of shares decreased due to stock repurchase	8		
The number of months from the next month to the year end regarding the decrease of shares	9		
Shares decreased due to share shrinkages	10		
Duration of the period in terms of month	11	6	6
Weighted average number of ordinary shares issued out	12=4+5+6x7x11-8x9÷11-10	643,080,854.00	643,080,854.00
EPS - basis (I)	13=1÷12	0.14	0.41
EPS - basis (II)	14=3÷12	0.11	0.36
Potential diluted interests of ordinary shares recognized as expense	15		
Transfer fee	16		
Income tax rate	17	0.15	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	18		
EPS - diluted (I)	19=[1+(15-16)x(1-17)]÷(12+18)	0.14	0.41
EPS - diluted (II)	20=[3+(15-16)x(1-17)]÷(12+18)	0.11	0.36

5.54 Dividend

As of 30 June 2012, that annual dividends occurred by 31 December 2011 has been announced not to be distributed. (Year 2011: RMB 49,467,758.00)

According to the decisions of board of directors stated on 23 October 2012, the Company won't distribute interim dividends that occurred during the six-month period from 1 Jan 2012 to 30 June 2012. (Six-month period ended on 30 June 2011: None).

5.55 Other comprehensive income

Item	This Period	Last Period
Gain (loss) from available-for-sale financial assets	-13,248,160.44	836,355.36
Less: Income tax attributable to the gain (loss) from available-for-sale financial assets	-1,988,612.91	109,089.83
Total	-11,259,547.53	727,265.53

5.56 Notes to the cash flow statement

5.56.1 Cash from/ used in operating/ investing/ financing activities

i) Cash from operating activities

Item	This Period	Last Period
Product subsidy	34,832,400.00	129,241,841.00
Infrastructure fund for high-technology research	4,380,000.00	7,000,000.00
Fund for innovation of equipment	3,570,203.62	
Received from other accounts	46,300,044.09	25,203,044.40
Total	89,082,647.71	161,444,885.40

ii) Cash used in operating activities

Item	This Period	Last Period
General & Administrative expense	51,998,421.88	59,324,508.82
Selling expense	4,396,732.44	4,879,813.63
Cost of sales	51,503,560.42	43,303,612.94
Non-operating expense	291,476.67	731,792.34
Total	108,190,191.41	108,239,727.73

iii) Cash from investing activities

Item	This Period	Last Period
Fixed deposit pledge remove	1,804,308,590.00	
Bank interest income	97,352,751.83	67,034,777.34
Total	1,901,661,341.83	67,034,777.34

iv) Cash used in investing activities

Item	This Period	Last Period
Pledged deposit	666,720,000.00	299,431,127.86
Total	666,720,000.00	299,431,127.86

v) Cash used in financing activities

Item	This Period	Last Period
Bank charges and others		35,273.45
Total		35,273.45

5.56.2 Notes to the consolidated statement of cash flow

Item	This Period	Last Period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	89,254,524.71	266,278,817.22
Add: Provisions	176,347,146.83	179,517,990.16
Depreciation of fixed assets	56,711,759.24	51,853,876.87
Depletion of oil and nature gas assets		
Depreciation of biological assets		
Amortization of intangible assets	6,076,876.82	5,720,248.01
Amortization of long-term deferred expenses	582,644.10	97,107.35
Disposal of property, plant and equipment, intangible assets and other non-current assets ("-" for gain)	-3,092,932.22	-10,317.97
Loss on disposal of fixed assets ("-" for gain)		
Change in fair value ("-" for gain)	17,923,681.50	-14,946,202.89
Finance cost ("-" for gain)	-42,592,189.16	-115,604,913.22
Loss on investment ("-" for gain)	-28,793,324.81	-16,855,015.68
Decrease in deferred tax assets ("-" for gain)	-9,159,949.13	-22,083,653.51
Increase in deferred tax liabilities ("-" for decrease)	-2,539,697.00	2,241,930.45
Decrease in inventory ("-" for increase)	640,027,686.15	175,467,619.54
Decrease in operating receivables ("-" for increase)	-47,169,220.39	33,610,748.18
Increase in operating payables ("-" for decrease)	-1,073,319,021.32	-637,247,479.27
Others		
Net cash flows from operating activities	-219,742,014.68	-91,959,244.76
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 finance lease		
3. Net increase in cash and cash equivalents:		
Cash as of the end of year	3,378,718,945.39	5,072,532,316.26
Less: Cash as of the beginning of the year	2,960,018,580.11	5,003,896,203.36
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	418,700,365.28	68,636,112.90

5.56.3 Breakdown of cash and cash equivalents are as below:

Item	This Period	Last Period
Cash	3,378,718,945.39	5,072,532,316.26
Inc: Cash in hand		
Unrestricted bank deposit	178,984.20	158,542.78
Unrestricted cash in other currency	3,378,436,971.42	5,072,308,766.36
Unrestricted central bank deposit	102,989.77	65,007.12
Deposit in equivalent industry		
Placement in equivalent industry		
Cash equivalent		
Inc: 3-month bond investment		
Cash and cash equivalent as of the end of year	3,378,718,945.39	5,072,532,316.26
Inc: Restricted cash and cash equivalent		

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

6.1 Related parties

6.1.1 The Parent Company and actual controlling party

Company Name	Type of company	Registered Location	Business	Legal representative	Organisation code
CSSC	State-owned business	Shanghai	Ship construction	Tan Zuojun	710924478

Registered Capital of the Parent Company

Parent Company	The Beginning Balance	Increase	Decrease	The Ending Balance
CSSC	6,374,300,000			6,374,300,000

Shareholding of the Parent Company

Parent Company	Shareholding in amount		Shareholding in Percent(%)	
	The Ending Balance	The Beginning Balance	The Ending	The Beginning
CSSC	252,610,380.00	252,610,380.00	35.71	35.71

6.1.2 Joint venture and associates

For details of joint venture and associates, refer to Note 5 (11).

6.1.3 Other related parties

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

6.2 Related party transactions

6.2.1 Purchase goods and services

Type and name of related parties	This Period		Last Period	
	Amount	Percentage (%)	Amount	Percentage (%)
Fellow subsidiaries				
Guangzhou Shipyard Ltd.	77,670,904.88	3.16	55,590,252.07	1.70
CSSC Zhenjiang Equipment Co., Ltd	54,036,170.94	2.20	50,326,716.99	1.54
Hudong Heavy Industry Co., Ltd	40,050,000.00	1.63	16,000,000.00	0.49
CSSC Nanjing Lvzhou Machinery Co., Ltd	27,997,401.70	1.14	15,764,786.31	0.48
CSSC Huanan Ship Machinery Co., Ltd.	22,675,811.98	0.92	12,041,931.62	0.37
Shanghai Ship Research Institute	10,202,200.00	0.41	892,000.00	0.03
CSSC Xijiang Shipyard	6,410,256.40	0.26		
CSSC Guijiang Shipyard	4,035,897.43	0.16		
CSSCANqing Marine Diesel Engine Co., Ltd.	3,675,213.68	0.15		
Guangzhou Ship Industry Co.	2,829,671.45	0.12	3,056,621.78	0.09
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	2,426,028.64	0.10	882,083.68	0.03
CSSC Jiujiang Chang'an Fire Control Equipment Co., Ltd	2,273,717.95	0.09	774,145.30	0.02
China Ship Power Station Corporation	2,085,000.00	0.08	9,124,500.00	0.28
Guangzhou CSSC Ocean Ship Co., Ltd	1,741,337.60	0.07		
Marine Design & Research Institute of China	1,015,000.00	0.04	80,000.00	
Shanghai Port Shipping Instrument Co. Ltd	778,500.00	0.03		
China United Shipbuilding Co., Ltd	441,435.36	0.02	1,040,321.73	0.03
Jiujiang Haitian Equipment Manufacture Co., Ltd	371,794.87	0.02	786,393.17	0.02
CSSC No. 9 Marine Design and Research Institute	355,660.38	0.01	407,500.00	0.01
Shanghai Marine Equipment Co., Ltd	273,504.27	0.01		
CSSC Guangzhou Ship Steel Structure Co., Ltd	156,584.25	0.01		
Jiangxi Chaoyang Mechanical Factory	125,735.04	0.01		
Shanghai CSSC Reconnaissance Rock Project Co., Ltd	103,400.00		122,557.83	
CSSC Reconnaissance and Design Institute	100,000.00		23,713,798.49	0.73
CSSC Guangzhou Huangpu Shipyard Ltd.	85,950.00		36,598,760.26	1.12
CSSC Shanghai Marine Design and Research Institute	74,358.97			
Shanghai Hudong Shipbuilding Valve Co., Ltd	26,839.32		42,393.16	
Anqing Marine Electronic Appliance Co. Ltd.	12,307.69		16,410.26	
CSSC Jiujiang Fire Control Equipment Co., Ltd			1,298,000.00	0.04
CSSC Integrated Technology Economy Institute Construction & Development Co., Ltd			150,000.00	
Joint venture and associates				
Guangzhou Economic and Technical Development Zone South China Marine and Industrial Special Coating Co., Ltd	1,932,264.84	0.08	6,184,169.24	0.19
Total	263,962,947.64	10.72	234,893,341.89	7.17

Pricing rules:

- i) Purchase price of electronic appliance, metallic materials and marine complement are based on market price.
- ii) Purchase price of marine equipment, if there are two or more related parties competed as supplier, after consideration of factors such as inventory cycle, quality of products and services of suppliers, are negotiated with basis on market price. If there is only one related party as supplier due to technical specifications or restrictions, the price should be arm's length as that provided by a third independent party.
- iii) 10% increase of labour cost is executed during the peak production period.
- iv) Purchase price of cabin-cleaning, ship design and relevant technical services are based on market price.
- v) Purchase prices of medical care, food and beverage, infant care, training for labours, management fee for residence, etc, are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

6.2.2 Sell goods or render services

Type and name of related parties	This Period		Last Period	
	Amount	Percentage (%)	Amount	Percentage (%)
Fellow subsidiaries				
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	66,638,161.93	1.94	67,189,934.47	1.69
Guangzhou Shipyard Ltd.	14,221,917.71	0.41	10,731,706.77	0.27
CSSC Guangzhou Huangpu Shipyard Ltd.	13,682,342.62	0.40	6,596,034.08	0.17
Guangzhou Wenchong Shipyard Ltd.	809,968.88	0.02	513,506.67	0.01
CSSC Huanan Ship Machinery Co., Ltd.	290,866.17	0.01		
CSSC Guangzhou Diesel Engine Co., Ltd	192,180.34	0.01		
CSSC Beijing IT Co., Ltd	175,854.70	0.01	123,076.92	
Shanghai Waigaoqiao Shipbuilding Co., Ltd	150,000.00			
CSSC Jiangnan Heavy Machine Co., Ltd	92,307.69		3,615,934.79	0.09
Guangzhou Marine and Engineering Design&Research Institute	85,910.40		66,503.56	
Marine Design & Research Institute of China	78,000.00			
CSSC Chengxi Ship Co., Ltd	28,632.48			
Guangzhou Yellow Ships Marine Engineering Co., Ltd	15,297.45			
CSSC Guijiang Shipyard	5,715.00		4,718.00	
Guangzhou Ship Industry Co.	1,196.58			
CSSC Chengxi Ship Co., Ltd			85,470.09	
CSSC Guangzhou Longxue Guanye Co., Ltd			466,638.08	0.01
CSSC Zhenjiang Equipment Co., Ltd			2,000.00	
Beijing Haifeng System Engineering Technical Development Company			153,846.15	
Joint venture and associates				
Guangzhou Economic and Technical Development Zone South China Marine and Industrial Special Coating Co., Ltd	33,252.15		38,745.97	
Total	96,501,604.10	2.80	89,588,115.55	2.24

Pricing rules:

- Sale price of electrical and mechanical equipment and metal materials to be based on market price.
- Supply of electricity to be based on cost plus 20% to 25% of administrative expense.
- Labour service and design and technical services to be based on market price or cost plus 10% to 25% of administrative expense, which will not be lower than the price sold to independent third parties.

6.2.3 Financial service

Related Party	Ending balance of deposit		Interest income from deposit		Note
	The ending balance	The beginning balance	This Period	Last Period	
CSSC Financial CO.	592,238,625.78	490,788,535.33	6,095,889.28	3,497,344.91	Deposit

Pricing rules:

Interest income to be based on the basic interest rate set by People's Bank of China, subject to minimum of interest rate provided by CSSC to other third party or the deposit rate provided to the Company by the commercial banks.

6.2.4 Guarantee by related party

No guarantee was provided by related party during This Period.

6.2.5 Other related party transactions

Type of transaction	Related parties	This Period	Last Period	Pricing method
Sales agency fee	China Shipping Trading Corporation	15,813,483.03	16,854,603.20	Negotiated price
Purchase agency fee	CSSC International Trade Co., Ltd	2,721,391.57	3,336,087.34	Negotiated price
Purchase agency fee	China United Shipbuilding Co., Ltd	708,677.26	1,957,608.73	Negotiated price
Purchase agency fee	China Shipping Trading Corporation	120,731.80	71,008.67	Negotiated price

Pricing rules:

For sales agency fee, price should not exceed 1% of the contract price.

For purchase agency fee, price should be based on 1% to 2% of the contract price.

6.2.6 Key management personnel (including directors, supervisors, senior management) remuneration

i) Emoluments for non-executive directors and external supervisors

Name	Position	This Period	Last Period	Notes
Li Zhushi	Former non-executive director	0.00	100,000.00	Resigned on 31 May 2011
Cui Ming	Former non-executive director	0.00	33,333.00	Resigned on 31 May 2011
Wang Xiaojun	Former independent non-executive director	0.00	33,333.00	Resigned on 31 May 2011
Li Xinliang	Former independent non-executive director	0.00	33,333.00	Resigned on 31 May 2011
Peng Xiaolei	Former independent non-executive director	0.00	33,333.00	Resigned on 31 May 2011
Wang Shusen	Former external supervisor	0.00	66,667.00	Resigned on 31 May 2011
Ye Weiming	Former external supervisor	0.00	26,667.00	Resigned on 31 May 2011
Ke Wangjun	Non-executive director	41,666.67	8,333.33	Appointed on 31 May 2011 Resigned on 31 May 2012
Yu Baoshan	Non-executive director	50,000.00	50,000.00	Re-elected on 31 May 2011
Gao Feng	Non-executive director	50,000.00	8,333.33	Appointed on 31 May 2011
Pan Zunxian	Non-executive director	50,000.00	50,000.00	Re-elected on 31 May 2011
Zhou Dusheng	Non-executive director	8,333.33	0.00	Appointed on 31 May 2011
Fu Zhengping	Independent non-executive director	50,000.00	50,000.00	Re-elected on 31 May 2011
Qiu Jiachen	Independent non-executive director	50,000.00	8,333.33	Appointed on 31 May 2011
De Lihua	Independent non-executive director	50,000.00	8,333.33	Appointed on 31 May 2011
PanZhaoguo	Independent non-executive director	50,000.00	8,333.33	Appointed on 31 May 2011
Fu Xiaosi	External supervisor	40,000.00	40,000.00	Re-elected on 31 May 2011
Qu Guangquan	External supervisor	40,000.00	16,666.67	Appointed on 31 May 2011
Zhu Zhengfu	External supervisor	40,000.00	6,666.67	Appointed on 31 May 2011

ii) Emoluments for executive directors and internal supervisors

1 January 2012 to 30 June 2012

Name	Position	Salary and bonus	Other subsidies, allowances, other social welfare, etc	Pension and annuity (Employer's portion)	Total	Notes
Chen Jingqi	Executive director	151,100.00	26,040.00	18,752.00	195,892.00	Re-elected on 31 May 2011
Han Guangde	Executive director & president	152,900.00	26,040.00	18,752.00	197,692.00	Re-elected on 31 May 2011
Chen Ji	Executive director & vice president	128,700.00	26,040.00	18,752.00	173,492.00	Appointed as director and re-elected as vice president on 31 May 2011
Chen Shaolong	Internal supervisor	94,680.00	26,025.00	18,752.00	139,457.00	Appointed on 31 May 2011
Tan Tinggui	Internal supervisor	104,580.00	25,800.00	18,752.00	149,132.00	Appointed on 31 May 2011

1 January 2011 to 30 June 2011

Name	Position	Salary and bonus	Other subsidies, allowances, other social welfare, etc	Pension and annuity (Employer's portion)	Total	Notes
Chen Jingqi	Executive director	141,541.00	23,300.00	16,628.00	181,469.00	Re-elected on 31 May 2011
Han Guangde	Executive director & president	152,861.00	23,500.00	16,628.00	192,989.00	Re-elected on 31 May 2011
Chen Ji	Executive director & vice president	123,861.00	23,300.00	16,628.00	163,789.00	Appointed as director and re-elected as vice president on 31 May 2011
Zhong Jian	Former executive director	82,861.00	15,400.00	11,036.00	109,297.00	Resigned on 31 May 2011
Liang Mianhong	Former external supervisor	124,461.00	21,900.00	13,832.00	160,193.00	Resigned on 31 May 2011
Liu Shibai	Former internal supervisor	101,640.00	22,500.00	13,832.00	137,972.00	Resigned on 31 May 2011
Chen Shaolong	Internal supervisor	15,000.00	4,000.00	2,796.00	21,796.00	Appointed on 31 May 2011
Tan Tinggui	Internal supervisor	17,500.00	3,800.00	2,796.00	24,096.00	Appointed on 31 May 2011

iii) Emolument for senior management

Name	Position	This Period	Last Period	Notes
Chen Liping	Accounting manager	176,500.00	161,700.00	Re-elected on 31 May 2011
Li Zhidong	Secretary of board of directors	152,692.00	149,600.00	Re-elected on 31 May 2011
Jin Lichao	Vice president	173,492.00	0.00	Re-elected on 27 October 2011
Yang Li	Vice president	173,792.00	161,700.00	Re-elected on 31 May 2011
Zhou Dusheng	Vice president	0.00	161,400.00	Resigned on November 2011

iv) Five individuals with the highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: three) are directors of the Company and the remaining two (2011: two) individuals are senior management of the Company whose emoluments are included in the disclosures in notes above.

During both This Period and Last Period, no directors, supervisors or senior management of the Company (1) received any emolument from the Group as an inducement to join the Group; or (2) received any compensation for loss of office as a director or management of any member of the Group; or (3) waived or agreed to waive any emoluments.

6.3 Balances with related parties

6.3.1 Amounts due from related parties

Related party (item)	The Ending balance	The Beginning balance
Fellow Subsidiaries		
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	29,098,703.15	46,434,213.59
CSSC Jiangnan Heavy Machine Co., Ltd	17,308,505.47	17,308,505.47
CSSC Guangzhou Huangpu Shipyard Ltd.	6,799,022.95	1,107,262.23
Guangzhou Shipyard Ltd.	4,315,710.07	1,178,817.20
CSSC Huanan Ship Machinery Co., Ltd.	453,321.80	172,766.12
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	385,534.00	656,914.00
CSSC Beijing IT Co., Ltd	355,000.00	655,000.00
CSSC Guangzhou Diesel Engine Co., Ltd	201,451.00	
Guangzhou Marine and Engineering Design & Research Institute	72,726.15	9,101.60
Guangzhou CSSC Ocean Ship Co., Ltd	54,486.38	
Guangzhou Wenchong Shipyard Ltd.	12,000.00	
CSSC Guijiang Shipyard		28,000.00
Joint venture & associates		
Inc: Guangzhou Economic and Technical Developing Zone South China Marine and Industrial Special Coating Co., Ltd	25,996.55	
Total	59,082,457.52	67,550,580.21

6.3.2 Prepayment to related parties

Related party (item)	The Ending balance	The Beginning balance
Fellow Subsidiaries		
CSSC Zhenjiang Equipment Co., Ltd	20,620,000.00	16,655,059.83
Hudong Heavy Machine Co., Ltd	4,000,000.00	15,970,000.00
China Shipping Trading Corporation	3,726,121.08	7,332,116.08
Guangzhou Shipyard Ltd.	3,568,112.56	1,000,000.00
CSSC Anqing Marine Diesel Engine Co., Ltd.	1,200,000.00	1,600,000.00
China United Shipbuilding Co., Ltd	1,197,833.38	191,547.36
CSSC Guangzhou Ship Steel Structure Co., Ltd	1,156,506.80	
Shanghai Navigation Instrument Co., Ltd	980,000.00	
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	102,800.00	102,800.00
CSSC Guijiang Shipyard		780,000.00
CSSC Huanan Ship Machinery Co., Ltd.		1,061,400.00
Total	36,551,373.82	44,692,923.27

6.3.3 Amounts due to related parties

Related party (item)	The Ending balance	The Beginning balance
Fellow Subsidiaries		
CSSC Nanjing Luzhou Machinery Co., Ltd	14,094,575.01	17,735,275.01
CSSC Zhenjiang Equipment Co., Ltd	11,025,150.00	17,706,430.00
CSSC Huanan Ship Machinery Co., Ltd.	9,165,100.00	13,353,140.00
Guangzhou Shipyard Ltd	8,595,045.02	4,186,999.16
CSSC Reconnaissance and Research Institute	6,103,688.39	6,013,153.39
Shanghai Ship Research Institute	4,186,700.00	
Hudong Heavy Industry Co., Ltd	3,997,500.00	1,995,000.00
CSSC Anqing Marine Diesel Engine Co., Ltd.	3,900,000.00	
Marine Design & Research Institute of China	3,495,225.00	10,915,475.00
Guangzhou Ship Industry Co.	2,644,507.60	1,866,661.67
Jiujiang Haitian Equipment Manufacture Co., Ltd	1,778,610.00	2,594,515.00
China Ship Power Station Corporation	1,712,000.00	482,000.00
CSSC Guijiang Shipyard	1,487,500.00	92,500.00
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	1,327,611.40	855,984.26
CSSC Jiujiang Chang'an Fire Control Equipment Co., Ltd	1,007,150.00	964,000.00
CSSC No. 9 Marine Design and Research Institute	566,868.00	647,368.00
CSSC Xijiang Shipyard	375,000.00	
CSSC Beijing IT Co., Ltd	328,000.00	328,000.00
Jiangxi Chaoyang Mechanical Factory	147,110.00	3,080.00
CSSC Huahai Marine Equipment Co., Ltd	113,625.00	346,375.00
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	100,000.00	100,000.00
CSSC Guangzhou Huangpu Shipyard Ltd.	98,550.00	
CSSC Shanghai Marine Design and Research Institute	87,000.00	190,000.00
CSSC Jiujiang Fire Control Equipment Co., Ltd	64,900.00	64,900.00
Shanghai Kaiyue Construction Consult & Supervision Co., Ltd	59,400.00	
Shanghai Navigation Instrument Co., Ltd	39,000.00	39,000.00
China Shipping Trading Corporation	-52,044.19	-52,591.08
Anqing Marine Electronic Appliance Co. Ltd.		68,000.00
CSSC International Trade Co., Ltd		192,500.00
CSSC Ship System Engineering Department		705,000.00
Joint venture & associates		
Inc: Guangzhou Economic and Technical Developing Zone South China Marine and Industrial Special Coating Co., Ltd	808,056.80	
Total	77,255,828.03	81,392,765.41

6.3.4 Other payables to related party

Related party (item)	The Ending balance	The Beginning balance
Fellow Subsidiaries		
Guangzhou Shipyard Ltd.	14,420.00	14,210.00
Guangzhou Nansha Wenchuan Ship Construction Co., Ltd	2,500.00	
Total	16,920.00	14,210.00

6.3.5 Prepayment from related parties

Related party (item)	The Ending balance	The Beginning balance
Fellow Subsidiaries		
Shanghai Ship Research Institute	1,000,000.00	
CSSC Integrated Technology Economy Institute Construction & Development Co., Ltd	672,000.00	262,000.00
CSSC Guangzhou Diesel Engine Co., Ltd	365,891.90	
CSSC Huanan Ship Machinery Co., Ltd.	148,000.00	37,000.00
CSSC Xijiang Shipyard	48,000.00	
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	10,450.00	10,450.00
CSSC Reconnaissance and Research Institute	10,000.00	
Guangzhou Marine and Engineering Design & Research Institute	6,000.00	
Guangzhou Shipyard Ltd.		2,036,581.20
CSSC Guangzhou Longxue Shipbuilding Co., Ltd		3,795,340.00
Total	2,260,341.90	6,141,371.20

7. CONTINGENT EVENTS

7.1 Contingent liabilities caused by Pending litigation or arbitration

On 31 December 2010, the Company and the subsidiary, Guangzhou Guangli Ship HR Ltd. Co. (GLGS) filed four lawsuits to the Immediate People's Court of Zhenjiang, Jiangsu. The Company sued Jiangsu Shenghua Shipbuilding Co. Ltd (Jiangsu Shenghua) for payment and had a dispute on a technical service contract. GLGS further sued Jiangsu Shenghua for breach of contract of 79600 tons bulk freighter #1 and #2. As of the end of This Period, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua with the later settled all the overdue payments. For the remaining three lawsuits, the Company had applied to court for compulsory enforcement. Wuhan Maritime Court had frozen the mortgage of Jiangsu Shenghua for the pending of assessment and running of auctions.

7.2 Other than those mentioned above, as of the end of This Period, there is no other contingent events within the Group.

8. COMMITMENTS

8.1. Significant commitments

8.1.1 Pledged assets

Except for the pledged term deposits in bank, the Group has no other pledge assets at the end of This Period.

8.1.2 Forward foreign exchange contract

To minimize the foreign currency risk, the Group engaged in the forward foreign exchange contract with bank. As of the end of This Period, there are 21 forward foreign exchange contracts amounting to USD 151,250,000 altogether; the longest settlement date of the contract is 25 June 2013; gain from changes in fair value is RMB 2,140,000 at the end of This Period. There are 4 forward purchases of foreign exchange contracts amounting to EUR 4,000,000; the settlement date is 20 September 2012; the fair value loss is RMB 990,000.

8.2 Performance on fulfilments of prior contracts

The Group can fulfil the obligations of settling the forward foreign exchange contracts.

8.3 In addition to the above commitments, there is no other significant commitment as of the end of This Period

9. SUBSEQUENT EVENTS TO THE BALANCE SHEET DATE

As of the report date, there are no significant subsequent events to the balance sheet date to be disclosed.

10. SEGMENT INFORMATION

According to the Group's internal organisational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 categories based on the different types of main products. The management evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organised into a 3 segments in shipbuilding, steel structure projects and others.

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

Segment report during This Period

Items	Shipbuilding and related activities	Steel structure projects	Others	Inter-segment offset	Total
Operating Income	2,924,347,295.79	177,550,080.45	755,656,183.94	-424,914,092.00	3,432,639,468.18
Including: income from external business	2,924,347,295.79	177,550,080.45	330,742,091.90		3,432,639,468.18
income from inter-segment business			424,914,092.00	-424,914,092.00	
Operating expenses	2,967,965,302.93	163,318,544.32	667,191,926.04	-411,812,306.83	3,386,663,466.46
Operating profit (loss)	-43,618,007.14	14,231,536.13	88,464,257.90	-13,101,785.17	45,976,001.72
Total assets	10,921,670,293.70	229,592,268.75	776,496,236.06	-1,328,509,502.23	10,599,249,296.28
Total liabilities	6,576,116,232.44	57,480,579.23	602,611,740.44	-915,728,455.07	6,320,480,097.04
Additional information:					
Depreciation and amortisation expenses	53,740,957.79	675,754.59	8,323,521.45	631,046.33	63,371,280.16
Capital expenditure	113,462,021.15	1,912,597.15	1,490,830.30	-5,522,499.42	111,342,949.18
Non-cash fee except for depreciation and amortisation expenses					

Segment report during Last Period

Items	Shipbuilding and related activities	Steel structure projects	Others	Inter-segment offset	Total
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
Including: income from external business	3,616,964,312.68	135,252,196.62	231,214,300.82		3,983,430,810.12
income from inter-segment business			787,241,929.31	-787,241,929.31	
Operating expenses	3,431,925,923.48	114,305,219.39	922,003,292.18	-778,353,483.74	3,689,880,951.31
Operating profit (loss)	185,038,389.20	20,946,977.23	96,452,937.95	-8,888,445.57	293,549,858.81
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
Additional information:					
Depreciation and amortisation expenses	49,038,938.30	502,000.28	9,266,983.99	-1,136,690.34	57,671,232.23
Capital expenditure	127,230,783.15	711,327.97	5,417,822.18	-1,950,833.30	131,409,100.00
Non-cash fee except for depreciation and amortisation expenses					

11. OTHER SIGNIFICANT EVENTS

11.1 Assets and liabilities measured at fair value

Items	The Beginning Balance	Gain (Loss) from changes in fair value during This Period	Accumulated fair value change through equity	Impairment loss during This Period	The Ending balance
Financial assets					
Financial assets at fair value through profit or loss	20,229,536.04	-18,091,249.22			2,138,286.82
Available-for-sale financial assets	238,228,805.50		157,798,676.46		224,741,538.00
Sub - Total	258,458,341.54	-18,091,249.22	157,798,676.46		226,879,824.82
Financial liabilities					
Financial liabilities at fair value through profit or loss	1,159,935.94	-167,567.72			992,368.22
Sub - Total	1,159,935.94	-167,567.72			992,368.22

11.2 Foreign currency - financial assets and financial liabilities

Items	The Beginning Balance	Gain (Loss) from changes in fair value during This Period	Accumulated fair value change through equity	Impairment loss during This Period	The Ending balance
Financial assets					
Accounts receivable	353,403,162.35				288,307,209.36
Other receivables	7,886,383.30				8,575,891.26
Sub-total	361,289,545.65				296,883,100.62
Financial Liabilities					
Short term loan	1,170,288,811.35				298,638,413.82
Accounts payable	319,037.76				67,995,326.88
Interest Payable	23,593,106.60				1,323,992.90
Non-current assets matured within 1 year	593,796,816.00				727,363,500.00
Long term loan	1,081,390,350.04				1,311,892,500.42
Sub-total	2,869,388,121.75				2,407,213,734.02

11.3 Annuity plan and significant changes

Refer to note 5.26.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The major financial instruments of the Group consist of loans, receivables, payables, financial assets held for trading, financial liabilities held for trading, and financial assets available for sale, etc. Details of all these financial instruments are disclosed in Note 5. All risks related to these financial instruments and risk management policies adopted to reduce these risks are described as follows. The Management manages and supervises risk exposures in order to control the risks mentioned above within a limited scope.

12.1 Risk management objectives and policies

The risk management objectives of this Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximise interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

12.1.1 Market risk

i) Foreign currency risk

Foreign currency risk refers to risk caused by losses occurred because of changes in foreign currency rate. The Group's foreign exchange exposure is mainly related to USD. Except for the Company, subsidiary -Rongguang Development Co., Ltd, and Guangzhou Yonglian Steel Structure, three of which owning business with purchases and sales in USD, all other main operating business are settled in RMB. As of the end of This Period, except for assets and liabilities with balances in USD depicted as below, all other assets and liabilities of the Group are reported in RMB. The recognised assets and liabilities in USD shown in the table below and the unrecognised not shown in the table below (ship settlement payment in USD), leading to foreign currency risk, may affect the results of operation.

Items	The Ending balance	The Beginning balance
Cash and cash equivalent	832,685,547.77	245,459,484.01
Accounts receivable	282,125,012.35	342,845,865.89
Accounts payable	67,627,506.08	
Interest payable	1,323,992.90	23,593,106.60
Borrowings	2,337,894,414.24	2,845,475,977.39
Net assets/liabilities in USD	-1,292,035,353.10	-2,280,763,734.09

The Group monitors the risk exposure in foreign exchange, therefore, the company engaged in holding an increasing amount of USD borrowings and signing forward currency contracts to avoid foreign exchange risk.

ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk (Details refer to note 21, 31 and 33). Borrowings at fixed rate expose the Group to fair value interest-rate risk.

12.1.2 Credit risk

At the end of This Period, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses or financial guarantee related to the Group, including book value of the recognised financial assets; as for financial instruments measured at fair value, book value reflects their exposures to risks, but not the maximum exposure to risks which shall be changed as changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. Therefore, the Management reckons that credit risks held by this Group have been reduced significantly.

The current funds of this Group are deposited in banks that own high credit evaluations, thus the credit risk of current funds is relatively low.

At the end of This Period, the Group 30.17% (Last Period: 24.88%) and 74.80% (Last Period: 70.08%) Balances of accounts receivables are due from the Group's largest customer and the five largest customers respectively. Therefore, the Group holds higher credit concentration risk.

12.1.3 Liquidity risk

The Group maintains and monitors adequate cash and cash equivalent to support the daily operation of the Group, and reduce the effect of the fluctuation of cash flow. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements.

The sources of funding of the Group are mainly from bank borrowings. At the end of This Period, the unused bank facilities amount is RMB 2,163,807,000 (1 January 2012: RMB 3,342,200,000).

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The analysis of financial assets/liabilities is depicted as below, in terms of maturity deadline regarding undiscounted remaining contractual obligations.

Item	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash and bank	1,141,807,190.12	778,404,600.63	2,746,630,000.00	1,176,270,000.00	
Financial assets held for trading	753,544.05	677,968.87	737,150.00		
Note receivable			81,363.00		
Account receivable	811,941,732.92	17,430,000.00			
Other receivables	39,325,406.15	168,922,126.97			
Financial liabilities held for trading	101,600.00	260,740.00	649,660.00		
Notes payable		562,762,907.61			
Account payable	636,098,577.65	444,885,626.28	84,841,019.55		
Other payables	17,089,161.73		6,582,545.58	5,435,220.97	
Dividend payable					
Interest payable	307,767.86	629,163.74	768,715.81	7,398,699.65	
Employment benefit					
Loans					
Net value of financial assets and liabilities	1,340,230,766.00	-42,582,261.16	2,654,606,572.06	1,163,436,079.38	

The discounted value of the financial assets and the financial liabilities held for trading are RMB 2,138,286.82 and RMB 992,368.22 respectively.

12.2 Fair value

Fair value of financial assets and financial liabilities is measured according to the followings condition:

- Financial assets and financial liabilities with standard terms and condition are referred to the quoting price, bidding price and asking price, in active market.
- Fair value of other financial assets and financial liabilities (excluding derivative) is measured at discounting future cash flow or observe the trading price in active market.
- The fair value of the forward currency contract is determined by the bank's public offer combining with valuation techniques.

12.3 Sensitivity analysis

The Group adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

12.3.1 Sensitivity analysis in foreign currency

The effect on net profit and owner's equity due to reasonable change in interest rate:

Foreign currency	Exchange rate	This Period		Last Period	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
USD	Appreciation against RMB by 3%	-32,693,838.72	-32,693,838.72	-63,092,249.44	-63,092,249.44
USD	Depreciation against RMB by 3%	32,693,838.72	32,693,838.72	63,092,249.44	63,092,249.44

The effect on net profit and owner's equity due to reasonable change in foreign exchange rate in HKD and EUR is immaterial.

12.3.2 Sensitivity analysis in interest rate risk

The assumptions of the sensitivity analysis in interest rate are the followings:

- Change in interest rate will affect the interest income and expense of the financial instrument which bear variable interest rate.
- The fair value of the financial instrument will be change in the date of the statement of financial position.

The effect on net profit and owner's equity due to reasonable change in interest rate:

Type of loans	Change in interest rate	This Period		Last Period	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
Loans with variable exchange rate	Increase 1%	-2,538,426.52	-2,538,426.52	-15,083,423.21	-15,083,423.21
Loans with variable exchange rate	Decrease 1%	2,538,426.52	2,538,426.52	15,083,423.21	15,083,423.21

The interest risk rate exposure of the Group is due to the non-current borrowings. The risk of cash outflow is due to the float interest rate of the borrowings. The fair value of the loans with fixed interest rate is suffering interest rate risk. At the end of This Period, the Group hold loan with variable interest rate amounting to RMB 298,638,413.82 (Last Period: RMB 1,774,520,377.54). The settlement periods of the loan is disclosed in note 5.33.

13. NOTES TO FINANCIAL STATEMENT OF PARENT COMPANY

13.1 Accounts receivable

13.1.1 Classifications of risks of accounts receivable

Items	The Ending Balance				The Beginning Balance					
	Book value Amount	Ratio (%)	Provision for Bad Debts Amount	Ratio (%)	Net value	Book value Amount	Ratio (%)	Provision for Bad Debts Amount	Ratio (%)	Net value
Accounts receivable with individual significant amount and identification separately bad debt provision.										
Accounts receivable with individual insignificant amount and identification separately bad debt provision	2,568,983.29	0.31	2,568,983.29	100.00						
Accounts receivable accrued bad debts provision by a certain percentage of the balance	704,597,030.68	85.01	3,523,657.94	0.50	701,073,372.74	598,548,968.39	82.44	2,992,841.11	0.50	595,556,127.28
Accounts receivable with no provision for bad debts	121,677,294.82	14.68		0.00	121,677,294.82	124,976,251.95	17.21		0.00	124,976,251.95
Total	828,843,308.79	100.00	6,092,641.23	0.74	822,750,667.56	726,094,203.63	100.00	5,561,824.40	0.77	720,532,379.23

- i) Accounts receivables with significant amount of the ending balance, or accounts receivable with individual insignificant amount and identification separately bad debt provision:

Company name	The Ending Balance	Bad debts	Percentage (%)	Reasons
Macao Ludang Co., Ltd.	863,566.90	863,566.90	100.00	Long outstanding period, and client suffering operating difficulty
Federal Steel Engineering Co., Ltd.	407,502.39	407,502.39	100.00	Long outstanding period, and client suffering operating difficulty
Hefei Royalstar Electrical Refrigerator Co., Ltd.	476,000.00	476,000.00	100.00	Long outstanding period, and client suffering operating difficulty
Qingdao Haier Special Electrical Refrigerator Co. Ltd.	208,000.00	208,000.00	100.00	Long outstanding period, and client suffering operating difficulty
China Refrigerator Co., Ltd.	166,510.00	166,510.00	100.00	Long outstanding period with risk of collection
Hisense (Nanjing)Electrical Co., Ltd.	149,100.00	149,100.00	100.00	Long outstanding period with risk of collection
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long outstanding period with risk of collection
Meiluo Steel Grating Co., Ltd.	70,000.00	70,000.00	100.00	Long outstanding period with risk of collection
Qingdao Haier Special Plastic Co., Ltd.	44,800.00	44,800.00	100.00	Long outstanding period with risk of collection
Others	66,504.00	66,504.00	100.00	Long outstanding period with risk of collection
Total	2,568,983.29	2,568,983.29		

- ii) Accounts receivable accrued bad debt provision by a certain percentage of the balance:

Item	The Ending Balance			The Beginning Balance		
	Amount	Ratio (%)	Provision for bad debts	Amount	Ratio (%)	Provision for bad debts
Within 1 year	665,585,231.77	94.46	3,328,502.68	572,134,422.82	95.59	2,860,672.12
1-2years	14,636,303.34	2.08	73,181.52			
2-3years	24,240,349.02	3.44	121,201.75	26,363,973.02	4.40	131,819.87
3-4years	84,574.00	0.01	422.87			
4-5years						
Over 5 years	50,572.55	0.01	349.12	50,572.55	0.01	349.12
Total	704,597,030.68	100	3,523,657.94	598,548,968.39	100.00	2,992,841.11

iii) Accounts receivable with no provision for bad debts:

Item	The Ending book value	Provision for bad debts	Net value
Amounts due to subsidiaries	121,677,294.82		121,677,294.82
Total	121,677,294.82		121,677,294.82

13.1.2 The aging of accounts receivable

Items	The Ending Balance			Net value	The Beginning Balance			Net value
	Amount	Ratio (%)	Provision for bad debts		Amount	Ratio (%)	Provision for bad debts	
Within 1 year	678,388,799.30	81.85	3,328,502.68	675,060,296.62	596,905,772.77	82.21	2,860,672.12	594,045,100.65
1-2years	27,021,331.99	3.26	73,181.52	26,948,150.47	99,197,161.29	13.66	15,904.00	99,181,257.29
2-3years	120,841,771.15	14.58	999,215.75	119,842,555.40	28,249,727.73	3.89	993,929.87	27,255,797.86
3-4years	849,864.51	0.10	422.87	849,441.64				
4-5years								
Over 5 years	1,741,541.84	0.21	1,691,318.41	50,223.43	1,741,541.84	0.24	1,691,318.41	50,223.43
Total	828,843,308.79	100.00	6,092,641.23	822,750,667.56	726,094,203.63	100.00	5,561,824.40	720,532,379.23

13.1.3 As of the end of This Period, there is no accounts receivable of shareholders holding 5% or more of the voting rights.

13.1.4 The top 5 companies of accounts receivable balance:

Company name	Relationship	Amount	Aging	Proportion (%)
China Shipping Development Co., Ltd.	External customer	250,254,221.20	Within 1 year	30.19
Holland – FAIRSTARHEAVY	External customer	197,969,370.00	Within 1 year	23.89
China Shipping Passenger Ship Co., Ltd.	External customer	104,604,141.00	Within 1 year	12.62
Guangzhou Shipyard Machinery Co., Ltd.	Subsidiary	93,439,303.67	2-3 years	11.27
Shenzhen Ocean Shipping Co., Ltd.	External customer	38,500,000.00	Within 1 year	4.65
Total		684,767,035.87		82.62

13.1.5 Accounts receivable with related parties:

Company name	Relationship	Amount	Proportion (%)
Guangzhou Ship and Marine Engineering Design and Research Institute	Fellow subsidiary	58,876.15	0.01
Guangzhou Shipyard Co., Ltd.	Fellow subsidiary	963,217.35	0.12
CSSC Guangzhou Nansha - Longxue	Fellow subsidiary	84,574.00	0.01
Jiangnan Heavy Machinery Co., Ltd.	Fellow subsidiary	17,231,505.47	2.08
Guangzhou Shipbuilding Marine Diesel Co., Ltd.	Fellow subsidiary	201,451.00	0.02
Guangzhou Longxue Shipbuilding Co., Ltd.	Fellow subsidiary	19,540,612.56	2.36
Zhongshan GSI Marine Engineering Co., Ltd.	Subsidiary	700,000.00	0.08
Guangzhou Xin Sun Shipping Service Co., Ltd.	Subsidiary	2,124,064.14	0.26
Guangzhou GSI Large-size Mechanical Equipment Co., Ltd.	Subsidiary	104,851,600.08	12.65
Guangzhou United Steel structures Co., Ltd.	Subsidiary	13,994,799.22	1.69
Fonkwang Developing Co., Ltd.	Overseas subsidiary	6,831.38	0.00
Total		159,757,531.35	19.28

13.1.6 Accounts receivable in foreign currencies

Foreign currency	The Ending Balance			The Beginning Balance		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
USD	34,188,880.00	6.3249	216,241,247.11	41,408,080.00	6.3009	260,908,171.27
HKD	573,416.32	0.8152	467,448.98	777,096.32	0.8107	629,992.00
Total			216,708,696.09			261,538,163.27

13.1.7 The credit term for accounts receivable of the group

Business	Credit term
Shipbuilding	1 month after issuing invoice
Other business	Generally 1 to 6 months

Aging analysis of accounts receivable based on invoice issued is as follows:

Aging	The Ending Balance	The Beginning Balance
0-120 days	434,353,985.34	402,472,420.57
121-365 days	244,032,271.30	194,433,352.20
1-2 years	27,021,331.99	99,197,161.29
2-3 years	120,825,867.15	28,249,727.73
Over 3 years	2,609,853.01	1,741,541.84
Total	828,843,308.79	726,094,203.63

13.2 Other receivables

13.2.1 Classifications of risks of other receivables

Items	The Ending Balance			The Beginning Balance						
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Net value	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Net value
Other receivable with individual significant amount and identification separately bad debt provision	10,340,232.15	1.32	10,340,232.15	100.00		10,340,232.15	1.74	10,340,232.15	100.00	
Other receivable with individual insignificant amount and identification separately bad debt provision	57,600.00	0.01	57,600.00	100.00		57,600.00	0.01	57,600.00	100.00	
Other receivable accrued bad debt provision by a certain percentage of the balance	181,409,698.26	23.15	907,048.50	0.50	180,502,649.76	110,451,023.21	18.54	552,255.11	0.50	109,898,768.10
Other receivable with no provision for bad debts	591,647,689.54	75.52			591,647,689.54	474,753,237.86	79.71			474,753,237.86
Total	783,455,219.95	100.00	11,304,880.65	1.44	772,150,339.30	595,602,093.22	100.00	10,950,087.26	1.84	584,652,005.96

i) Other receivables with significant amount of the ending balance, or other receivables with individual insignificant amount and identification separately bad debt provision:

Company name	The Ending Balance	Provision for Bad debt	Ratio %	Reason
Hong Kong Guanghong International Corporation	10,340,232.15	10,340,232.15	100%	Non-implementation of debt reconstruction.
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100%	Incapable of being received
Total	10,397,832.15	10,397,832.15		

ii) Other receivables accrued bad debt provision by a certain percentage of the balance:

Item	The Ending Balance			The Beginning Balance		
	Amount	Ratio (%)	Provision for bad debts	Amount	Ratio (%)	Provision for bad debts
Within 1 year	180,948,355.60	99.75	904,741.78	109,990,793.38	99.58	549,953.96
1-2 years	341,717.66	0.19	1,708.59	301,356.13	0.27	1,506.78
2-3 years	41,950.00	0.02	209.75	83,279.11	0.08	416.40
3-4 years	20,675.00	0.01	103.38	23,594.59	0.02	117.97
4-5 years	45,000.00	0.02	225.00	40,000.00	0.04	200.00
Over 5 years	12,000.00	0.01	60.00	12,000.00	0.01	60.00
Total	181,409,698.26	100.00	907,048.50	110,451,023.21	100.00	552,255.11

iii) Other receivables with no provision for bad debts:

Item	The Ending Balance	Provision for bad debts	Net value
Amount due from subsidiaries	6,647,689.54		6,647,689.54
Enterprise Entrusted loan payments	585,000,000.00		585,000,000.00
Total	591,647,689.54		591,647,689.54

13.2.2 The aging of other receivables

Items	The Ending Balance				The Beginning Balance			
	Amount	Ratio (%)	Provision for bad debts	Net value	Amount	Ratio (%)	Provision for Bad debts	Net value
Within 1 year	469,701,045.14	59.95	904,741.78	468,796,303.36	581,849,031.24	97.69	549,953.96	581,299,077.28
1-2 years	301,336,717.66	38.46	1,708.59	301,335,009.07	1,296,356.13	0.22	1,506.78	1,294,849.35
2-3 years	41,950.00	0.01	209.75	41,740.25	83,279.11	0.01	416.40	82,862.71
3-4 years	20,675.00		103.38	20,571.62	23,594.59		117.97	23,476.62
4-5 years	45,000.00	0.01	225	44,775.00	40,000.00	0.01	200	39,800.00
Over 5 years	12,309,832.15	1.57	10,397,892.15	1,911,940.00	12,309,832.15	2.07	10,397,892.15	1,911,940.00
Total	783,455,219.95	100.00	11,304,880.65	772,150,339.30	595,602,093.22	100.00	10,950,087.26	584,652,005.96

13.2.3 As of the end of the period, there are no other receivables of shareholders holding 5% or more of the voting rights.

13.2.4 The top 5 companies of other receivables balance:

Company name	Relationship	Amount	Aging	Proportion (%)	Nature and content
Enterprise entrusted loan payments	External bank	585,000,000.00	1-2 years	74.67	Entrusted loans
Subsidy receivable	Others	168,922,126.97	Within 1 year	21.56	Subsidy
Hong Kong Guanghong International Co., Ltd	Others	10,340,232.15	Over 5 years	1.32	Entrusted loans
Hong Kong J&D company	others	4,950,228.91	1-2 years	0.63	Reimbursed expense of project
Guangzhou GSI Large-size Mechanical Equipment Co., Ltd	Subsidiary	3,635,591.01	Within 1 year	0.46	Reimbursed expense of project
Total		772,848,179.04		98.64	

The Company provides entrust loans amounted to RMB 585,000,000.00 to its subsidiary Zhongshan Guangchuan Shipyard International Ship and Marine Project Co., Ltd via Bank of communications Ltd Zhongshan Branch and Industrial Commercial Bank of China Ltd Zhongshan Branch for construction investment in Zhongshan Base.

13.2.5 Other receivables with related parties:

Company name	Relationship	Amount	Proportion (%)
Guangzhou GSI Large-size Mechanical Equipment Co., Ltd	Subsidiary	3,635,591.01	0.46
Guangdong GSI Elevator Co., Ltd.	Subsidiary	1,900,000.00	0.24
Guangzhou United Steel Structures Co., Ltd.	Subsidiary	1,112,098.53	0.14
Total		6,647,689.54	0.84

13.3 Long-term equity investment

Classifications of long-term equity investments:

Item	The Ending Balance	The Beginning Balance
Long-term equity investment income under cost method	383,313,587.25	383,313,587.25
Long-term equity investment income under equity method	4,518,074.56	4,754,692.79
Subtotal	387,831,661.81	388,068,280.04
Less: provision for impairment		
Total	387,831,661.81	388,068,280.04

Long-term equity investment using amortised at cost method or equity method:

Investee	Shareholding (%)	Voting rights (%)	Initial investment	The Beginning Balance	Increase	Decrease	The Ending Balance	Current cash bonus
Amortised at cost method								
Guangzhou Xin Sun Shipping Service Co., Ltd.	83	100	500,000.00	500,000.00			500,000.00	
Guangzhou Masterwood Shipbuilding Co., Ltd.	75	100	2,486,385.00	3,685,222.80			3,685,222.80	
Guangzhou United Steel Structures Co., Ltd.	51	51	25,438,698.00	37,522,079.55			37,522,079.55	
Guangdong Guangchuan Shipyard International Elevator Co., Ltd.	95	100	19,950,000.00	19,950,000.00			19,950,000.00	
Guangzhou Hongfan Information Technique Co., Ltd.	51	51	4,500,000.00	2,550,000.00			2,550,000.00	
Glory Group Development Co., Ltd.	100	100	10,439.94	26,443,792.13			26,443,792.13	
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	80	100	3,052,492.77	3,052,492.77			3,052,492.77	
Guangzhou GSI Large-size Mechanical Equipment Co., Ltd.	100	100	30,000,000.00	188,610,000.00			188,610,000.00	
Zhongshan GSI Marine Engineering Co., Ltd.	100	100	100,000,000.00	100,000,000.00			100,000,000.00	
CSSC Heavy Industry Yuanzhou (Beijing) Technology Co., Ltd.	4.05	4.05	1,000,000.00	1,000,000.00			1,000,000.00	
Subtotal			186,938,015.71	383,313,587.25			383,313,587.25	
Equity method								
Guangzhou Economic and Technical Development Zone South China Marine and Industrial Special Coating Co., Ltd	25	25	1,722,060.00	3,932,104.61	823,422.87	1,043,381.78	3,712,145.70	
Zhanjiang Nanhai Naval New Technology & Service Co. Ltd	40	40	800,000.00	822,588.18		16,659.32	805,928.86	
Subtotal			2,522,060.00	4,754,692.79	823,422.87	1,060,041.10	4,518,074.56	
Total			189,460,075.71	388,068,280.04	823,422.87	1,060,041.10	387,831,661.81	

Investment in Joint venture and Associate:

Investee	Legal form	Place of registration	Legal representative	Business nature	Registered capital	Shareholding (%)	Voting right (%)
Joint venture Guangzhou Economic & Technical Development Zone South China Marine & Industrial Special Coating Co., Ltd	Company with limited liabilities (Joint venture with foreign company)	Guangzhou	Li Tongan	business Coating	USD1,200,000.00	25	25
Associate Zhanjiang Nanhai Naval New Technology & Service Co Ltd	Company with limited liabilities	Zhanjiang	Chen Miaogen	Ship Design	RMB2,000,000.00	40	40
Total							

Investee	The Ending Balance of total assets	The Ending Balance of total Liabilities	Net assets	Revenues	Net profit
Joint venture Guangzhou Economic & Technical Development Zone South China Marine & Industrial Special Coating Co., Ltd	21,576,101.44	5,002,468.55	16,573,632.89	19,381,362.51	3,293,691.49
Associate Zhanjiang Nanhai Naval New Technology & Service Co Ltd	5,151,495.02	3,144,149.28	2,007,345.74	2,475,122.00	-41,648.30
Total	26,727,596.46	8,146,617.83	18,580,978.63	21,856,484.51	3,252,043.19

13.4 Operating revenue and operating cost

Item	This Period	Last Period
Revenue from principal operating	3,080,779,759.63	3,660,245,936.18
Other operating income	58,752,521.56	62,634,703.34
Total	3,139,532,281.19	3,722,880,639.52
Cost of principle operating	2,925,311,574.37	3,222,425,537.19
Other operating cost	33,816,130.32	41,651,029.65
Total	2,959,127,704.69	3,264,076,566.84

13.4.1 Main operating - classified by products

Name of product	This Period		Last Period	
	Revenue from principle operating	Cost of principle operating	Revenue from principle operating	Cost of principle operating
Shipbuilding product	2,924,347,295.79	2,778,644,856.49	3,616,964,312.68	3,185,946,305.04
Steel Structure Project	948,854.43		5,505,585.94	5,427,496.15
Mechanical and electrical products and others	155,483,609.41	146,666,717.88	37,776,037.56	31,051,736.00
Total	3,080,779,759.63	2,925,311,574.37	3,660,245,936.18	3,222,425,537.19

13.4.2 Main operating - classified by geographic distribution

Countries	This Period		Last Period	
	Revenue from principle operating	Cost of principle operating	Revenue from principle operating	Cost of principle operating
Holland	451,106,894.00	386,131,668.49	341,559,411.80	341,559,411.80
Greece	272,454,588.75	232,922,524.00	79,262,707.73	82,507,837.73
Denmark	249,195,877.32	212,265,562.43	1,575,508,227.58	1,288,452,531.33
Malta	128,210,255.04	101,746,443.48	36,372,073.36	36,365,923.36
Sweden	104,304,947.41	103,667,764.96		
Thailand	22,338,172.30	22,264,349.68		
Hong Kong	13,108,028.55	12,648,561.62	233,407,392.89	193,156,946.02
Other countries	78,753.75	-1,956,139.06	2,573,310.23	2,256,969.72
Subtotal	1,240,797,517.12	1,069,690,735.60	2,268,683,123.59	1,944,299,619.96
China	1,839,982,242.51	1,855,620,838.77	1,391,562,812.59	1,278,125,917.23
Total	3,080,779,759.63	2,925,311,574.37	3,660,245,936.18	3,222,425,537.19

13.4.3 Revenue from construction contracts

Contracts	Total Amount	costs incurred	Accumulated gross profit	Accumulated Billed amount	Estimated loss	Note
39000 series (tankers for product oil/chemicals)	672,483,463.56	398,539,870.43	71,830,313.86	482,868,463.56	33,461,612.38	Note
50500 series (tankers for product oil/chemicals)	2,171,722,056.07	866,845,311.86	144,579,782.36	1,349,356,083.25		
Ro-ro passenger ship series	1,038,059,529.90	787,002,806.30	251,056,723.60	1,038,059,529.90		
52300 series (tankers for product oil/chemicals)	1,527,069,325.12	1,124,418,354.01	190,676,993.57	1,236,264,594.56	23,354,201.55	Note
37500 series (tankers for product oil/chemicals)	925,687,860.00	20,249,774.83		269,866,060.59		
Fixed cost contract Special ships	2,992,440,000.00	1,483,033,198.57	88,536,529.93	1,963,500,000.00		
50000 series (semi-submerged ships)	2,023,048,557.20	1,192,452,576.70	112,096,405.07	1,273,831,263.76		
48000 series (tankers for crude oil/chemicals)	2,177,464,954.20	1,023,753,214.68	174,390,582.64	1,551,814,202.00	60,531,717.18	Note
50000 series (bulk carrier)	770,000,000.00	206,430,070.45	14,315,522.26	385,000,000.00	43,784,318.29	Note
6000 tankers for product oil	65,000,000.00	33,423,768.25		39,000,000.00	28,912,536.35	Note
50000 series (tankers for product oil/chemicals)	1,363,291,295.00				164,293,780.94	Note
Total	15,726,267,041.05	7,136,148,946.08	1,047,482,859.29	9,589,560,197.62	354,338,066.69	

Note: The estimated losses of estimated total cost over estimated total revenue of the Group's some contracts are due to the continuously decreasing price of the ship, the appreciation of RMB against USD, and the increasing cost when adopted higher building standard occurred by keen competition in market. The expected loss is RMB 177,719,120.33. (Last Period: RMB 179,517,990.16)

13.4.4 Revenue from the top 5 customers is RMB 2,190,370,021.12, accounting for 69.77% of total revenue. (Last Period: RMB 1,917,067,639.38, accounting for 51.49%)

13.4.5 During This Period, other operating income amounted to RMB 58,752,521.56, (Last Period: RMB 62,634,703.34), which was generated by selling of materials and scrap metal and earning of rental income in the mainland of China.

13.5 Investment income

Items	This Period	Last Period
Long-term equity investment income under equity method	806,763.55	427,279.95
Long-term equity investment income under cost method		
Investment income from financial assets available for sale	7,411,213.00	5,048,218.50
Investment income from disposal of financial assets available for sale	59,259.00	
Investment income from disposal of long-term equity investment		
Investment income from disposal of financial assets held for trading	18,731,457.22	10,019,585.50
Total	27,008,692.77	15,495,083.95

13.6 Supplementary information of Cash Flow Statement

Items	This Period	Last Period
1. Net cash flow from operating activities:		
Net profit	94,335,760.70	262,113,864.41
Add: provision for impairment of assets	178,544,867.30	179,517,990.16
Depreciation of fixed assets, biological assets and Depletion of Oil and Nature Gas assets	43,823,575.17	42,580,950.02
Amortization of intangible assets	2,757,608.16	3,168,523.72
Amortization of long-term deferred expenses	582,644.10	97,107.35
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-3,046,234.14	38,924.93
Losses on scrapping of fixed assets ("-" for gains)		
Losses on movement of fair value ("-" for gains)	16,931,313.28	-14,946,202.89
Financial expenses ("-" for gains)	-46,348,337.32	-117,247,529.58
Investments losses ("-" for gains)	-27,008,692.77	-15,495,083.95
Decrease in deferred tax assets ("-" for increase)	-9,070,843.56	-22,601,314.29
Increase in deferred tax liabilities ("-" for decrease)	-2,539,697.00	2,241,930.45
Decrease in inventories ("-" for increase)	687,145,631.00	154,928,713.91
Decrease in operating receivables ("-" for increase)	-216,862,253.30	70,020,822.21
Increase in operating payables ("-" for decrease)	-1,004,091,188.36	-581,606,498.02
Others		
Net cash flows from operating activities	-284,845,846.74	-37,187,801.57
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 finance lease		
3. Net increase in cash and cash equivalents:		
Cash at the ending balance	3,200,240,700.20	4,887,885,710.46
Less: cash at the beginning balance	2,730,487,268.95	4,776,783,586.93
Add: cash equivalents at the ending balance		
Less: cash equivalents at the beginning balance		
Net increase in cash and cash equivalents	469,753,431.25	111,102,123.53

14. NET CURRENT ASSETS

Items	Consolidated Financial Statements		Parent Company Financial Statements	
	The Ending Balance	The Beginning Balance	The Ending Balance	The Beginning Balance
Current assets	8,237,072,899.77	9,566,613,909.06	8,509,616,505.62	9,664,782,909.51
Less: current liabilities	4,733,184,984.87	6,308,202,650.69	4,711,820,590.68	6,182,842,963.67
Net current assets	3,503,887,914.90	3,258,411,258.37	3,797,795,914.94	3,481,939,945.84

15. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Consolidated Financial Statements		Parent Company Financial Statements	
	The Ending Balance	The Beginning Balance	The Ending Balance	The Beginning Balance
Total assets	10,599,249,296.28	11,885,509,370.27	10,375,766,888.18	11,552,950,433.35
Less: current liabilities	4,733,184,984.87	6,308,202,650.69	4,711,820,590.68	6,182,842,963.67
Total assets less current liabilities	5,866,064,311.41	5,577,306,719.58	5,663,946,297.50	5,370,107,469.68

16. NON-CURRENT ASSETS EXCEPT FOR FINANCIAL INSTRUMENTS ARE LISTED BASED ON DISTRICTS

Districts	The Ending Balance	The Beginning Balance
Chinese Mainland	1,995,755,754.05	1,949,287,928.11
Hong Kong	15,991,389.79	16,139,855.87
Total	2,011,747,143.84	1,965,427,783.98

17. SUPPLEMENT INFORMATION

17.1 Current year unusual profit or loss

Items	Current year amount	Notes
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	3,092,932.22	Disposal of fixed assets
Unauthorized examination and approval or no formal approval document or sporadic tax return, relief.	5,401,664.27	Government subsidy and R&D subsidy
Government subsidies recognised in the current profits and losses		
Recognised in the current profits and losses for non-financial enterprises collect capital cost.		
When investment cost of subsidiaries, affiliated enterprises and cooperative enterprises less than the benefit of invested entity the fair value of the identifiable net assets generate in revenue		
Gain/Loss from Non-monetary assets exchange		
Gain/Loss from Entrusting other investment or managing assets		
Accrued every depreciation reserve for fixed assets caused by force majored factors, such as natural disasters		
Gain/Loss from debt restructuring		
Enterprise restructuring expenses		
Gain (loss) from part that is over fair value resulted from trades in which trading price reflecting unfairly		
Net profit or loss of subsidiaries during business combination		
Gain/Loss caused by contingency which is not related to company's normal business		
Gains/Losses from fair value changes of trading securities and trading financial liabilities, and investment income from disposal of trading assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's main operation	1,126,154.72	Forward Foreign Exchange contract Changes in the fair value
Changes in the fair value.		
Recovering of depreciation reserve for accounts receivable of separately impairment test	2,176,242.59	
Gain/Loss from entrusted external loans		
Gain (Loss) from changes in fair value of real estate investments subsequently measured under fair value model		
One-off adjustments for gain/loss according to request of tax, accounting etc. laws and regulations.		
Trusteeship income	6,244,835.08	Mainly represented income from cancellation of a shipping contract
Apart from above item, other non-operating profits and losses		
Other gain/loss items that are included in gain/loss unusual subjects		
Sub-total (effect on income before tax)	18,041,828.88	
Less: influence on tax income	2,844,542.66	
Including: attributable to minority interests	-100,682.76	
Net profits attributable to common shareholders of Parent Company after deducting unusual item in profits or losses	15,297,968.98	

17.2 Return on net assets and earnings per share

In accordance with the "Regulations of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No.9 - Calculation and Disclosing of Rate on Net Assets and Earning Per Share (2010 revised)" (China Securities Regulatory Commission Announcement [2010] No.2) and "Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1 - Unusual items in Profit and Losses (2008)" (China Securities Regulatory Commission Announcement [2008] No.43). Details are listed as follows:

Profit for accounting period	Return on weighted average net assets	EPS	
		Basic EPS	Diluted EPS
Net profits belonging to the common shareholders	2.12	0.14	0.14
Net profits belonging to the common shareholders after deducted exceptional profits or losses	1.75	0.11	0.11

18. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statement has been approved by the Board on 23 August 2012.

VIII. DOCUMENT AVAILABLE FOR INSPECTION

- The financial statements signed and chopped by the legal representative, chief financial officer and accounting manager.
- During the period under review, 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.