
Notes to the Accounts

(I) Prepared under the PRC accounting standards

2. Notes to significant items of the financial statements

(1). The basis of consolidation of this period under review in the report is consistent with that of last year.

(2). Accounting Policies

The accounting policies adopted by the Company are in accordance with “Accounting Standard of Enterprises” and “Accounting System of Enterprises” which was issued by Ministry of Finance of People’s Republic of China from 1st January 2001.

(3). Principal Accounting Policies and Statements to Accounting Estimation Alternation Statement

In accordance with regulations from documents of Finance (2000) No. 25 of “Notice of Print and Distribute ‘Accounting System of Enterprises’” and Finance (2001) No. 17 of “Notice of Print and Distribute Regulations of executing policies Link-up Problems related to ‘Accounting System of Enterprises’”, the Company executed “Accounting System of Enterprises” and related regulations, and changed accounting policies accordingly as follows:

①. Flotation expenses were previously amortized evenly over a period of not less than 5 years, and are now expensed in current profit and loss at one time.

Because flotation expenses accounting balance as at the end of 2000 significantly influenced the profit and loss of 2001, in accordance with regulations, non-distributable profit of 2000 opening balance was adjusted by a total of RMB5,670,000. In addition, the drawn surplus reserve and public welfare fund were adjusted by RMB567,000 and RMB567,000 respectively. Long-term investments in the equity of the parent company and minority interest at the beginning of the year in the balance sheets were adjusted by RMB468,000, and minority interest at the beginning of the year in the consolidated balance sheets was adjusted by RMB1,900,000.

②. The closing balance of fixed assets and construction-in-progress, not previously charged to the provision for diminution, is now taken to the drawing diminution provision.

Because there is no risk of diminution in the closing balance of fixed assets and construction-in-progress, the Company has not made any diminution provision for either item.

③. The closing balance of intangible assets and construction-in-progress, not previously charged to the provision for diminution, is now taken to the drawing diminution provision.

Because the cash convertible value of the land use right in Dongguan Machong Town owned by

Dongguan Yuedong Industry & Commerce Development Co. Ltd., a subsidiary controlled by the Company, has reduced in value, the Company made a diminution provision for intangible assets of RMB13,900,000, and adjusted the non-distribute profit of 2001 opening balance by RMB13,900,000. Non operating expenses at the beginning of the year in the profit statement of 2001 were adjusted by RMB13,900,000, long-term investments in equity of the parent company at the beginning of the year listed in the balance sheet were adjusted by RMB12,510,000, and intangible assets at the beginning of the year in the consolidated balanced sheet were adjusted by RMB13,900,000. The Group has not made a provision for the surplus reserve and public welfare fund for the losses in 2000.

The reduction of non-distributable profit of prior years influenced by the above mentioned accounting policies amounted to RMB18,436,000.

(4). Accounting estimation in this reporting period of the Company has not been altered.

(5). Connected parties and transactions

- ① Connected transactions under control of the Company have been eliminated when preparing the consolidated statements.

A. Connected transactions with parties under control of the Company

Name	Registered address	Principal activities	Relation-ship with the Company	Nature of the enterprise	Legal representative
CSSC	No.1 Pudong road, Shanghai	Ship manufacturing and sale	Legal person shareholder	Company with limited liability	Chen Xiaojin
Kwangzhou Shipyard Container Factory	No.118 Gexin road, Guangzhou	container manufacturing	subsidiary	Joint stock	Yin Xueming
Guangzhou Jin Fan Advertisement Decoration Company Limited	40 South Fangcun main road, Guangzhou	advertisement	subsidiary	Company with limited liability	Guan Zhiqian
Guangzhou XinSun Shipping Service Company Limited	40 South Fangcun main road, Guangzhou	ship-welding outfitting coating	subsidiary	Company with limited liability	Dai Zhengting
Masterwood Company Limited	40 South Fangcun main road, Guangzhou	furniture manufacturing	subsidiary	Sino-foreign Joint venture	Zhang Liangjing
Guangzhou Guanglian Container Transportation Company Limited	No.118 Ge Xin road, Guangzhou	container transportation	subsidiary	Sino-foreign Joint venture	Zhong Yuquan
Xinhui City Nanyang Shipping Industrial Company	Gu jin town, Xin Hui City, Guangdong	ship dismantling	subsidiary	Cooperative company	Li Yizhen

Guangzhou Sanlong Industrial Trading Development Company Limited	No.126 Ge xin road, Guangzhou	municipal construction engineering	subsidiary	Company with limited liability	Li Guanghui
Guangzhou Haizhu District Guanghua Machinery Factory	No.70 Xijixi, Lifu road, Guangzhou	mechanical manufacturing	subsidiary	Cooperative company	Feng Ruilin
United Steel Structures Limited	40 South Fangcun main road, Guangzhou	main steel structure	subsidiary	Sino-foreign joint venture	Ye Peihua
Guangdong GSI Elevator Limited	No.126 Gexin road, Guangzhou	elevator manufacturing	subsidiary	Company with limited liability	Ye Peihua
Guangzhou Hongfan Information Technique Co.,Ltd	40 South Fangcun main road, Guangzhou	computer marketing	subsidiary	Cooperative company	Wang Yi
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	No.138 Gexin Road, Guangzhou	Mechanical & electrical product manufacturing and installation	subsidiary	Cooperative company	Zhong Jian
Dongguang Yuedong Industry & Commerce Development Co. Ltd	Ma yong town Dongguan	Service, wholesale or retail all kinds of material	subsidiary	Joint Stock	Zhong Jian

B. The registered capital of connected parties under the control of the Company and their changes

Unit: RMB

Name	Opening Balance	Additions in the period	Disposal in the period	Closing Balance
CSSC	6,374,300,000			6,374,300,000
Kwangchow Shipyard Container Factory	44,924,640			44,924,640
Guangzhou Jinfan Advertisement Decoration Company Limited	1,400,000			1,400,000
Guangzhou Xinsun Shipping Service Company Limited	600,000			600,000
Masterwood Company Limited	3,315,180			3,315,180
Guangzhou Guanglian container Transportation Company Limited	20,000,000			20,000,000
Xinhui City Nanyang Shipping Industrial Company	34,800,000			34,800,000
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,500,000			1,500,000

Guangzhou Haizhu District Guanghua Machinery Factory	1,438,062			1,438,062
United Steel Structures Limited	49,879,800			49,879,800
Guangdong GSI Elevator Limited	21,000,000			21,000,000
Guangzhou Hongfan Information Technique Co., Ltd	5,000,000			5,000,000
Guangzhou Shipyard Machinery Equipment Engineering Co. Ltd.	1,000,000			1,000,000
Dongguang Yuedong Industry & Commerce Development Co. Ltd.	10,000,000			10,000,000

C. The equity interests in connected parties under the control of the Company and their changes.

Name	Opening Balance		Additions in the period	Diposal in the period	Closing Balance	
	RMB'000	%			RMB'000	%
CSSC	210,800	42.61			210,800	42.61
Kwangchow Shipyard Container Factory	44,925	100			44,925	100
Guangzhou Jinfan Advertisement Decoration Company Limited	1,260	90			1,260	90
Guangzhou Xinsun Shipping Service Company Limited	498	83			498	83
Masterwood Company Limited	2,486	75			2,486	75
Guangzhou Guanglian Container Transportation Company Limited	15,000	75			15,000	75
Xinhui City Nanyang Shipping Industrial Company	25,200	70			25,200	70
Guangzhou Sanlong Industrial Trading Develop Company Limited	1,005	67			1,005	67
Guangzhou Haizhu District Guanghua Machinery Factory	935	65			935	65
United Steel Structure Limited	25,439	51			25,439	51
Guangdong GIS Elevator Limited	19,950	95			19,950	95
Guangzhou Hongfan Information Technique Co.Ltd.	4,500	90			4,500	90
Guangzhou Shipyard Machinery Equipment Engineering Co.Ltd.	600	60			600	60
Dongguang Yuedong Industry & Commerce Co.Ltd.	19,782	90			19,782	90

②. Conditions with the connected parties not controlled by the Company

The connected transactions made between the Group and the associated enterprises under CSSC

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

A. The connected parties uncontrolled by the Company

Name	Connection with the Company
Huanan Marine Machine Factory	Under CSSC
Liuzhou Machinery Factory	Under CSSC
Jiangxi Jiujiang Marine Machine Factory	Under CSSC
Huangpu Shipyard	Under CSSC
Guangzhou Wenchong Shipyard	Under CSSC
Guangxi Huanan Marine Machine Factory	Under CSSC
Hudong Shipbuilding Group	Under CSSC
Guangzhou Shipyard	Under CSSC
South China Marine & Industrial Special Coating Limited Company	Affiliated Company
Shunde Huanan Plastic Coated Steel Pipe Factory	Affiliated Company

B. Purchasing materials

Category	<u>Consolidated</u>			
	From January to June 2001		From January to June 2000	
	Amount RMB	Proportion %	Amount RMB	Proportion %
Huanan Marine Machine Factory	1,893,000.00	0.22%	3,687,900.00	0.62%
Liuzhou Machinery Factory	773,854.31	0.30%	33,209,555.00	3.69%
Jiangxi Jiujiang Marine Machine Factory	452,895.00	0.05%	386,688.88	0.02%
Guangxi Huanan Marine Machine Factory	1,000,000.00	0.03%	-	
Hudong Shipbuilding Group			700,000.00	0.30%
Guangzhou Shipyard	301,154.33	0.57%	240,857.52	2.34%
Shunde Huanan Plastic Coated Steel Pipe Factory	300,000.00	0.09%	350,000.00	0.15%
Total	4,720,903.64	0.30%	38,575,001.40	7%

C. Selling materials

Category	<u>Consolidated</u>			
	From January to June 2001		From January to June 2000	
	Amount RMB	Proportion %	Amount RMB	Proportion %
Huangpu Shipyard	189,071.01	0.03%	3,487.33	0.00%
Guangzhou Wenchong shipyard	27,000.00	0.23%	22,079.66	0.00%
South China Marine & Industrial Special	1,096,418.70	0.01%	520,557.56	0.06%

Coating Limited Company				
Guangzhou Shipyard	108,214.47	0.22%	111,305.31	0.01%
Total	1,420,704.18	0.30%	657,429.31	0%

D. Balances of accounts receivable from and payable to connected parties

(i). Accounts receivable

	<u>Consolidated</u>	
	From January to June 2001	From January to June 2000
	RMB	RMB
Guangzhou Wenchong Shipyard	240,275.50	-

(ii). Accounts payable

	<u>Consolidated</u>	
	From January to June 2001	From January to June 2000
	RMB	RMB
Guangzhou Shipyard	775,779.80	-
Guangxi South China Machinery Factory	553,000.00	-
Nanjin Luzhou Machinery Factory		3,021,855.00
Hudong Shipyard		13,268,818.00
Jiangxi Jioujiang Marine Machinery Factory		112,144.98
South China Maring and Industrial	100,200.00	-
Specials Coating Ltd.		
Total	1,428,979.80	16,402,817.98

(6). Notes to the significant items in the financial statements

①. Accounts receivable and provision for bad debt

	<u>Consolidated</u>					
	Opening balance			Closing balance		
Aging	RMB	%	Provision for doubtful debts	RMB	%	Provision for doubtful debts
Within 1 year	371,270,774.77	63.10%	1,758,096.98	218,739,289.00	53.22%	1,093,696.45
1-2 year	74,145,969.44	12.60%	1,340,906.86	46,106,533.33	11.21%	230,532.42
2-3 years	4,083,106.12	0.69%	21,450.53	43,304,684.23	10.53%	216,523.42
Over 3 years	138,851,392.59	23.60%	4,161,983.78	102,906,845.71	25.03%	4,811,233.82
Total	588,351,242.92	100.00%	7,282,438.15	411,057,352.27	100.00%	6,351,986.35

The five highest companies of account receivables are:

Company Name	Debts (RMB)	Age	Nature
COSCO	155,272,768.00	Within 1 year	Income confirmed in accordance with construction contract
China Container Transportation			
Center of Railroad Bureau	117,249,645.49	within 8 years	Amortization

Shenzhen Seig Plaza Investment

Company	70,134,060.59	2-3 years	The project payment was in litigation
Emeralt Shipping Limited, Malta	20,431,280.80	Within 1 year	Income confirmed in accordance with construction contract
KLFU Co.	13,510,456.05	Within 1 year	Confirmation not received

②. Other receivable

<u>Consolidated</u>						
Opening balance			Closing balance			
Aging	RMB	%	Provision for doubtful debts	RMB	%	Provision for doubtful debts
Within 1 year	14,710,251.40	2.67%	446,255.25	6,756,773.47	1.25%	33,783.87
1-2 year	1,844,186.46	0.34%	4,596.83	2,241,572.14	0.43%	11,207.86
2-3 years	261,828,016.91	47.57%	170,421,756.17	1,288,420.02	0.25%	6,442.10
Over 3 years	<u>271,986,548.57</u>	<u>49.42%</u>	<u>230,956,114.20</u>	<u>504,754,054.65</u>	<u>98.07%</u>	<u>400,550,828.90</u>
Total	550,368,003.34	100.00%	401,828,722.45	515,040,820.28	100.00%	400,602,262.73

The five highest amounts of other receivables are:

Company Name	Debts (RMB)	Age	Nature
Guangzhou International Trust and Investment Company ("CZITIC")	422,781,000.00	Over 3 years	See Significant Events
Guangzhou Economic and Technology Development Zone International Trust and Investment Company ("GETDZITIC")	55,000,000.00	Over 3 years	See Significant Events
Guangzhou Foreign Economic and Trade Trust and Investment Company ("GFETTIC")	10,000,000.00	Over 3 years	See Significant Events
Guangdong Overseas Chinese Trust and Investment Company ("GOCTIC")	8,089,756.58	Over 3 years	See Significant Events
Guangzhou Shipyard	2,000,000.00	Within 1 year	Current accounts

③. Inventories provision for diminution in value (estimated loss provision for long-term contracts)

<u>Consolidated</u>				
Items	Opening Balance (RMB)		Closing Balance (RMB)	
	Amount	Provision	Amount	Provision
Raw materials	262,101,939.87	2,920,555.25	223,696,679.26	2,920,555.25
Low-value consumables	1,395,072.02		1,429,373.37	
Work-in-progress	79,704,754.90	326,432,200.00	107,161,695.66	229,877,512.52
Finished goods	<u>119,614,820.97</u>	<u>6,283,375.84</u>	<u>167,483,012.79</u>	<u>6,283,375.84</u>
Total	462,816,587.76	335,636,131.09	499,770,761.08	239,081,443.61

The Group has made a loss provision for long-term contract of two Ro/Pax Vessles built for Gotland Co., Sweden, and two 40,000dwt Crude/Product Tankers for Huahai Petroleum Transport

& Marketing Co., Ltd. of RMB261,887,800,000 and RMB64,544,400 respectively during 2000. Shortly after, the estimated losses provision for these two long-term contract was canceled after verification of RMB73,988,600 and RMB27,031,100 respectively in accordance with performance of the contracts. The details were set out in item 6 to Significant Events.

④. Investments

A. Short-term investments

	<u>Consolidated</u>			
	Opening balance RMB	Addition in the period	Disposal in the period	Closing balance RMB
Investment in bonds	18,000,000.00	-	18,000,000.00	-
Others	-	-	-	-
Total	18,000,000.00	-	18,000,000.00	-

B. Long-term Investments

	<u>Consolidated</u>					
	Opening Balance (RMB)			Opening Balance (RMB)		
	Amount	Provision for diminution in value	Addition in the period	Disposal in the period	Amount	Provision for diminution in value
Long-term equity investments	18,790,192.46	-	-	90,663.10	18,699,529.36	-
Long-term debt investments	3,200,000.00	-	-	3,200,000.00	-	-
Total	21,990,192.46	-	-	3,290,663.10	18,699,529.36	-

(i). Long-term equity investments -----other equity investments

Name of investees	Total investment RMB	Percentage holding of investees' capital %	Closing Balance RMB	Share of results-equity method Change in the period RMB	Accumulated change RMB
Guangzhou Yongda International Container Engineering Company Limited	263,299.40	35.00%	316,971.34	-19,162.26	
South china / Maring and Industrial Special Coating Limited	1,722,060.00	25.00%	2,290,001.08	-26,590.55	567,941.08
Contech International Container Engineering Company Limited	162,500.00	20.00%	473,062.89	20,765.84	310,562.89
Huanan Plastic Coated Steel	750,000.00	18.75%	750,000.00		-

Pipe Factory					
Guangzhou Henghe Construction Engineering Co. Ltd.	3,380,000.00	33.80%	2,929,494.04	-65,676.13	-450,505.96
Shenzhen Yuanzhou Science & Technology Industry Company Limited	1,000,000.00	7.41%	1,000,000.00		
China Merchants Banking Corporation	10,010,000.00	0.23%	10,010,000.00		
CSSC Information Technique Co. Ltd.	<u>900,000.00</u>	<u>15.00%</u>	<u>900,000.00</u>		
Mechanical & Electrical Co.	30,000.00	10.00%	30,000.00		
Total	18,217,859.40		18,699,529.35	-90,663.10	427,998.01

(ii). Long-term loan investments ----other loan investments

Name of debtor	Loan principal RMB	Term	Interest per year	Expiry date	Received interest in the year RMB	Accumulative amounts RMB	Principal received In the year RMB	Accumulative amounts RMB	Balance of outstanding principle RMB
Guangzhou Electric Power Corporation	7,000,000.00	13	4.2-9	2007.6	239,400.00	2,138,400.00	3,200,000.00	7,000,000.00	0

⑤. Fixed Assets and Accumulated Depreciation

A. Movements of cost are as follows:

Category	<u>Consolidated</u>			
	Opening Balances RMB	Addition in the period RMB	Amortization in the period RMB	Closing Balances RMB
Buildings	434,942,677.02	2,608,233.26	2,738,530.01	434,812,380.27
Structures	196,110,711.50	15,961,032.02		212,071,743.52
Vehicles	22,816,798.89	1,394,117.82		24,210,916.71
Instruments and Meters	5,541,496.26	220,246.93	4,211.20	5,757,531.99
Transmission System	39,460,060.53	795,576.90		40,255,637.43
Machinery and Equipment	744,611,818.72	23,903,409.62	2,002,633.21	766,512,595.13
Total	1,443,483,562.92	44,882,616.55	4,745,374.42	1,483,620,805.05

B. Aggregate Depreciation of fixed assets

Category	<u>Consolidated</u>			
	Opening Balance RMB	Addition RMB	Disposal RMB	Closing Balance RMB
Buildings	69,609,162.34	6,394,066.23	536,027.66	75,467,200.91
Structures	58,774,228.17	3,929,831.07	-	62,704,059.24

Vehicles	10,963,110.61	1,009,592.73	-	11,972,703.34
Instruments and Meters	3,149,459.10	316,998.43	3,063.42	3,463,394.11
Transmission System	10,985,662.64	1,040,938.51	-	12,026,601.15
Machinery and Equipment	279,457,476.82	28,007,063.77	1,014,592.15	306,449,948.44
Total	432,939,099.68	40,698,490.74	1,553,683.23	472,083,907.19
Net value of fixed assets	1,010,544,463.24			1,011,536,897.86

⑥. Intangible Assets

Category	Initial Cost	Consolidated			Amortization	Closing Balance
		Opening Balance	Addition	Transfer Out		
	RMB	RMB	RMB	RMB	RMB	RMB
Land use right	106,862,000.00	82,822,412.27			881,770.22	81,940,642.05
Intellectual property	10,332,076.00	6,886,055.23			480,010.24	6,406,044.99
Total	117,194,076.00	89,708,467.50	-	-	1361,780.46	88,346,687.04

Land use rights are amortized evenly over the useful lives of 50 years. Intellectual property is amortized evenly over a period of not less than 10 years.

The cost of the land use right for Xinhui City Nanyang Shipping Industrial Company of RMB15,491,000, is not being amortized temporarily as operations have not yet commenced. The Group is making efforts to the begin operations as soon as possible.

The cost of the land use right for Dongguan Yuedong Industry and Developing Co. is RMB21,980,000. As the estimated realisable value is lower than the book value, the Group has made a provision of RMB13,900,000 for the difference, and adjusted the opening non-distributable profit

⑦. Long-term Deferred Expenses

Category	Consolidated			
	Opening Balances	Additions in the period	Amortization in the period	Closing Balances
	RMB	RMB	RMB	RMB
--Modification expenses of fixed assets	664,160.39		135,596.82	528,563.57
--Computer leased	517,087.60	497,499.32	107,775.96	906,810.96
--Others	271,634.00	298,216.58		569,850.58
Total	1,452,881.99	795,715.90	243,372.78	2,005,225.11

(7). Income

Category	Amount (RMB)
Income from selling goods	786,021,676.59
Income from providing labor service	14,157,282.01
Income from interest	1,596,162.20

(II) Prepared under the Hong Kong generally accepted accounting principles

3.

4. Notes to condensed accounts

1 Independent review

The interim results for the six months ended 30th June 2001 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountant (“HKSA”), by PricewaterhouseCoopers.

The comparative figures for the six months ended 30th June 2000 shown in the condensed consolidated profit and loss account and condensed consolidated cash flow statement have not been reviewed.

2 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No.25, “Interim Financial Reporting”, issued by the HKSA.

These condensed interim accounts should be read in conjunction with the 2000 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001 :

SSAP 9 (revised) :	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for period commencing on or after 1st July 2000)
SSAP 26 :	Segment reporting
SSAP 28 :	Provisions, contingent liabilities and contingent assets
SSAP 31 :	Impairment of assets
SSAP 32 :	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the effects of adopting SSAP 26 is set out below :

In Note 3 to these condensed consolidated profit and loss account the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting the Group has determined the business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Comparative information has been given.

Apart from the above, the effects of the change of the accounting policies are not significant to the Group.

3 Turnover and segment information

The Group is principally engaged in shipbuilding, shiprepairing, manufacture of containers, steel structures and terrestrial machinery and other products.

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

6 months ended 30th June 2001							
	Shipbuilding	Ship repairing service	Manufacture of containers	Steel structure and terrestrial machinery	Other operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	498,206	9,045	173,617	78,548	43,881	(24,120)	779,177
Segment results	48,937	448	12,410	9,881	6,387	(847)	77,216
Unallocated costs							(55,902)
Operating profit							21,314
Finance costs							(29,035)
Share of profits less losses of associated companies							147
Loss before taxation							(7,574)
Taxation							(868)
Minority interests							853
Loss attributable to shareholders							(7,589)

6 months ended 30th June 2000

	Shipbuilding	Ship Manufacture repairing of containers service	Steel structure and terrestrial machinery	Other operations	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	937,522	13,303	227,035	34,737	44,905	1,236,183
Segment results	92,166	2,581	11,597	10,431	1,722	-
Unallocated costs						(55,436)
Operating profit						63,061
Finance costs						(29,864)
Share of profits less losses of associated companies						-
Profit before taxation						33,197
Taxation						(7,274)
Minority interests						(1,988)
Profit attributable to shareholders						23,935

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

6 months ended 30th June				
	Turnover		Segment result	
	2001	2000	2001	2000
Geographical segments:	RMB'000	RMB'000	RMB'000	RMB'000
China	268,756	564,285	26,108	5,453
Sweden	216,285	-	-	-
Denmark	132,678	370,970	21,455	31,850
Japan	70,178	16,213	10,691	3,170
Germany	33,507	12,145	1,820	(596)
The Netherlands	23,553	129,778	(687)	18,687
United States	20,776	58,713	3,596	7,964
Iran	-	74,993	-	20,055
Others	13,444	9,086	3,955	4,680
	779,177	1,236,183	66,938	91,263
Unallocated costs			(45,624)	(28,202)
Operating profit			21,314	63,061

4 Other revenues

	6 months ended 30th June	
	2001	2000
	RMB'000	RMB'000
Income from unlisted investments	5,746	1,199
Government subsidy income for shipbuilding	12,172	40,273
Sales of scrap materials	2,986	188
Interest income	3,425	4,327
Others	3,161	2,242
	27,490	48,229

5 Operating profit

	6 months ended 30th June	
	2001	2000
	RMB'000	RMB'000
The operating profit is stated after crediting and charging the followings:		
<u>Crediting</u>		
Gain on disposal of fixed assets	-	40
Gain on disposal of investment securities	5,746	-
<u>Charging</u>		
Depreciation and amortisation of fixed assets	42,061	39,770
Less: Amounts capitalised as inventories	(25,685)	(12,885)
	16,376	26,885
Impairment loss	13,900	-
Loss on disposal of fixed assets	139	-

6 Finance costs

	6 months ended 30th June	
	2001	2000
	RMB'000	RMB'000
Interests on bank loans	28,249	28,086
Interests due to suppliers	575	1,540
Other incidental borrowing costs	906	944
Less : Interests capitalised as construction-in-progress	(695)	(706)
	29,035	29,864

7 Taxation

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

represents:

	6 months ended 30th June	
	2001	2000
	RMB'000	RMB'000
PRC enterprise income tax	809	7,274
Share of taxation attributable to associated companies	59	-
	868	7,274

As approved by the State Tax Bureau, the Company's PRC income tax is calculated at 15% (2000: 15%) on the estimated assessable profit for the current period. The normal PRC enterprise income tax rate is 33%. PRC income tax of subsidiaries and associated companies is charged on their respective assessable profits at applicable tax rates.

8 (Loss)/earnings per share

Loss of RMB0.0153 (2000: profit of RMB0.0484) per ordinary share of RMB1 each are calculated on the Group's loss attributable to shareholders of RMB7,589,000 (2000: profit of RMB23,935,000) and on the weighted average number of 494,677,580 (2000: 494,677,580) ordinary shares in issue during the period.

9 Fixed assets and construction-in-progress

	RMB'000
Note	
At 1st January 2001	1,154,417
Additions	45,112
Disposals	(3,191)
Depreciation and amortisation	(42,061)
Impairment loss	(a) (13,900)
At 30th June 2001	1,140,377

(a) Impairment loss of Rmb13,900,000 has been made during the period against a land use right with original cost of RMB 21,980,000.

10 Trade receivables

The ageing analysis of trade receivables is as follows:

	30th June	31st December
	2001	2000
	RMB'000	RMB'000
Within one year	314,298	394,483
More than one year but not exceeding two years	46,182	72,805

More than two years but not exceeding three years	43,407	4,062
More than three years	36,129	34,130
	440,016	505,480

The general credit terms of trade receivables are:

Operations

Credit term

Shipbuilding and shiprepairing

Within one month after issue of invoice

Other operations (including manufacture of containers, machinery and large steel structures)

Normally one to six months

11 Trade payables

The ageing analysis of trade payables is as follows:

	30th June 2001 RMB'000	31st December 2000 RMB'000
Less than one year	182,146	240,749
More than one year but not exceeding two years	2,110	17
More than two years but not exceeding three years	69	-
More than three years	-	361
	184,325	241,127

12 Long-term bank loans

	30th June 2001 RMB'000	31st December 2000 RMB'000
Bank loans		
Unsecured	780,000	465,000
Secured	208,700	347,000
	988,700	812,000
Current portion of long-term bank loans	(518,000)	(542,000)
	470,700	270,000

At 30th June 2001, the Group's bank loans were repayable as follows:

30th June 2001	31st December 2000
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	RMB'000	RMB'000
Within one year	518,000	542,000
In the second year	370,700	270,000
In the third to fifth year	100,000	-
	988,700	812,000

13 Provision for warranty

Movement of provision for warranty is as follow:

	RMB'000
At 1st January 2001	49,548
Additional provisions	6,176
Reversal of expired warranty provision	(4,800)
Utilised during the period	(1,126)
At 30th June 2001	49,798

The Group gives one-year warranty on shipbuilding products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of RMB49,798,000 has been recognised at 30th June 2001 for completed shipbuilding products (31st December 2000 : RMB49,548,000) for expected warranty claims based on past experience of the level of repairs.

14 Commitments

Capital commitments for property, plant and equipment

	30th June 2001	31st December 2000
	RMB'000	RMB'000
Contracted but not provided for	13,952	14,137
Authorised but not contracted for	373,765	-
	387,717	14,137

Amounts of capital commitments relating to the Group's interest in an associated company not included in the above are as follows:

Authorised but not contracted for	17,500	-
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15 Related party transactions

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

	6 months ended 30th June 2001	2000
	RMB'000	RMB'000
Companies controlled by China State Shipbuilding Corporation ("CSSC")		
Purchase of raw materials	12,504	20,115

Purchase of equipment for shipbuilding	2,494	66,210
Other expenses	11,703	12,633

Other expenses include service fees incurred of RMB7,610,740 (2000: RMB7,493,005) payable to Guangzhou Shipyard, a subsidiary of CSSC for its provision of staff welfare service pursuant to a renewed comprehensive service agreement dated 19th April 2001. The comprehensive service agreement covers a three-year period from 2001 to 2003.

(III) Reconciliation of financial statements

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

	6 months ended 30th June Profit/(loss) after taxation and minority interests	
	2001 RMB'000	2000 RMB'000
Prepared under PRC accounting standards	6,535	23,928
Impairment loss	(13,900)	-
Tax incentive items	(224)	-
Others	-	7
Prepared under HKGAAP	(7,589)	23,935