

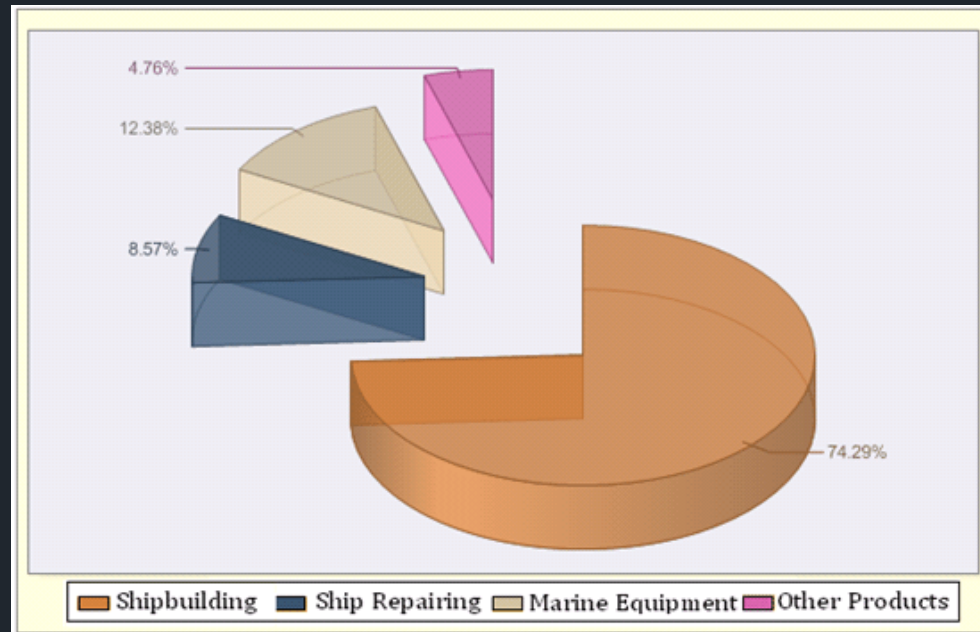
Company Study of China State Shipbuilding Corporation (CSSC), 2009



CSSC is a state-authorized investment institution directly administered by the central government of China and also is a listed company which takes the shipbuilding, ship repair and diesel engine as its three prime businesses as well as actively explores the new operations such ocean engineering and wind power generating equipments. CSSC has the most shipbuilding output in China.

In 1H 2009, CSSC's operating revenue rose 17.4% against the same period of last year to RMB12.619 billion, while its operating profit stood at RMB1.474 billion, down 40.8% from the same period of last year. And the net profit attributable to its parent company was RMB1.2 billion, down 38.42% from the same period of last year, a further drop compared to the decrease of 36.7% in the first quarter.

CSSC Revenue Ratios by Business, 1H 2009



Source: ResearchInChina

Since July, global shipbuilding contracting has obviously improved against that in 1H 2009. However, the sluggish shipping trade and surplus transportation has hindered the significant rising of shipbuilding orders. It still takes a quite long period of time to rebound. CSSC has rich orders in hand, and the achievements within three years can be ensured. Besides, CSSC has huge cash flow, with strong anti-risk ability.

Since the small amount of modified ships and the decreasing prices of common vessel repairs, the ship repairing revenue and gross profit margin of CSSC will both drop. But the repairing business takes a small proportion; the overall performance of CSS gets little impacted.

Besides, the recall of orders (mainly from local small private shipyards) happened in CSSC's diesel engine business. If calculated by horsepower, the price of diesel engine dropped not drastically and maintained a steady momentum. CSSC's diesel engine business accounts for a domestic market share of 60%, and the production capacity of CSSC-MES Diesel Co., Ltd still has much development room, and such business will make steady growing achievements in the next few years. As a whole, the production capacity of its marine diesel engine business in 2009 rises to some extent against last year. As the cost of such raw materials as steel decreases, the gross profit margin of diesel engine business will improve somewhat.

Other business like ocean engineering and wind power equipment helps to avoid the risks in the shipbuilding business.

The report expounds the development history and current business structure of CSSC, analyzes the development of CSSC's businesses and the highlights in its achievement according to the environments at home and in the world, and researches on CSSC's orders, competitiveness and development strategies.

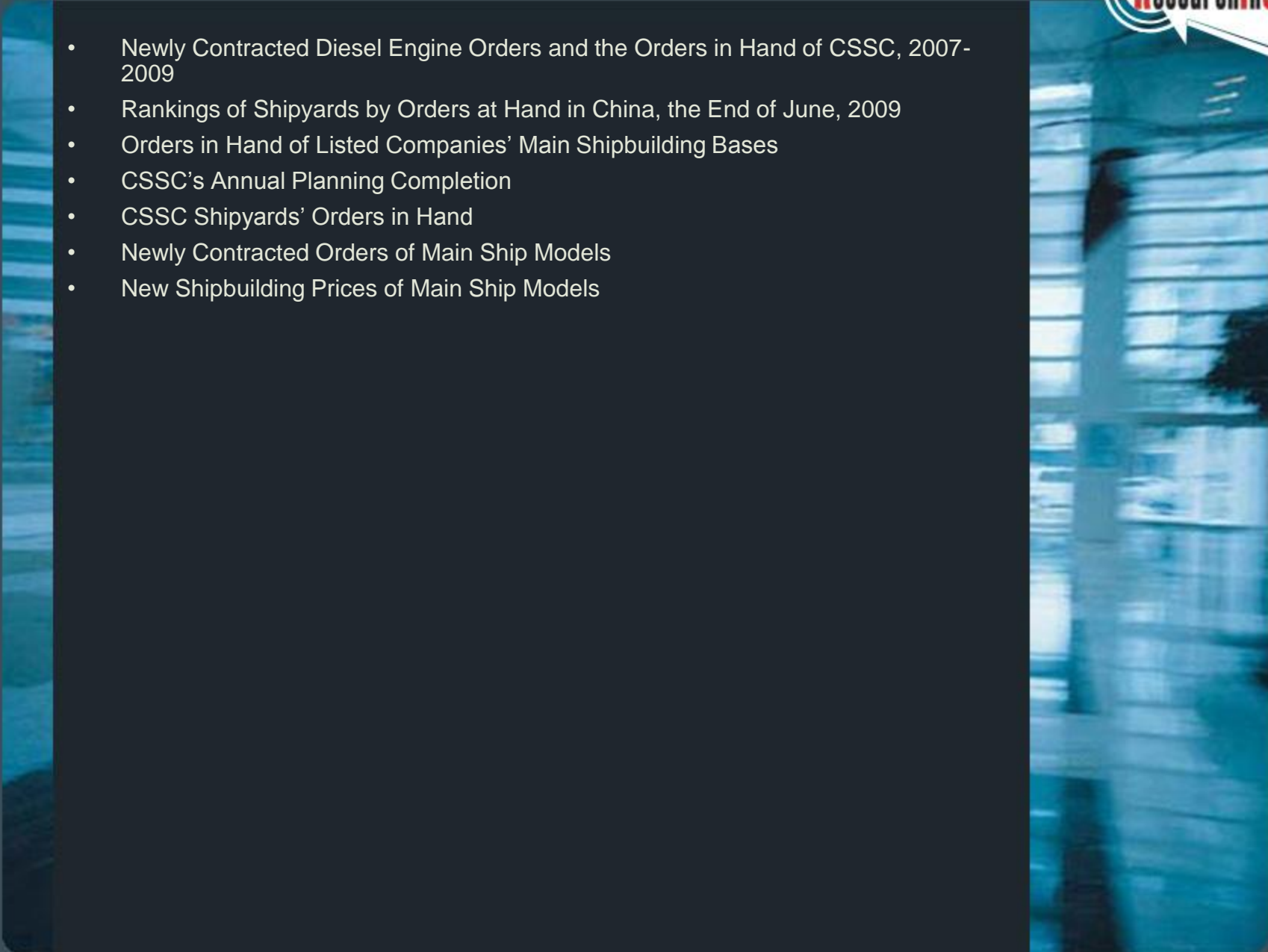
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