广州广船国际股份有限公司
GUANGZHOU SHIPYARD INTERNATIONAL COMPANY LIMITED

(a joint stock company with limited liability incorporated in the People's Republic of China)

Stock Code: 00317

SUMMARY OF ANNUAL REPORT FOR THE YEAR 2010

1. IMPORTANT NOTICE

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

1.2 All the directors, including non-executive director Mr. Pan Zunxian, independent non-executive directors Messrs. Fu Zhengping and Wang Xiaojun acting as proxies of non-executive director Mr. Yu Baoshan independent non-executive directors Messrs. Lee Sun-leung, Sunny and Peng Xiaolei respectively, attended the twenty-sixth meeting of the sixth term of the Board of Directors held on March 29, 2011, at which this report was passed by unanimous vote.

1.3 Mr. Li Zhushi, Chairman of the Board of Directors, Mr. Chen Liping, Chief Accountant of the Company and Mr. Hou Zengquan, Director to Financial Center of the Company declare and assure the facility and integrity of the financial reports of this report.

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

1.5 The Audit Committee of the Company has reviewed and confirmed the annual financial report for the year 2010 of the Company.

1.6 Unless otherwise stated, financial data contained in this announcement is extracted from the accounts prepared by the Group in accordance with PRC Accounting Standards and Regulations.

1.7 This announcement is a summary of the 2010 annual report. In order to have a complete understanding, investors are advised to refer to the 2010 annual report.

1.8 This announcement is made in accordance with the paragraph (2) of rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1.9 This summary of annual report is prepared in both English and Chinese. In the event that different interpretation occurs, with the exception of summay of the financial statements prepared in accordance with the Hong Kong Financial Reporting Standard ("HKFRS") therein where the English version prevails, the Chinese version shall prevail for the rest parts of this announcement.

2. OVERVIEW OF THE COMPANY

2.1 The Company

Stock abbreviation	Guangzhou Shipyard International	Guangzhou Shipyard International
Stock code	600685	00317
Place of listing of shares	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered office and business address	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China	
Postal code	510382	
Website	http://www.chinagsi.com	
E-mail	gsi@chinagsi.com	

2.2 Contacts

	Company Secretary	Authorised securities representative
Name	Mr. Li Zhidong	Ms. Yang Ping
Address	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China	
Telephone	(8620) 81891712 ext. 2962	(8620) 81891712 ext. 2995
Facsimile	(8620) 81891575	
E-mail	lzd@chinagsi.com	yangping@chinagsi.com

3. SUMMARY OF MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Prepared under PRC Accounting Standards and Regulations

3.1.1 Major accounting data

Unit: RMB

Item	2010	2009	Changes (%)	2008
Operating income	7,014,224,669.01	6,553,424,803.99	7.03	6,984,087,521.27
Total profit	835,247,436.63	613,687,828.53	36.10	921,285,578.25
Net profit attributable to shareholders	707,736,792.53	514,961,903.36	37.43	820,395,655.17
Net profit attributable to shareholders after deduction of exceptional items	611,713,234.82	499,297,991.27	22.51	803,295,845.89
Net cash flow from operating activities	1,038,885,458.78	-464,920,580.03	-323.45	-195,267,322.66
Item	**As at December 31**		**Changes (%)**	**As at December 31**
	2010	**2009**		**2008**
Total assets	12,157,451,995.38	9,805,223,077.98	23.99	10,258,230,707.13
Shareholders' equity (excluding minority interests)	3,663,019,478.60	3,168,840,358.56	15.59	2,747,359,653.70

3.1.2 Major financial index

Unit: RMB

Item	2010	2009	Changes (%)	2008
Basic earnings per share	1.43	1.04	37.43	1.66
Diluted earnings per share	-	-	-	-
Basic earnings per share after deduction of exceptional items	1.24	1.01	22.51	1.62
Weighted average return on net assets (%)	20.73	17.42	Increase by 3.31 percent	31.58
Weighted average return (loss) on net assets after deduction of exceptional items (%)	17.91	16.89	Increase by 1.02 percent	30.92
Net cash flow from operating activities per share	2.10	-0.94	-323.45	-0.39
Item	**As at December 31**		**Changes (%)**	**As at December 31**
	2010	**2009**		**2008**
Net assets per share attributable to the shareholder	7.40	6.41	15.59	5.55

The nature and amount of exceptional items

Unit：RMB

Item	Amount	Notes
Profits or losses from disposal of non-current assets, including write-offs of asset impairment provisions	-1,411,349.43	Mainly resulted from the disposal of fixed assets and write-off of the provision for impairment.
Government subsidies recognized in the current profits and losses	86,244,367.90	Mainly resulted from local government subsidy and income from research and development.
Gains/Losses 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, except effective hedging activities related to the Company's main operation	30,754,086.76	Resulted from fair value changes of trading financial assets and trading financial liabilities, and investment income from the disposal of trading financial assets and trading financial liabilities.
Reverse of the provision for receivable impairment which was tested individually	521,900.00	Resulted from the collection of receivables which was accrued with provision
Apart from above items, other non-operating profits and losses	-2,755,915.78	
Subtotals（effect on income before tax）	113,353,089.45	
Less: influence on income tax	17,002,963.42	
Total influence on net profits	96,350,126.03	
Including: attributable to minority interests	326,568.32	
Influence attributable to common shareholders of parent company	96,023,557.71	
Net profits attributable to common shareholders of parent company after deducting unusual items	611,713,234.82	

3.2 Prepared under Hong Kong Financial Reporting Standard ("HKFRS")

Unit: RMB'000

Item	**2010**	**2009**	**2008**	**2007**	**2006**
Revenue	7,014,225	6,553,425	6,984,088	5,906,793	3,322,299
Operating profit	667,744	488,255	635,405	1,158,930	288,260
Profit before taxation	835,248	613,688	921,286	1,340,964	310,978
Profit attributable to shareholders	707,737	514,962	820,396	938,560	266,635
Total assets	12,148,708	9,804,407	10,251,665	11,029,129	7,672,237
Total liabilities	8,394,781	6,547,427	7,408,800	8,501,772	6,349,186
Total shareholders' equity (excluding minority interests)	3,663,020	3,168,841	2,747,360	2,451,509	1,261,647
Earnings per share (RMB) (Number of shares in issue at the end of the year)	1.4307	1.0410	1.6584	1.8973	0.5390
Earnings per share (RMB) (Weighted average number of shares in issue)	1.4307	1.0410	1.6584	1.8973	0.5390
Net assets per share (RMB) (Number of shares in issue at the end of the year)	7.40	6.41	5.55	4.96	2.55
Return on net assets (%) (Shareholders' equity at the end of the year)	19.32	16.25	29.86	38.28	21.13
Return on net assets (%) (Average of shareholders' equity at the beginning and the end of year)	20.72	17.41	31.56	50.55	24.87
Ratio of shareholders' equity (%) (Shareholders' equity/Total assets x 100%)	30.15	32.32	26.80	22.23	16.44
Current ratio (Current assets/Current liabilities)	1.24	1.25	1.20	1.13	1.19
Gearing ratio (%)	69.10	66.78	72.27	77.08	82.76

3.3 The difference in this year's net profit (profit attributable to shareholders) and shareholders' equity calculated on the basis between the PRC Accounting Standards and Regulations and the HKFRS

£ Applicable Ŗ Not applicable

4. CHANGES OF SHARE CAPITAL AND SHAREHOLDERS INFORMATION

4.1 Share capital change

£ Applicable Ŗ Not applicable

Change of shares subject to sale restrictions

£ Applicable R Not applicable

4.2 The amount and information of shareholders

Unit: share

Total Number of Shareholders	As at December 31, 2010, there were 69,497 shareholders in total, including 69,130 shareholders of listed A-Shares and 367 shareholders of listed H-Shares.					
Top Ten Shareholders' Information						
Name	**Changes in 2010**	**Number of shares at the end of year**	**Percentage (%)**	**Shares pledged or subject to attachment**	**Shareholders' classification**	**Share Classification**
China State Shipbuilding Corporation	-	176,650,615	35.71	None	State-owned Shares	A Shares
HKSCC Nominees Limited	-3,970,640	147,533,749	29.82	Unknown	Foreign legal entity Shares	H Shares
Da Rosa Jose Augusto Maria	3,000,000	3,000,000	0.61	Unknown	Foreign natural person Shares	H Shares
Chan Kwok Tai Eddie	-	2,250,000	0.45	Unknown	Foreign natural person Shares	H Shares
Harvest Services Value-added Industry Securities Investment Funds	2,043,063	2,043,063	0.41	Unknown	Other	A Shares
Fortune SG Advanced Growth Fund	1,200,000	1,200,000	0.24	Unknown	Other	A Shares
E Fund Value Growth Mixed Securities Investment Fund	1,199,714	1,199,714	0.24	Unknown	Other	A Shares
Northeast Securities Co., Ltd.	1,000,000	1,000,000	0.20	Unknown	Other	A Shares
Sun Xuexin	1,000,000	1,000,000	0.20	Unknown	Natural person Shares	A Shares
China AMC CSI300 Index Fund	872,001	872,001	0.18	Unknown	Other	A Shares
Note of relation or action in concert of shareholders above-mentioned	The Company is not aware of whether the top ten shareholders disclosed above are connected with each other or they are persons acting in concert as defined in the "Rules Governing the Disclosure of Change in Shareholders Shareholding in Listed Companies".					

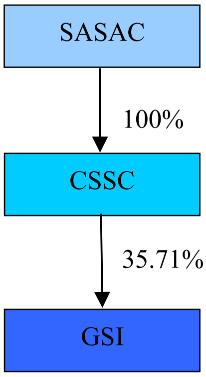
As at December 31, 2010, there is no the register the Company maintains pursuant to section 336 of the Securities and Futures Ordinance of Hong Kong ("SFO") recorded the interest and short positions in the shares and underlying shares of the Company.

4.3 Particulars of controlling shareholders and actual controller

China State Shipbuilding Corporation ("CSSC") is the controlling shareholder of the State-owned shares, which accounted for 35.71% of the shares of the Company. CSSC was founded on July 1, 1999 through reorganizing China State Shipbuilding Company, and the registered capital of which was RMB 6,374,300,000. Mr. Tan Zuojun is the legal representative of CSSC. The business of CSSC includes: shipbuilding, ship-repairing, manufacturing, export/import of marine equipment and some other diversified business such as steel structure manufacturing and international cooperation, joint venture, financing, technology trading and exchange workforce exportation etc. None of the Company's share held by CSSC was pledged during the period under review.

The actual controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). CSSC manages the state-owned shares of the Company under SASAC's authorization.

The block diagram of property right and controlling relations between the Company and actual controller:



4.4 Neither the Company nor its subsidiaries made any purchase, sale or redemption of the Company's securities during the year.

4.5 As there is no provision for pre-emptive rights under the Company's Articles of Association, the Company had not arranged any scheme for such right during the year.

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

5.1 Changes in the number of shares held by directors, supervisors and senior management

Name	Position	Gender	Age	Commencement date of current tenure	Total remuneration received from the Company in 2010 (RMB)	Whether received any remuneration from shareholders of the Company (yes / no)
Li Zhushi	Chairman	Male	66	2008-05-13	300,000.00	Yes
Han Guangde	Vice chairman & president	Male	49	2008-05-13	1,402,926.00	No
Chen Jingqi	Executive director	Male	58	2008-05-13	1,222,325.00	No
Zhong Jian	Executive director	Male	48	2008-05-13	1,088,283.00	No
Yu Baoshan	Non-executive director	Male	50	2008-05-13	80,000.00	Yes
Pan Zunxian	Non-executive director	Male	57	2008-05-13	80,000.00	Yes
Cui Ming	Non-executive director	Male	31	2010-05-25	53,333.00	Yes
Wang Xiaojun	Independent non-executive director	Male	56	2008-05-13	100,000.00	No
Lee Sun-leung, Sunny	Independent non-executive director	Male	40	2008-05-13	100,000.00	No
Peng Xiaolei	Independent non-executive director	Male	59	2008-05-13	100,000.00	No
Fu Zhengping	Independent non-executive director	Male	46	2009-05-19	100,000.00	No
Wang Shusen	Chairman of the Supervisory Committee	Male	70	2008-05-13	200,000.00	Yes
Liang Mianhong	Staff supervisor	Male	57	2008-05-13	973,476.00	No
Liu Shibai	Staff supervisor	Male	59	2008-05-13	867,082.00	No
Ye Weiming	External supervisor	Male	48	2008-05-13	80,000.00	No

Fu Xiaosi	External supervisor	Male	50	2008-05-13	80,000.00	No
Chen Ji	Vice president	Male	44	2008-05-13	1,097,191.00	No
Yang Li	Vice president	Male	43	2008-05-13	1,162,083.00	No
Zhou Dusheng	Vice president	Male	55	2008-05-13	1,101,583.00	No
Chen Liping	Chief accountant	Male	44	2009-10-27	1,121,335.00	No
Li Zhidong	Company secretary	Male	45	2008-05-13	983,283.00	No
Total	-	-	-	-	12,292,900.00	-

The directors, supervisors and senior management of the Company disclosed above will hold office until the next turn of the Board of Directors and Supervisory Committee are elected (the date of 2010 annual general meeting).

Except that director Mr. Chen Jingqi held 2,540 A shares, other directors, supervisors and senior management did not hold any shares of the Company during the period under review.

5.2 Interests of directors, supervisors and senior management

Except as disclosed above under “Information of directors, supervisors, senior management and staff”, at no time during the year up to December 31, 2010 had the Company been notified that any director, supervisor or member of senior management (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company and/or associated corporations (within the meaning of the SFO), nor did they have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO.

5.3 Staff of the Company

The number of the registered employees	3397
The number of retired employees whose expenses undertaken by the Company	3263
Professional Structure	
Professional Class	**Number**
Manufacturing staff	1299
Marketing staff	29
Technical staff	1557
Financial staff	49
Administrative staff	369
Educational Structure	
Educational Class	**Number**
Vocational Education	138
College Education	527
Bachelor Education	1024
Graduate Education	61

The emoluments of the employees of the Group include their salaries, bonuses and other fringe benefits. The Group has 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.

6. REPORT OF THE DIRECTORS

6.1 Management discussion and analysis

6.1.1 General Result

In 2010, the Company has faced with serious situation in shipbuilding operation due to the depressed state of the shipbuilding market and the depressed wish to receive vessels of ship-owners, the strong influence of the heavy rain in the first half of 2010 on the outside work especially ship coating, and the bottleneck of workspace & resource inefficiency as well as the short supply in labor of some job.

In view of such situation, the Company strengthened the research & development of tankers and specialized vessels, increased domestic marketing and secured bulk orders; increased shipbuilding capacity through carrying out tandem shipbuilding and searching for the way of shipbuilding outside the Company. Besides, it also strengthened internal coordination and management, promoted the shipbuilding modeling and production management system and shipbuilding duty and efficiency analysis actively, improved accuracy control, enhanced shipbuilding efficiency and achieved the stable growth of shipbuilding operation.

As at December 31, 2010, the operating income (revenue) of the Group prepared under the PRC Accounting Standards and Regulations and HKFRS amounted to RMB 7.014 billion (of which the principal operating income amounted to RMB 6.908 billion), representing an increase of 7.03% over that of last year. The audited consolidated net profit attributable to shareholders (the profit attributable to shareholders after taxation and minority interests) amounted to RMB 708 million, representing an increase of 37.43% over that of last year. The earnings per share and that after deduction of exceptional items were RMB 1.43 and RMB 1.24 respectively.

6.1.2 Main work and results in 2010

- Through promoting the shipbuilding modeling, using production management system, strengthening the coordination of production resources and management in slipway cycles, dry dock cycles, key blocks and materials delivery date as well as carrying out tandem shipbuilding, the Company achieved the shipbuilding production of commencing construction work on 17 vessels, launching 19 vessels and delivering 18 vessels.
- Carried out the technological breakthrough and improvement in PSPC (Performance Standard for Protective Coatings), and used on the No. 2 vessel of 50,500dwt chemical/product oil tankers, which has obtained the PSPC certificate of DNV and was delivered successfully.
- Strengthened the research of new ship types and new standards and regulations, developed vessels with low cost and high economical benefit, further optimized major ship types, and enhanced the competitiveness of the Company in tankers and specialized vessels market.
- Increased domestic marketing, secured shipbuilding orders for eight 48,000dwt product / crude oil tankers, which was the highest record of civil vessels both in quantity and total tonnage; rendered assistance to ship-owners in seeking financing in China, and secured shipbuilding orders for 2 semi-submersible vessels. In 2010, the Company secured the shipbuilding orders for 15 vessels. As at December 31, 2010, the Company has shipbuilding orders for construction of 49 vessels, with a total tonnage of 2,102,600 dwt in hands.
- Adopted building vessels outside the Company to overcome the work space restriction, which improved the capacity of the Company in the short term and won a priority in insuring and securing orders of the Company.
- Promoted heavy machinery strategy, re-organized heavy machinery assets and operation, adjusted organization structure and established Heavy Machinery Division, and finished the transfer of the heavy machinery operation from operative management to strategic management.

6.2 Principal operation information

6.2.1 Major operation information by products

Unit: RMB

Products	Operating income	Operating cost	Operating gross margin	Change in operating income over that of 2009 (%)	Change in operating cost over that of 2009 (%)	Change in operating gross margin over that of 2009 (%)
Shipbuilding	6,402,821,761.65	5,557,573,991.10	13.20	11.97	11.40	0.44
Steel structure	152,650,941.70	139,802,503.08	8.42	-67.16	-69.90	8.35
Electrical & mechanical products and others	352,150,278.29	277,795,191.14	21.11	27.79	26.07	1.08

During the period under review, as benefited from the enhancement of the cost control of the Company and lower raw materials price of major operations compared with that of 2009, the principal operating income of the Company amounted to RMB 6.908 billion, representing an increase of 6.95% and the comprehensive gross margin was 13.5%, which made a increase of 1.34% as compared with that of last year.

The operating income of shipbuilding operation of the Company in 2010 amounted to RMB 6.402 billion, representing an increase of 11.97% compared with that of 2009, which was mainly due to the total tonnage of vessels completed increased compared with that of 2009. The gross margin of shipbuilding products in 2010 was 13.2%, representing an increase of 0.44% compared with that of 2009, which was resulted from lower price of raw materials.

The operating income of steel structure made a significant decrease during the period under review, which was mainly due to the shortage of order as affected by global financial crisis and the payments of partial projects were not settled as scheduled.

The gross margins of electrical & mechanical products and others increased during the period under review, which was mainly due to the favorable hydraulic shearing machines and elevators market. However, due to its small proportion in the whole result of the Company, the influence of electrical & mechanical products and others on the operating income was rather limited.

6.2.2 Geographical analysis of turnover

Unit: RMB

Countries or Regions	Operating income		Change (±%)
	For the year 2010	For the year 2009	
Malta	-	60,997,676.99	-100.00
Germany	-	384,022,536.75	-100.00
Denmark	3,162,911,423.02	3,376,132,028.10	-6.32
Italy	261,997,238.23	366,083,312.51	-28.43
U.S.A	32,807,096.41	90,677,389.23	-63.82
Hong Kong	369,276,395.05	278,261,998.04	32.71
Greece	250,071,609.65	525,417,858.95	-52.41
Taiwan	2,073,211.40	1,235,997.40	67.74
Sweden	-	15,248,947.43	-100.00
Australia	27,112,706.20	92,239,934.97	-70.61

Angola	11,351,734.26	2,098,215.81	441.02
Argentina	13,363,209.90	-	100.00
Macao	2,691,431.30	-	100.00
Others	75,899,797.93	-	100.00
Subtotal	4,209,555,853.35	5,192,415,896.18	-18.93
Mainland China	2,698,067,128.29	1,266,407,052.02	113.05
Total	6,907,622,981.64	6,458,822,948.20	6.95

6.3 Financial position of the Group during 2010

6.3.1 Balance sheet items

Unit: RMB

Item	Closing balance	Opening balance	Change (%)	Main reasons of change
Cash and cash equivalents	7,216,518,560.26	5,452,246,037.69	32.36	The increased bank loans and received installment payments of products.
Tradable financial assets	21,227,664.57	63,993,056.22	-66.83	The deliveries of partial mature derivative instrument contracts and the change of fair value caused by the fluctuation of exchange rate.
Notes receivable	106,957,384.82	300,000.00	35,552.46	The increased commercial acceptance bill with an amount of RMB 103.60 million, which in the shipbuilding installment payments and has been paid on January 22, 2011.
Advances to suppliers	449,624,444.18	299,139,760.51	50.31	The increased advance payment for purchasing materials.
Other receivables	289,882,991.10	115,243,348.09	151.54	The increased export rebates receivable and products subsidies.
Construction in progress	146,308,227.80	295,198,915.22	-50.44	The land of Zhongshan GSI Marine Engineering Company Limited ("Zhongshan Company") has completed purchasing and converted into intangible assets.
Intangible assets	302,439,392.03	88,834,722.65	240.45	The land of Zhongshan GSI Marine Engineering Company Limited ("Zhongshan Company") has completed purchasing and converted into intangible assets.
Deferred tax assets	22,068,135.62	12,530,702.92	76.11	The increased provisions for retired employees' housing subsidy and assets depreciation preparation.
Notes payable	697,610,318.88	360,901,710.85	93.30	The Company adopted the bank accepted bills for settlement in partial project payments and material purchasing to ensure the rational utilization of the capital.
Accounts payable	1,186,424,869.96	709,751,054.23	67.16	The increase in immature payment of the partial projects and some materials and equipments that have been received while their settlement documents have not been received by the Company.
Advances from customers	266,538,440.94	127,281,207.61	109.41	Received the payments of projects that do not commence.
Accrued employee compensation	40,603,732.05	22,201,256.78	82.89	(1) the provision for annual bonus; (2) the provision for employees' welfare and bonus funds of United Steel Structure Limited, a subsidiary of the Company, as made in accordance with its Articles of Association; (3) the unfinished compensations paid by the Company due to termination of employment relationship.
Taxes payable	115,298,251.35	68,690,776.51	67.85	The increased taxable income during the

				period under review.
Interest payable	13,720,941.14	1,878,526.18	630.41	The increased bank loans and interest rate.
Others payable	70,484,717.41	27,751,512.24	153.99	Received the payments of investment real estate for sale which is in process of property right transferring.
Dividends payable	67,601.63	12,785,975.61	-99.47	United Steel Structure Limited, a subsidiary of the Company, issued dividend to minority shareholders for the years 2009.
Current portion of long-term liabilities	-	170,705,000.00	-100.00	The repayment of matured bank loans.
Provision	163,616,041.97	121,547,344.07	34.61	(1) the increased provision for the warranty fee as more vessels being delivered; (2) the provision for retired employees' housing subsidies and housing balance subsidies in accordance with the resolutions of the twenty-forth meeting of the sixth term of the Board.
Deferred tax liabilities	33,125,408.77	52,923,326.47	-37.41	The change in fair value of financial derivative and available-for-sale financial assets of the Company.
Other current liabilities	34,205,906.94	13,760,555.79	148.58	The increased appropriation of research projects in 2010.
Undistributed profit	1,969,471,836.12	1,473,182,738.39	33.69	The increased profits of 2010.

6.3.2 Profit and loss statement items

Unit: RMB

Item	2010	2009	Change (%)	Main reasons of change
Selling expenses	58,775,317.66	37,873,926.69	55.19	The increased provision for the ship warranty fee.
General and administrative expenses	418,346,698.76	313,985,220.08	33.24	(1) the increased staff salary for better benefit; (2) the increased research & development expenses for promoting originality of the Company. (3) the increased repairs expenses for larger capacity.
Gains from fair value changes	-42,732,189.17	-88,168,000.99	-51.53	The settlement of matured foreign exchange forward contracts, and the change in fair value on the contracts that are not matured for the fluctuation of the exchange rate.
Investment income	83,417,015.04	120,329,635.58	-30.68	The decreased income from the deliveries of matured forward foreign exchange contract.
Non-operating income	239,117,418.11	84,703,157.50	182.30	(1) the increased products subsidy for the change of shipbuilding product structure; (2) the new product subsidy transferred to income for some research and development projects had completed.
Non-operating expenditure	7,743,039.36	14,963,284.04	-48.25	The decreased disposal of fixed assets.
Income tax	124,742,889.51	92,871,675.65	34.32	The increased profit and the change of deferred income tax.
Profits attributable to non-controlling shareholders	2,767,754.59	5,854,249.52	-52.72	The reduction in profit and loss of subsidiaries of the Company in 2010.

6.3.3 Cash flow statement items

Unit: RMB

Item	2010	2009	Change (%)	Main reasons of change
Net cash flow from operating activities	1,038,885,458.78	-464,920,580.03	-323.45	Received the shipbuilding installment payments and financial allocation for research & development projects.
Net cash flow from investing activities	-1,057,659,783.37	-267,263,465.71	295.74	The increased guaranty and pledge money of fixed deposit for ensuring the safe operation of funds.

Net cash flow from financing activities	645,561,987.96	-197,417,795.86	-427.00	The increased bank loans.

6.4 Application of capital

During the period under review, the Company had not raised funds during the year nor utilized any proceeds previously raised. In 2010, the investment capital not from share offering of the Company amounted to RMB 194 million, decreased by RMB 164 million and representing a decrease of 45.81% compared with that of last year. The investments in 2010 are mainly as follows:

Items	Amount （RMB‘0000）	Progress	Income
Coating Workshop Pre-assembled Ground Project	302	100%	Had generated income
Dry-dock Innovation Project	1334	89%	Have generate income partly
Additional Docking Base in Chanzhou Island	141	64.78%	Not yet generate income
Quay Reinforcement Project in Old District	196	Under construction	Not yet generate income
200 \ 100 cubic air compressor	725	21.74%	Not yet generate income
Phase II Environmental Pollution Control Project	365	78.44%	Not yet generate income
New Coating Workshop	571	78%	Not yet generate income
Cables Around Salt Water Vat	275	100%	Had generated income
Project of Building for Work Team in New District	340	58.47%	Not yet generate income
Construction Fees of Zhongshan GSI Large-size Marine Engineering Company Limited	8178	91.96%	Not yet generate income
Others Renovated Projects	6957	-	Not yet generate income
Total	19384		

6.5 Profit distribution proposal for the year 2010

For the year 2010, the net profit of the Company prepared in accordance with PRC Accounting Standards and Regulations amounted to RMB 729,397,776.60, while that prepared in accordance with HKFRS amounted to RMB 729,379,724.01. Pursuant to the regulation of the Articles of Association of the Company, the profit distribution should be on the basis of the lower of the profits prepared in accordance with the two accounting standards mentioned above.

Profit distribution for the year 2010 should be based on the net profit of the Company prepared in accordance with HKFRS, with proposed details are as follows:

(1) To withdraw 10% to the statutory public welfare fund, amounting to RMB 72,937,972.40.

(2) On the basis of 494,677,580 shares in issue, to pay a dividend of RMB 0.1 (tax-included) on each share the total dividend will amount to RMB 49,467,758.00.

(3) The conversion of capital reserve. On the basis of 494,677,580 shares in issue, to convert 3 shares on each 10 shares, the total conversion shares will be 148,403,274 shares. After the conversion of capital reserve, the total share of the Company will be 643,080,854.

The undistributed earnings will be accumulated and distributed in the future years. The profit distribution plan will be implemented with (i) the approval of the 2010 Annual General Meeting, A Shares Class Meeting and H Shares Class

Meeting and (ii) the approval of the Chinese Ministry of Commerce.

6.6 Prospects for 2011

- Shipbuilding operation: In 2011, the construction of the semi-submersible vessels in Jiangsu Province has entered into assembly process, the block manufacturing center in Zhongshan city will enter into production, several types of specialized vessels and vessels in compliance with requirements of PSPC will be under construction synchronously. The Company will further strengthen the promotion of PSPC, implement delicacy management, enhance production arrangements and blocks manufacturing, control the shipbuilding assembly progress and cycle and adjust quay berth to increase shipbuilding output.
- Organization structure and human resources: to further integrate resources and adjust organization structure properly in accordance with the development strategy and development goal of four main operations of the Company; to refine the human resources plan, achieve the balance of labor supply and enhance reserved talent cultivation and training, to reserve human resource for the development of the Company.
- Technical research and development: to optimize large handy-size tankers continuously and strengthen research of new rules and regulations to accept the higher standard of green environmental protection, pollution prevention, emission reduction, energy saving and low consumption, and to reserve enough technical capacity for the development of the Company.
- Internal control: to appoint professional consultation organization and start from financial internal control in accordance with the requirements of Basic Standard for Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control, to promote and improve the construction of internal control of the Company.
- The construction of Zhongshan Company: to promote the construction of Zhongshan Company, the first phrase project of which shall put into the production in the second half of 2011, and organize the approval and application procedure of the second phrase project, to resolve the bottleneck of capacity insufficiency of the Company radically.

6.7 Other matters

6.7.1 The Board’s explanation on the qualified opinion issued by the auditors

☐ Applicable ☑ Not applicable

6.7.2 Liquidation, financial resources and capital structure

As at December 31, 2010, there was no the long-term loans of the Group and the cash and cash equivalents of the Group amounted to RMB 623,567,993.86 prepared under PRC Accounting Standards and Regulations.

6.7.3 Charge on Group assets

As at December 31, 2010, there was no the fixed assets pledged as security for the Group’s banking facilities.

6.7.4 Capital expenditure

The Group expects that capital expenditure during 2011 would be approximately RMB 744 million. The Group has sufficient financial resources to meet the demand for capital expenditure and daily working capital.

6.7.5 Contingent liabilities

As at December 31, 2010, the Group has no significant contingent liabilities.

6.7.6 Code on Corporate Governance Practices

During the period under review, the Group complied fully with the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong limited.

7. SIGNIFICANT EVENTS

7.1 Acquisition of assets

£ Applicable R Not applicable

7.2 Disposal of assets

7.2.1 Approved by the thirteenth meeting of the sixth term of Board, the Company had put up for sale the commercial property located in Beijing Road, New District, Urumqi City Xinjiang Province in China Beijing Equity Exchange. The property was sold at the price of RMB 42 million in February 2010. During the period under review, the Company had received the accounts of the property, and the transfer procedure is under handling.

7.3 Significant guarantees

£ Applicable R Not applicable

7.4 Significant Connected Transactions

7.4.1 Routine connected transactions in 2010

Unit: RMB

No.	Content and category	The cap amount approved by general meeting	Transaction amount	Proportion in the same type of transactions (%)	Pricing basis
1	Products and services provided by the Group to CSSC Group:	514,760,000.00	192,822,094.67		
1.1	Electrical and mechanical engineering equipment and metallic materials	272,500,000.00	14,628,286.66	0.21	Market price or agreed price
1.2	Utilities	5,000,000.00	2,157,141.42	0.04	Cost plus management fee
1.3	Labor supply, design and technology services	237,260,000.00	176,036,666.59	2.51	Not less than the price to the third parties
2	Products and services provided by the CSSC Group to the Group:	1,339,930,000.00	585,693,419.67	-	
2.1	Electrical and mechanical engineering equipment and metallic materials, ship-building accessories and equipment for use on ships	1,099,920,000.00	481,076,341.63	7.92	Market price or agreed price, and not more than the price offered by the third independent parties
2.2	Labor supply, design and technology services	240,006,000.00	104,617,078.04	1.72	Cost plus management fee or market price
3	Financial services provided by CSSC Group to the Group	40,000,000.00	3,173,760.14	2.30	
3.1	Deposits	500,000,000.00	313,559,558.65	-	Interest rate on deposits published by the People's Bank of China, not higher than interest rate on loan published by the People's Bank of China
3.2	aggregate interest on deposits for the year	10,000,000.00	3,173,760.14	2.30	
3.3	Loans	500,000,000.00	-	-	
3.4	aggregate interest on loans for the year	30,000,000.00	-	-	
4	Total guarantee fees for guarantee supplied to the Group from CSSC Group	15,000,000.00	-	-	Agreed fee, not more than the price offered by the third independent parties
5	Total sales agency fees paid by the Group to the CSSC Group	63,500,000.00	40,004,329.93	44.15	Not more than 1% of contract price in accordance with international practice
6	Total purchases agency fees paid by the Group to the CSSC Group	16,000,000.00	3,772,452.32	0.05	1% to 2% of contract price in accordance with international practice

7.4.2 The financing balance of the Company and CSSC and its subsidiaries during the year:

Unit: RMB

Items	As at December 31, 2010	As at December 31, 2009
Accounts receivable	40,528,337.23	61,587,568.59
Other receivable	-	4,254,500.00
Advanced payment	68,458,851.85	55,881,792.31
Accounts payable	119,639,345.92	114,480,622.99

Other payable	11,830.00	8,400.00
Advances from customers	24,893,984.67	33,387,906.67

7.4.3 Funds impropriated and refund by connected parties in 2010

£ Applicable R Not applicable

7.4.4 The connected transactions about acquisition or sale

(1) Approved by the sixteenth meeting of the sixth term of the Board of Directors, the Company entered into *a Real Estate Sale and Purchase Contract* with China State Shipbuilding Corporation No. 605 Institute (the No. 605 Institute, equity of which 100% was hold by CSSC) on December 20, 2009 to sell the sixth and seventh floors with a gross floor area of 1,265.0782 square meters (the "Real Estate") of the office building located at 126 Gexin Road, Haizhu District, Guangzhou (the "Office Building") at a price of RMB 8.509 million (the evaluation value assessed by a professional evaluating agency was RMB 8.009 million). The sale of the Real Estate is expected to reduce the daily administration expenses of the Company and would also help to improve the assets utilization and income of the Company. The Company had received the payment during the period under review.

(2) Approved by the twenty-fourth meeting of the sixth term of the Board of Directors, the Company entered into *the Equity Transfer Contract* with CSSC Guangzhou Huangpu Shipbuilding Company Limited ("Huangpu Shipyard"), a wholly owned subsidiary of CSSC on February 15, 2011, to purchase the 24% equity in Guangzhou Masterwood Shipbuilding Co., Ltd. ("Masterwood") held by Huangpu Shipyard, at the price of appraised value RMB 1,990,500. As at the disclosure of the annual report, The Company has paid the transfer price and the equity in Masterwood has been transferred under the Company. The purchase of the transfer equity is consonant with the development strategy of the Company and is advantageous to the coordination of relevant works in shipbuilding.

7.5 Trusted fund management

£ Applicable R Not applicable

7.6 Commitments

7.6.1 Neither the Company nor the shareholders who hold over 5% (including 5%) shares of the Company gave 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.

7.6.2 Existence of the profit forecast about assets or project, and the reporting period is still in the forecast period, the Company explaint whether the profit of assets or projects reached the goal:

£ Applicable R Not applicable

7.7 Material litigation and arbitration

7.7.1. GSI Sue Jiangsu Shenghua for Property Restitution Case

For assisting Jiangsu Shenghua Shipbuilding Company Limited ("Jiangsu Shenghua") to deliver the dry dock to the Company for use on schedule, the Company and Jiangsu Shenghua entered into *Technical Service Contract of 79,600 dwt Bulk-Carrier Production Management* ("Technical Service Contract"). In 2010 December, due to the requirement of projects construction in other area, the Company need to remove the relevant manufacturing facilities, apparatuses and materials, which belong to the Company, whereas we was prohibited by the obstruction of Jiangsu Shenghua.

On December 31, 2010, the Company has filed suit to Zhanjiang Intermediate People's Court of Jiangsu Province ("Zhenjiang Intermediate Court") and claimed:

(1) To order Jiangsu Shenghua for exclusion of hindrance, and return all the manufacturing facilities, apparatuses and materials which are still in Jiangsu Shenghua and belong to the Company;

(2) To order Jiangsu shenghua to bear the compensation of the wastage and loss compensation of the manufacturing facilities, apparatuses and materials above-mentioned with an amount of RMB 10.46 million approximately.

7.7.2. GSI Sue Jiangsu Shenghua for Technical Service Contract Dispute Case

As Jiangsu Shenghua has not pay the Company for the technical service fees in accordance with *Technical Service Contract*, the Company has filed suit to Zhenjiang Intermediate Court on December 31, 2010 and claimed for ordering Jiangsu Shenghua to pay for the technical service fees with an amount of RMB 2.4 million and the interests in arrears to the Company, as well as bearing the penalty with an amount of RMB 2.4 million.

7.7.3. Guangli Company Sue Jiangsu Shenghua for *Installation Projects Contract in relation to 79,600 dwt Bulk-Carrier 1# Vessel* Dispute Case

For assisting Jiangsu Shenghua to deliver the dry dock and its facilities to the Company for use on schedule，Guangzhou Guangli Shipbuilding Human Resource Service Company Limited ("Guangli Company"), a subsidiary of the Company, entered into *Installation Projects Contract in relation to 79,600 dwt Bulk-Carrier 1# Vessel* ("Installation Projects Contract"). As Jiangsu Shenghua did not pay for the project funds in accordance with the contract on schedule, Guangli Company has filed suit to Zhenjiang Intermediate Court on December 31, 2010 and claimed:

(1) To order Jiangsu Shenghua to discharge the project funds, penalty and the job ready loss in arrears to Guangli Company in the aggregate of RMB 26.876 million, terminate the Installation Projects Contract between Guangli Company and Jiangsu Shenghua, order Jiangsu Shenghua to eliminate the obstruction, and return all the shipbuilding materials and equipments which Guangli Company stored in Jiangsu Shenghua, and to undertake the compensation liability of the loss of the materials and equipments destructed;

(2) To order the controlling shareholder of Jiangsu Shenghua, Nanjing Shenghua Shipbuilding Company Limited ("Nanjing Shenghua"), to undertake the joint liabilities of all the debts which shall be paid by Jiangsu Shenghua to Guangli Company.

7.7.4. Guangli Company Sue Jiangsu Shenghua for *Installation Projects Contract in relation to 79,600 dwt Bulk-Carrier 2# Vessel* Dispute Case

For assisting Jiangsu Shenghua to deliver the dry dock and its facilities on schedule, Guangli Company and Jiangsu Shenghua entered into *Installation Projects Contract in relation to 79600dwt Bulk-Carrier 2# Vessel*. As Jiangsu Shenghua did not pay for the project funds in accordance with the contract on schedule, Guangli Company has filed suit to Zhenjiang Intermediate Court on December 31, 2010 and claimed:

(1) To order Jiangsu Shenghua to discharge the project funds, penalty and the job ready loss in arrears to Guangli Company in the aggregate of RMB 23.4057 million, terminate *Installation Projects Contract in relation to 79,600 dwt Bulk-Carrier 2# Vessel*;

(2) To order Nanjing Shenghua to undertake the joint liabilities of all the debts which shall be paid by Jiangsu Shenghua to Guangli Company.

7.8 Other Significant Events and analysis of their impact and solutions

7.8.1 Shares of the Other Listed Company Held by the Company.

Stock Code	Abbreviation	Initial investment cost(RMB)	Proportion in the interest of the listed company (%)	Book value as at December 31, 2010	Profit and loss during the period under review	Changes in shareholders of the Company	Accounting subject	Source of the shareholding
600036	Merchants Bank	27,483,602.50	0.081	222,991,996.50	-	-55,068,253.50	Available-for-sale financial assets	Purchasing
601872	Merchants Energy Shipping	37,100,000.00	0.29	41,100,000.00	-	-15,500,000.00	Available-for-sale financial assets	Purchasing
Total		64,583,602.50	-	264,091,996.50	-	-70,568,253.50	-	-

7.8.2 In order to alleviate the workspace bottle neck and improve shipbuilding capacity of the Company and secure orders for large handy-size tankers, the Assets Lease Contract was entered into among the Company as lessee, Jiangsu Shenghua as lessor and Nanjing Shenghua as guarantor on August 27, 2010 with approval of the twentieth meeting of the sixth term of the Board of the Directors of the Company. In accordance with the Assets Lease Contract, the Company will rent the Leased Assets from Jiangsu Shenghua for the purpose of the operating activities of shipbuilding and other projects. For more details please refer to the announcement issued by the Company dated August 28, 2010.

As Jiangsu Shenghua cannot ensure that the dry dock will be delivered to the Company for use on schedule in accordance with the Assets Lease Contract due to the delay of its vessel under construction, and has not obtained all of the permissions for the whole Leased Assets in accordance with the Assets Lease Contract and part of the Leased Assets are still lack of relevant government permission, the Company is of the view that the purpose of the Assets Lease Contract entered into by, among others, the Company and Jiangsu Shenghua cannot be achieved. After negotiation with Jiangsu Shenghua, the Company accepted Jiangsu Shenghua' s proposal to terminate the Assets Lease Contract, provided that the Company reserves the right to take legal action against Jiangsu Shenghua pursuant to law and the Assets Lease Contract, after termination of the Assets Lease Contract.

The shipbuilding projects which were originally planted to be constructed in Jiangsu Shenghua, has been subcontracted by the Company to Jiangsu Qidong Daoda Heavy Industry Co., Ltd., which is an independent third party. The Company believes that the termination of Assets Lease Contract will not have material adverse effect on the production as well as the operation of the Company. For more details please refer to the announcement issued by the Company dated February 28, 2011.

7.8.3 The Company entered into Contracts in relation to building eight 48,000dwt product / crude oil tankers with China Shipping Development Company Limited on November 29, 2010, with a total value amounting RMB 1.9 billion approximately.

7.9 Disclosure of *the Self-evaluation Report on Internal Controls* of the Company and t*he the Social Responsibility Report of the Company*

RApplicable £Not applicable

8. Report of the Supervisory Committee

The supervisory Committee considered that the operating of the Company is legal and lawful, and there were no problems in the financial affairs, capital use, placing assets and connected transactions of the Company.

9. FINANCIAL REPORTS

9.1 Audit opinion

The Company's accounts for the year ended December 31, 2010 prepared in accordance with PRC Accounting Standards and Regulations were audited by Ascenda Certified Public Accountants, Ltd., who issued an unqualified audited report (2011) GF Zi No. 010033.

PricewaterhouseCoopers, Certified Public Accountants, the Company's international auditors, issued an unqualified audit opinion on the Company's accounts for the year ended December 31, 2010 prepared in accordance with HKFRS.

9.2 Comparative consolidated and the Company' balance sheets, income statements and cash flows statements are attached.

9.3 During the period under review, there were no changes in accounting policies, accounting estimates and method for preparation of accounts of the Group.

9.4 During the period under review, there were no corrections for accounting errors.

9.5 During the period under review, there were no significant changes to the consolidation scope of the Group.

The Board of Directors
Guangzhou Shipyard International Company Limited

Guangzhou, March 29, 2011

As at the date of this announcement, the Board of Directors of the Company is composed of eleven directors, namely executive directors Messrs. Li Zhushi, Han Guangde, Chen Jingqi, Zhong Jian, non-executive directors Messrs. Yu Baoshan, Pan Zunxian, Miao Jian, and independent non-executive directors Messrs. Wang Xiaojun, Lee Sun-leung, Sunny, Peng Xiaolei and Fu Zhengping.

Prepared in accordance with Hong Kong Financial Reporting Standards

Consolidated statement of comprehensive income
For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue	2	7,014,225	6,553,425
Cost of construction contracts		(5,661,192)	(5,046,099)
Cost of goods sold and services rendered		(543,875)	(781,966)
Cost of sales		(6,205,067)	(5,828,065)
Gross profit		809,158	725,360
Other gains – net	3	19,087	27,181
Selling and marketing costs		(12,674)	(13,124)
Administrative expenses		(383,945)	(323,398)
Other income	4	242,557	80,846
Other expenses		(6,439)	(8,610)
Operating profit	5	667,744	488,255
Finance income	6	201,101	169,340
Finance costs	6	(38,784)	(50,976)
Finance income - net	6	162,317	118,364
Share of post-tax profits of associates		5,187	7,069
Profit before income tax		835,248	613,688
Income tax expense	7	(124,743)	(92,872)
Profit for the year		710,505	520,816
Other comprehensive income:			
Fair value (losses)/gains on available-for-sale financial assets, net of tax		(75,048)	129,124
Other comprehensive income for the year, net of tax		(75,048)	129,124
Total comprehensive income for the year		635,457	649,940
Profit attributable to:			
– Shareholders of the Company		707,737	514,962
– Non-controlling interests		2,768	5,854
		710,505	520,816
Total comprehensive income attributable to:			
– Shareholders of the Company		632,689	644,086
– Non-controlling interests		2,768	5,854
		635,457	649,940
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	8	1.4307	1.0410

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Dividends – proposed	9	49,468	138,510

Consolidated Balance sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,413,345	1,338,820
Investment properties		27,377	29,427
Land use rights and leasehold land		283,229	283,658
Intangible assets		16,550	18,453
Interest in associates		39,689	39,980
Available-for-sale financial assets		1,900	1,900
Derivative financial instruments		2,215	-
Restricted cash		66,336	-
		1,850,641	1,712,238
Current assets			
Available-for-sale financial assets		266,792	337,360
Inventories		941,495	742,775
Due from customers on construction contracts		714,069	611,765
Trade receivables	10	344,887	335,167
Prepayment and other receivables		758,310	426,026
Derivative financial instruments		19,013	64,160
Term deposits with initial term of over three months		3,908,079	4,135,898
Restricted cash		2,146,286	1,071,916
Cash and cash equivalents		1,158,693	326,659
Non-current assets held for sale		40,443	40,443
		10,298,067	8,092,169
Total assets		12,148,708	9,804,407
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital and premium		1,146,655	1,146,655
Other reserves		546,893	549,003
Retained earnings	11	1,969,472	1,473,183
- Proposed dividend		49,468	138,510
- Others		1,920,004	1,334,673
		3,663,020	3,168,841
Non-controlling interest		90,907	88,139
Total equity		3,753,927	3,256,980

Consolidated Balance sheet (continued)

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		61,194	-
Retirement benefit obligations		22,047	24,134
Deferred income tax liabilities		11,057	40,393
Government grant		26,226	-
		120,524	64,527
Current liabilities			
Due to customers on construction contracts		3,295,814	3,368,134
Trade payables	12	1,884,035	1,070,653
Other payables and accruals		483,483	247,101
Dividends payable		68	12,786
Current income tax liabilities		100,043	48,997
Borrowings		2,400,251	1,637,123
Derivative financial instruments		-	167
Provisions for warranty		110,563	97,939
		8,274,257	6,482,900
Total liabilities		8,394,781	6,547,427
Total equity and liabilities		12,148,708	9,804,407
Net current assets		2,023,810	1,609,269
Total assets less current liabilities		3,874,451	3,321,507

1. Basis of preparation

These consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by available-for-sale financial assets and derivative financial instruments, which are carried at fair value.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

		Effective for the financial year beginning on or after
HKAS 17(Amendment)	Leases	1 July 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 28 (Revised)	Investment in associates	1 July 2009
HKAS 31 (Revised)	Interest in joint ventures	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS(Amendments)	Annual improvements to HKFRS issued in October 2008 and May 2009 by the Hong Kong Institute of Certified Public Accountants ("HKICPA")	1 July 2009
HK-int 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	Immediate effective from 29 November 2010

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

1. **Basis of preparation (continued)**

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

		Effective for the financial year beginning on or after
HKAS 24 (Revised)	Related party disclosure	1 January 2011
HKFRS 9	Financial instruments	1 January 2013
HKFRS(Amendments)	Annual improvements to HKFRS issued in May 2010 by HKICPA	1 July 2010

The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's result of operations and financial position.

2. **Segment information**

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

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

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

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

Turnover consists of sales from shipbuilding and related business, steel structure projects and other businesses, which were RMB6,402,822,000, RMB110,470,000 and RMB500,933,000 for the year ended 31 December 2010 and RMB5,718,471,000, RMB463,231,000 and RMB371,723,000 for the year ended 31 December 2009 respectively.

The segment revenue and results for the year ended 31 December 2010 are as follows:

	Shipbuilding and related business	**Steel structure projects**	**All other segments**	**Combined**	**Inter-segment elimination**	**Consolidated**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	6,402,822	114,074	1,607,815	8,124,711	(1,110,486)	7,014,225
Inter-segment revenue	-	(3,604)	(1,106,882)	(1,110,486)	1,110,486	-
Revenue (from external customers)	6,402,822	110,470	500,933	7,014,225	-	7,014,225
Segment results	595,055	(12,905)	85,765	667,915	(171)	667,744
Finance income	202,561	1,424	1,252	205,237	(4,136)	201,101
Finance costs	(36,942)	(240)	(1,602)	(38,784)	-	(38,784)
Share of post-tax profits of associates	696	-	4,491	5,187	-	5,187
Income tax expense	(122,405)	407	(2,745)	(124,743)	-	(124,743)
Profit for the year						710,505
Segment results include:						
Depreciation and amortization	(89,829)	(2,724)	(26,624)	(119,177)	-	(119,177)
Gains on derivative financial instruments	28,853	-	1,901	30,754	-	30,754
Impairment for inventories	(2,258)	(10,025)	(508)	(12,791)	-	(12,791)

2. Segment information (continued)

The segment revenue and results for the year ended 31 December 2009 are as follows:

	Shipbuilding and related business	Steel structure projects	All other segments	Combined	Inter-segment elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	5,718,471	464,784	1,533,806	7,717,061	(1,163,636)	6,553,425
Inter-segment revenue	-	(1,553)	(1,162,083)	(1,163,636)	1,163,636	-
Revenue (from external customers)	5,718,471	463,231	371,723	6,553,425	-	6,553,425
Segment results	471,538	(17,557)	46,498	500,479	(12,224)	488,255
Finance income	170,401	1,543	675	172,619	(3,279)	169,340
Finance costs	(49,174)	(463)	(1,339)	(50,976)	-	(50,976)
Share of post-tax profits of associates	755	-	6,314	7,069	-	7,069
Income tax expense	(84,640)	(3,266)	(4,966)	(92,872)	-	(92,872)
Profit for the year						520,816
Segment results include:						
Depreciation and amortization	(84,197)	(3,577)	(15,392)	(103,166)	-	(103,166)
Gains on derivative financial instruments	13,307	-	9,290	22,597	-	22,597
Impairment for investment property	(15,489)	-	-	(15,489)	-	(15,489)
Impairment for inventories	(2,176)	(1,824)	(242)	(4,242)	-	(4,242)

Revenue from major external customers by geographical location are as follows:

	2010	2009
	RMB'000	RMB'000
Denmark	3,162,911	3,376,132
Mainland China	2,804,669	1,361,009
Hong Kong	369,276	278,262
Italy	261,997	366,083
Greece	250,072	525,418
Germany	-	384,023
Malta	-	60,998
Other countries	165,300	201,500
	7,014,225	6,553,425

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

Revenues of approximately RMB1,476,143,000 and RMB727,223,000 are derived from two external customers respectively (2009:approximately RMB2,085,457,000 from a single external customer). These revenues are attributable to the shipbuilding and related business segment.

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

	2010	2009
	RMB'000	RMB'000
Mainland China	1,763,751	1,693,498
Hong Kong	16,439	16,840
	1,780,190	1,710,338

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

2. **Segment information (continued)**

A breakdown of the revenue from all services is as follows:

	2010 RMB'000	2009 RMB'000
Analysis of revenue by category		
Construction contracts	6,402,822	5,718,471
Sales of goods	378,452	663,340
Provision of services	232,951	171,614
	7,014,225	6,553,425

3. **Other gains – net**

	2010 RMB'000	2009 RMB'000
Net foreign exchange transaction (losses)/gains - net	(11,667)	4,584
Forward foreign exchange contracts not qualified for hedge accounting - gains on derivative financial instruments	30,754	22,597
	19,087	27,181

4. **Other income**

	2010 RMB'000	2009 RMB'000
Dividend income from available-for-sale financial assets	3,856	2,415
Subsidy income for shipbuilding	149,297	73,546
Government grant	68,585	-
Other subsidy	17,659	3,998
Others	3,160	887
	242,557	80,846

5. **Operating profit**

The following items have been charged to the operating profit during the year:

	2010 RMB'000	2009 RMB'000
Cost of inventory sold	374,021	632,550
Depreciation and amortisation charges	119,177	103,166
Loss of sale of properties, plant and equipment and investment properties, land used rights and leasehold land	616	7,589
Impairment for investment properties	-	15,489

6. **Finance income - net**

	2010 RMB'000	2009 RMB'000
Financial income		
Interest income from bank deposits	134,621	166,655
Net foreign exchange gains arising from borrowings	66,480	2,685
	201,101	169,340
Financial costs		
Interest expense for bank borrowings	(35,662)	(40,959)
Other incidental borrowing costs	(3,122)	(10,017)
	(38,784)	(50,976)
Finance income - net	162,317	118,364

7. Income tax expense

Taxation on the PRC profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC.

	2010	2009
	RMB'000	RMB'000
Current income tax – the PRC enterprise income tax	140,836	123,894
Deferred income tax	(16,093)	(31,022)
	124,743	92,872

8. Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of RMB707,737,000 (2009:RMB514,962,000) and the number of 494,677,580 (2009:494,677,580) ordinary shares in issue during the year.

9. Dividends

A dividend in respect of the year ended 31 December 2010 of RMB0.10 per share, amounting to RMB49,468,000 is to be proposed at the Annual General Meeting of 2011. These financial statements do not reflect this dividend as payable as at 31 December 2010.

In addition, an increase of share to all shareholders by 148,403,274 is to be proposed on the basis of 3 new ordinary shares for every 10 ordinary shares held based on the total number of 494,677,580 ordinary shares currently in issue. The total number of shares after the issue would be 643,080,854 and the proposal would be effective after the approval from Annual General Meeting and relevant government authorities.

	2010	2009
	RMB'000	RMB'000
Proposed final dividend of RMB0.10 (2009:RMB0.28) per ordinary share	49,468	138,510

10. Trade receivables

	2010	2009
	RMB'000	RMB'000
Trade receivables due from third parties	92,725	149,616
Less: provision for impairment	(7,946)	(6,508)
Trade receivables – net	84,779	143,108
Amounts due from related parties	260,108	192,059
	344,887	335,167

The general credit terms of trade receivables are:

Operations	Credit terms
Shipbuilding	Within one month after issue of invoice
Other operations (including steel structure and other manufacturing)	Normally one to six months

At 31 December 2010 and 2009, the ageing analysis of the trade receivables due from third parties are as follows:

	2010	2009
	RMB'000	RMB'000
Not exceeding 1 year	70,941	133,951
More than 1 year but not exceeding 2 years	11,587	491
More than 2 years but not exceeding 3 years	299	7,388
More than 3 years	1,952	1,278
	84,779	143,108

10. Trade receivables (continued)

At 31 December 2010 and 2009, the ageing analysis of the trade receivables due from related parties are as follows:

	2010	**2009**
	RMB'000	RMB'000
Not exceeding 1 year	231,494	186,876
More than 1 year but not exceeding 2 years	28,145	4,542
More than 2 years but not exceeding 3 years	-	641
More than 3 years	469	-
	260,108	192,059

11. Retained earnings

	2010	**2009**
	RMB'000	RMB'000
Beginning of the year	1,473,183	1,232,098
Profit for the year	707,737	514,962
Profit transferred to surplus reserves	(72,938)	(51,272)
Dividends relating to prior year	(138,510)	(222,605)
End of the year	1,969,472	1,473,183

12. Trade payables

	2010	**2009**
	RMB'000	RMB'000
Amounts due to third parties	985,096	485,260
Amounts due to related parties	898,939	585,393
	1,884,035	1,070,653

At 31 December 2010 and 2009, the ageing analysis of the trade payables due to third parties are as follows:

	2010	**2009**
	RMB'000	RMB'000
Not exceeding 1 year	962,299	473,032
More than 1 year but not exceeding 2 years	11,754	8,450
More than 2 years but not exceeding 3 years	7,386	3,405
More than 3 years	3,657	373
	985,096	485,260

At 31 December 2010 and 2009, the ageing analysis of the trade payables due to related parties are as follows:

	2010	**2009**
	RMB'000	RMB'000
Not exceeding 1 year	872,617	577,660
More than 1 year but not exceeding 2 years	23,030	7,697
More than 2 years but not exceeding 3 years	3,292	36
	898,939	585,393