



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

H Stock Code : 317 A Stock Code : 600685

Interim Report 2008

I. IMPORTANT NOTICE

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 integrity of the contents of this report.

All the directors, including executive director Mr. Han Guangde attended as proxies of chairman Mr. Li Zhushi, executive director Mr. Chen Jingqi and non-executive director Mr. Yu Baoshan, independent non-executive director Mr. Lee Sun-leung, Sunny attended as proxy of independent non-executive director Mr. Wang Xiaojun, attended the fifth meeting of the sixth term of the Board of Directors held on 22 August 2008.

Mr. Li Zhushi, Chairman of the Board of Directors, Mr. Zeng Xiangxin, Chief Accountant of the Company and Mr. Hou Zengquan, Manager of Financial Center of the Company, declare and assure the facility and integrity of the financial information of this report.

Unless otherwise stated, financial data contained in this report is extracted from the accounts prepared by the Group in accordance with PRC Accounting Standards for Business Enterprises and Relevant Regulations (“**PRC Accounting Standards and Regulations**”).

During the period under review, the controlling shareholder did not appropriate the Company’s funds for its own use.

The Audit Committee of the Company has reviewed and confirmed the financial reports in the interim report for the first six months of 2008 of the Company.

This report is prepared in both English and Chinese. In the event that different interpretation occurs, with the exception of the condensed consolidated interim financial information prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) – Interim financial reporting, the Chinese version shall prevail.

II. OVERVIEW OF THE COMPANY

1. REGISTERED CHINESE NAME OF THE COMPANY

广州广船国际股份有限公司

ABBREVIATION OF REGISTERED CHINESE NAME OF THE COMPANY

广船国际

REGISTERED ENGLISH NAME OF THE COMPANY

Guangzhou Shipyard International Company Limited

ABBREVIATION OF REGISTERED ENGLISH NAME OF THE COMPANY

GSI

2. PLACE OF LISTING OF THE COMPANY’S SHARES

A Shares – Shanghai Securities Exchange

Abbreviated Name: Guangzhou Shipyard International

Share Code: 600685

H Shares – The Stock Exchange of Hong Kong Limited

Abbreviated Name: Guangzhou Shipyard International

Share Code: 317

3. THE COMPANY’S REGISTERED ADDRESS AND OFFICE

40 South Fangcun Main Road, Guangzhou,

The People’s Republic of China

Postal Code: 510382

URL of the Company: <http://www.chinagsi.com>

E-mail Address: gsi@chinagsi.com

4. LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Li Zhushi

5. COMPANY SECRETARY

Mr. Li Zhidong

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AUTHORIZED SECURITIES REPRESENTATIVE

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6. PUBLICATIONS DESIGNATED BY CHINA SECURITIES REGULATORY COMMISSION FOR DISCLOSING INFORMATION

Shanghai Securities News

URL FOR PUBLISHING THE REPORT:

www.sse.com.cn, www.hkexnews.hk, www.chinagsi.com

PLACE FOR INSPECTION OF THE INTERIM REPORT: The Board of Directors' Office

7. MAJOR FINANCIAL DATA AND INDICATORS

(1). Prepared under the PRC Accounting Standards and Regulations

Items	Unaudited	Audited	Unit: RMB
	As at 30 June 2008	As at 31 December 2007	Change (%)
Total assets	12,845,723,721.48	11,034,433,438.69	16.41
Total of owner's equity belong to the parent company	2,569,020,228.88	2,451,509,684.38	4.79
Net assets per share	5.19	4.96	4.79

Items	Unaudited For six months ended 30 June		Change (%)
	2008 (Consolidated)	2007 (Consolidated)	
Operating profit	669,304,297.94	496,786,365.42	34.73
Total profit	697,804,990.56	650,254,337.77	7.31
Net profit attributable to the owners of parent company	533,128,878.53	465,135,036.53	14.62
Net profit after deduction of exceptional items	524,351,368.52	460,331,944.17	13.91
Earnings per share	1.08	0.94	14.62
Diluted earnings per share	1.08	0.94	14.62
Return on net assets (%)	20.75	25.84	-5.09
Net cash flow from operating activities	-617,280,928.42	599,747,487.28	-202.92
Net cash flow per share from operating activities	-1.25	1.21	-202.92

Exceptional items	Unit: RMB
	Amount
Exceptional income items	-
Income from sale or deposition of non-current assets	215,061.47
Various kinds of government subsidies recognized as the profit and loss in current period	8,419,969.66
Other non-operating income	264,444.29
Subtotal	8,899,475.42
Exceptional expenses items	-
Loss from Sale or deposition of non-current assets	944,262.42
Asset depreciation loss provision due to force majeure	-3,628,967.70
Other non-operating expense	533,301.91
Subtotal	-2,151,403.37
The effect to minority interest	2,273,368.78
The effect to net profit attributable to the shareholders	8,777,510.01
Net profit attributable to the shareholders after diluted exceptional items	524,351,368.52

(2). Prepared in accordance with HKAS 34

Items	Unaudited	Audited	Change (%)
	As at 30 June 2008 (Consolidated)	As at 31 December 2007 (Consolidated)	
Current assets	11,153,099	8,950,641	24.61
Current liabilities	9,154,670	7,920,188	15.59
Total assets	12,881,539	11,029,129	16.80
Shareholders' equity (excluding minority interests)	2,569,020	2,451,509	4.79
Net assets per share (RMB)	5.19	4.96	4.64
Gearing ratios (%)	79.44	77.08	2.36

Items	Unaudited For six months ended 30 June		Change (%)
	2008 (Consolidated)	2007 (Consolidated)	
Profit attributable to shareholders	533,130	465,202	14.60
Earnings per share (RMB)	1.0777	0.9404	14.60
Return on net assets (%)	20.75	25.84	(5.09)

(3). Statement of the differences due to different accounting principles

There were no difference due to different accounting principles for net profit and net assets items during the period under review.

III.CHANGES OF SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDINGS

1. CHANGES OF SHARE CAPITAL

	Before the change		Changes during the period (+, -)					Unit: Share After the change	
	Amount	Proportion %	New Share	Bonus Share	Conversion		Sub-total	Amount	Proportion %
					from reserves	Others			
(I) Shares subject to sale restrictions									
(1) State-owned shares	176,650,615	35.71	-	-	-	-	-	176,650,615	35.71
(II) Freely transferable shares									
(1) PRC listed domestic shares	160,628,965	32.47	-	-	-	-	-	160,628,965	32.47
(2) Overseas listed foreign shares	157,398,000	31.82	-	-	-	-	-	157,398,000	31.82
(III) Total number of shares	494,677,580	100	-	-	-	-	-	494,677,580	100

2. SHAREHOLDERS INFORMATION

- As at 30 June 2008, the total number of shareholders of the Company was 55,829, including a shareholder of A shares subject to sale restrictions, 55,717 shareholders of listed freely transferable A shares and 111 shareholders of listed H Shares.
- As at 30 June 2008, the Top 10 shareholders of the Company were as follows:

Shareholder	Addition/ Deductions during the period	Number of shares at the end of the period	Percentage (%)	Number of shares subject to sale restrictions at the end of the period	Shares pledged or congealed	Unit: share
						Nature of shareholders
China State Shipbuilding Corporation	-	176,650,615	35.71	176,650,615	None	State-owned Shareholder
HKSCC Nominees Limited	-138,200	153,114,799	30.95	-	Unknown	Foreign Capital Shareholder
GF Shape Security Investment Fund	-1,115,053	5,500,000	1.11	-	Unknown	Other
GF Jufeng Shape Security Investment Fund	-1,130,500	5,174,757	1.05	-	Unknown	Other
GF Large Growth Mixed Securities Investment Fund	-1,000,000	5,011,451	1.01	-	Unknown	Other
GF Jufu Opening Security Investment Fund	-531,423	4,100,297	0.83	-	Unknown	Other
Pingan Life Insurance Dividend Fund	-	3,049,912	0.62	-	Unknown	Other
Great Wall Anxin Return Mixed Securities Investment Fund	-193,000	3,006,493	0.61	-	Unknown	Other
Great Wall Consumer Value-added Securities Investment Fund	475,142	2,951,231	0.60	-	Unknown	Other
Oriental Choice Mixed Opening Securities Investment Funds	1,359,894	2,929,821	0.59	-	Unknown	Other

3. TOP 10 SHAREHOLDERS OF FREELY TRANSFERABLE SHARES AS AT 30 JUNE 2008

Shareholder	Number of transferable shares as at 30th June 2008	Nature of shares
HKSCC Nominees Limited	153,114,799	H Share
GF Shape Security Investment Fund	5,500,000	A Share
GF Jufeng Shape Security Investment Fund	5,174,757	A Share
GF Large Growth Mixed Securities Investment Fund	5,011,451	A Share
GF Jufu Opening Security Investment Fund	4,100,297	A Share
Pingan Life Insurance Dividend Fund	3,049,912	A Share
Great Wall Anxin Return Mixed Securities Investment Fund	3,006,493	A Share
Great Wall Consumer Value-added Securities Investment Fund	2,951,231	A Share
Oriental Choice Mixed Opening Securities Investment Fund	2,929,821	A Share
GF Strategy Optimization Mixed Securities Investment Fund	2,758,756	A Share

GF Shape Security Investment Fund, GF Jufeng Shape Security Investment, GF Large Growth Mixed Securities Investment Fund, GF Jufu Opening Security Investment Fund and GF Strategy Optimization Mixed Securities Investment Fund are funds managed by GF Fund Management Company. Great Wall Anxin Return Mixed Securities Investment Fund and Great Wall Consumer Value-added Securities Investment Fund are funds managed by Great Wall Fund Management Company. Apart from these, the Company does not know whether the top 10 listed shareholders and the top 10 shareholders of freely transferable shares disclosed above are connected with each other or persons acting in concert as defined in "Information Disclosure Management Procedure relating to Changes of Share-holding of Listed Companies".

4. TOP 10 SHAREHOLDERS OF A SHARES SUBJECT TO SALE RESTRICTIONS AND THE RESTRICTIONS

China State Shipbuilding Corporation ("CSSC"), the only shareholder of A shares subject to sale restrictions of the Company, holds 176,650,615 A shares subject to sale restrictions. The restrictions are as follows:

- (1) The non-tradable shares held by CSSC shall not be listed or traded on any stock exchange within 12 months from the date of implementation of the share reform plan (from 24 May 2006 to 23 May 2007);
- (2) CSSC shall not trade any A shares listed on any stock exchange within 24 months upon the expiry of the aforesaid 12-month period (from 24 May 2007 to 23 May 2009);
- (3) In the event that CSSC disposes of any A Shares which represent 1% or more of the total number of shares of the Company, an announcement shall be made within two business days from the date on which such disposal occurs. However it shall not be necessary for CSSC to stop disposing of the relevant shares in the meantime.

During the period under review, CSSC has complied with its undertaking given in connection with the A share reform.

5. Apart from the shareholders disclosed above, as at 30 June 2008, the following persons, other than the directors and chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register to be kept under section 336 of the Securities and Futures Ordinance of Hong Kong ("SFO").

Shareholder	Shareholding (share)	Proportion of total H shares (%)	Proportion of total Shares(%)
JP Morgan Chase & Co	15,552,000	9.88	3.14
Mirae Asset Global Investments (Hong Kong) Limited	10,930,000	6.94	2.21
Atlantis Investment Management Ltd.	16,000,000	10.17	3.23

6. During the period under review, the controlling holder and actual controller of the Company have not changed. The controlling holder and the actual controller of the Company are CSSC and State-owned Assets Supervision and Administration Commission of the State Council respectively.

IV. INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. CHANGE IN SHARES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2008, the shares of directors, supervisors and senior management including individual and individual's spouse and children under the age of 18 have not changed as compared with 31 December 2007.

2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The tenure of the fifth term Board of the Company expired in May 2008. All the directors and supervisors were reappointed at the 2007 AGM, which was held on 13 May 2008, except for Mr. Wu Fabo and Mr. Bu Miaojin who resigned as they had served the Company as independent non-executive directors for six years, and Mr. Li Junfeng and Mr. Wang Shiming who resigned as non-executive director and external supervisor respectively due to job relocations. In addition, the Company newly appointed Mr. Chen Xin, Mr. Peng Xiaolei as independent non-executive directors, Mr. Pan Zunxian as non-executive director and Mr. Fu Xiaosi as external supervisor by election at the 2007 AGM.

3. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Jingqi holds 2,540 A-shares of the Company. Otherwise, at no time during the period under review had the Company been notified that any director, supervisor or member of senior management (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for equity or debt securities of the Company and or associated corporations (within the meaning of the SFO), nor did they have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited 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.

V. REPORT OF THE BOARD OF DIRECTORS

(I) DISCUSSION AND ANALYSIS OF OPERATION DURING THE PERIOD UNDER REVIEW

During the period under review, the handy-size tanker market keeps relative stabilization. However, the Company is facing greater cost pressure in shipbuilding operation due to the increasing cost of raw material, raising cost of labor and the accelerating appreciation in the value of RMB which influenced by the sub-prime lending crisis of USA and the macro-economic control of China. Moreover, there were more first-building vessels build, and the supply shortage in shipbuilding material and equipments as well as labor resource during the period under review. The Company managed such difficulties actively to keep the steady development of result of the Company.

To deal with the appreciation in the value of RMB and the change of the market, the Company adjusted the product structure and the strategy of securing shipbuilding orders, and speeded up the domestic shipbuilding market development. During the period under review, the Company has secured shipbuilding contracts for four Ro/ro passenger vessels, which represented a development in special vessels market of the Company after the successful acquisition of two semi-submerged vessels in 2007 and developed new fields of shipbuilding operation.

The Company increased the investment in research, implemented the theory of Green Shipbuilding, and firstly introduced new ship types meeting the requirements of CSR and PSPC in China, to further consolidate its position in the global hand-size tanker segment.

The Company further optimized the resource allocation, rationalized the flows of manufacturing, management and relevant administration, to reduce the management cost and improved the whole efficiency.

During the period under review, the operating revenue of the Company and its subsidiaries (Collectively the "Group") in accordance with **PRC Accounting Standards and Regulations** amounted to RMB3,077.2 million (including of that, revenue from the principal operation amounted to RMB3,028.58 million) representing an increase of 27.56% compared with that of the same period last year. The net profit of the Group (attributed to the parent company) amounted to RMB533.13 million representing an increase of 14.62% compared with that of the same period last year. The earnings per share amounted to RMB1.08.

The turnover prepared in accordance with HKAS 34 of the Group amounted to RMB3,077.2 million, representing an increase of 32% over that of last year. The profit attributable to shareholders after taxation and minority interest amounted to RMB533.13 million, representing an increase of 14.60% over that of last year. The earnings per share was RMB1.08.

(II) PRINCIPAL OPERATION INFORMATION

1. Major operation information

Products	Operating income	Operating costs	Operating profit margin %	Unit: RMB		
				Change of operating income compared with that of the same period last year (%)	Change of operating cost compared with that of the same period last year (%)	Increase of operating profit margin compared with that of the same period of last year (%)
Shipbuilding	2,721,098,026.86	2,257,971,591.50	17.02	35.05	31.90	1.98%
Steel structure	145,485,883.48	132,882,066.73	8.66	-39.77	-36.22	-5.08%
Electrical & mechanical products	161,997,638.16	141,149,829.73	12.87	129.42	191.16	-18.48%
Total	3,028,581,548.50	2,532,003,487.96	16.40	30.15	28.61	1%

During the first half of 2008, the Group completed and delivered 7 vessels with a total tonnage of 282,800dwt, commenced construction work on 9 vessels, and launched 9 vessels. The main clients are from European countries such as Denmark, Greece, Malta and other important domestic clients. The major products built during the period under review were 38,500dwt product oil tankers and 51,800dwt product tankers. Moreover, the Group completed 23,307 tons steel structure, and sold 101 hydraulic shearing machines and 160 elevators.

During the period under review, the Group secured new shipbuilding orders of 5 vessels with a tonnage of 80,500dwt. As at 30 June 2008, the Group has accumulated orders for building 65 vessels with a total tonnage of 2,801,800 dwt with delivery dates till year 2012.

2. Geographical Statement of Operation

Area	Unit: RMB	
	Operating income	Change (±%)
Denmark	837,227,935.66	581.49
Malta	680,747,774.99	420.09
Germany	29,474,265.95	100.00
Liberia	0.00	-100.00
Sweden	354,417,916.83	607.10
U.S.A	110,217,578.80	-36.01
Oman	0.00	-100.00
Greece	358,635,018.42	197.91
Hong Kong	144,360.17	-98.62
Macao	0.00	-100.00
Others	33,008,475.60	472.74
Subtotal	2,403,873,326.42	88.28
The Mainland China	624,708,222.08	-40.52
Total	3,028,581,548.50	30.15

3. Reasons of the significant change in the profit breakdown compared with last year

Items	First half of 2008		First half of 2007		Change (%)
	Amount	Percentage in	Amount	Percentage in	
		total profit (%)		total profit (%)	
Selling expenses	2,871	4.11	596	0.92	346.74
Financial expenses	-21,430	30.71	-4,540	6.98	339.97
Impairment losses	-484	-0.69	1,265	1.95	-135.38
Gain from change of fair value	2,886	4.13	14,937	22.97	-82.02
Investment income	6,521	9.34	719	1.11	741.44
Non-operating revenue	3,047	4.36	15,557	23.92	-81.77
Total profit	69,780	100.00	65,025	100.00	0.00

Notes:

- (1) The percentage of selling expenses in total profit increased, mainly because the warranty expenses provision for shipbuilding products has been adjusted from production costs to sales expenses since the end of 2007 in accordance with PRC Accounting Standards and Regulations.
- (2) The percentage of financial expenses decreased mainly due to the increased exchange gains benefited from the increased foreign currency loans and the appreciation of RMB, as well as the increased interest income benefited from the proper management of funds during the period under review.
- (3) The percentage of impairment losses decreased, mainly due to the provision for inventory made during 2007.
- (4) The percentage of gain from change of fair value decreased mainly due to the delivery of partial forward foreign exchange settlement contracts and lower marketing evaluation of the appreciation in the value of RMB.
- (5) The percentage of investment income increased mainly due to the income of actual delivery of partial forward settlement contracts.
- (6) The percentage of non-operating revenue decreased mainly due to the change of shipbuilding production structure during the period under review.

3. Problems and difficulties of operation and their solutions

During the period under review, the Group met problems and difficulties principally in human resource shortage, work space restriction, the RMB exchange rate risk and the increasing cost of raw materials.

Alongside with the development of China shipbuilding industry, the demand for shipbuilding human resource is increasing rapidly. For introducing and stabilizing talents, the Company pressed performance management, adjusted the position arrangement rationally alongside with the organization structure adjustment, identified key position and core talent and paid more to them appropriately, established the occupation development plans for staff, implement the corporate pension funds system, to press the human resource exploration and efficient use.

As the shipbuilding output of the Company enlarged rapidly in these several years, the work space restriction problem intensified. To solve such problem, the Company pressed several major projects and technical innovation, focusing on the relocation of electro-mechanic processing center, construction of assembly shipbuilding work space and the capacity expansion of Shunde Shipyard, the increased capacity of which has put in production. Moreover, the Company is still seeking workplace to solve the work space restriction for the long-term development of the Company.

During the period under review, the appreciation in value of RMB is accelerating. The Company has paid attention on the foreign exchange fluctuation and taken advantage of the measures such as forward foreign exchange settlement and debt hedging to reduce the exchange rate risk. Moreover, the Company increased the shipbuilding orders which is settled by RMB and adjusted the payment structure of contracts to avoid the financial risk resulted from the change of exchange rate.

During the period under review, to reduce the impact of increasing price of raw materials, the Company carried out strict cost control on raw materials, adjusted the reserve of steel rationally and increased the utilization rate of steel to increase income and decrease expenditure.

(III) INVESTMENTS INFORMATION

1. Application of proceeds from share offering

The Company had not raised funds during this period nor utilized any proceeds previously raised.

2. Application of other capital

During this period under review, the Group totally invested RMB125.83 million, representing an increase of 86.52% compared with the same period last year (RMB67.46 million). The major invested projects were as follows:

Item	Amount (RMB'0000)	Progress	Income
Innovation and reform projects	3,802	Partly finished	Finished part has started to generate income
Electro-mechanic processing center project	8,781	Under construction	Not yet generate income

(IV) Financial position and analysis of operations

1. Profit and loss statement items

Item	First half of 2008	First half of 2007	Increment (±)	Unit: RMB
				Change (±%)
Selling expenses	28,710,868.64	5,961,634.20	22,749,234.44	381.59
Financial expenses	-214,304,652.89	-45,396,144.04	-168,908,508.85	372.08
Impairment losses	-4,838,623.60	12,651,451.02	-17,490,074.62	-138.25
Gain from change of fair value	28,855,818.40	149,371,654.56	-120,515,836.16	-80.68
Investment income	65,206,694.00	7,193,585.77	58,013,108.23	806.46
Non-operating revenue	30,470,778.39	155,571,789.74	-125,101,011.35	-80.41

Reasons of significant change please refer to "Reasons of the significant change in the profit breakdown compared with last year stated in (II) 3 in this chapter.

2. Balance sheet items

Item	End balance	Beginning balance	Change (%)	Unit: RMB
				Percentage in total assets (%)
Accounts receivable	172,144,996.31	314,322,502.65	-45.23	1.34
Advances to suppliers	722,672,586.84	514,980,821.52	40.33	5.63
Inventories	1,318,834,675.37	955,349,681.48	38.05	10.27
Available-for-sale financial assets	348,779,410.08	575,174,357.75	-39.36	2.71
Construction-in-progress	184,921,633.97	105,089,480.85	75.97	1.44
Short-term loans	2,598,365,001.49	494,297,390.00	425.67	-
Trading financial liabilities	20,500,780.14	11,628,218.98	76.30	-
Advances from customers	335,377,295.08	250,222,378.27	34.03	-
Accrued employee compensation	9,002,073.94	35,803,402.22	-74.86	-
Taxes and expenses payable	85,517,140.41	272,040,368.76	-68.56	-
Other payables	58,089,859.58	93,294,913.66	-37.74	-
Long-term liabilities due within one year	748,898,321.06	1,160,077,390.49	-35.44	-
Long-term borrowings	870,986,324.84	387,468,446.74	124.79	-
Undistributed profits	1,022,364,659.47	736,574,570.94	38.80	-
Total assets	12,845,723,721.48	11,034,433,438.69	16.41	-

Reasons of change more than 30%:

- (1) The accounts receivable decreased by 45.23%, mainly due to the returned payment of installments for sale progress.
- (2) The advances to suppliers increased by 40.33%, mainly due to the increase of purchase prepayment of equipments and materials, resulted from enlargement of the Company's production scale and increasing lack of supply in the market.
- (3) The inventories increased by 38.05%, mainly due to the increase of material reserve which was caused by more vessels being commenced constructions and the increase prices of materials.
- (4) The available-for-sale financial assets decreased by 39.36%, mainly due to the change of fair value resulting from price fluctuation of the market.
- (5) The construction-in-progress increased by 75.97%, mainly due to more investment in Nansha Machining Center and the purchasing of fixed assets.
- (6) Short-term loans increased by 425.67%, mainly due to the foreign currency loans for defending the exchange risk during the period under review.
- (7) The balance of trading financial liability aforesaid, which is the fair value of derivative financial instruments of the Company, made a significant increase, the main reason is that the fair value of USD/RMB forward contract for the purpose of defending exchange risk increase largely with fast appreciation of RMB.
- (8) Advances from Customers increased by 34.03% compared to the beginning, mainly resulted from prepaid shipbuilding consideration by ship-owners, and at the same time, steel structure business enlarges a lot, concurrently leading to inflow of prepayment based on new contracts.

- (9) Accrued employee compensation decreased by 74.86%, mainly due to the rewards for the year of 2007 being paid during the period under review.
- (10) Taxes and expenses payable decreased by 68.56%, mainly due to payment of the income tax of the Company for the year 2007.
- (11) Other payables decreased by 37.74%, mainly due to the payment of employees' housing subsidies.
- (12) Long-term liabilities due within one year decreased by 35.44%, mainly due to the return of mature bank loans.
- (13) Long-term borrowings increased. (Please refer to "Short-term loan").
- (14) Undistributed profits increased by 38.8%, mainly due to transferred profit of 2008 and the paid dividend of 2007 with an amount of RMB247.34 million

3. Cash flow statement items

Item	First half of 2008	First half of 2007	Unit: RMB Change (%)
Net cash flow from operation activities	-617,280,928.42	599,747,487.28	-202.92
Net cash flow from investing activities	-2,260,715,153.34	30,294,629.54	-7,562.43
Net cash flows from financing activities	2,066,247,077.83	-16,195,997.18	12,857.76

Reasons of considerable change:

- (1) The decrease of the net cash flow from operating activities is mainly due to less shipbuilding orders during the period which is resulted from the adjustment of the strategy of acquisition of shipbuilding orders and product structure. Meanwhile, the Company properly increased the purchase of major materials to deal with the increasing price of materials cost and inadequate supply of materials which also caused the decrease of the net cash flow from operating activities.
- (2) The decrease of the net cash flow from investing activities is mainly due to the increase of RMB deposit for pledge to avoid the exchange rate risk.
- (3) The cash flows from financing activities increased considerably, mainly due to the increase of foreign currency loans used to avoid exchange rate risk.

(V) DETAILED INFORMATION ON CHARGES ON ASSETS OF THE GROUP

As at 30 June 2008, assets with a book value of RMB 130.55 million have been charged as security for the Group's bank borrowings.

(VI) STAFF OF THE COMPANY AND THE REMUNERATION POLICY

As at 30 June 2008, the number of employees on the payroll of the Company was 3,596. The remuneration of the employees of the Group include their salaries, bonuses and other fringe benefits. The Group applies different rates of remuneration for different employees, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

(VII) PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the second half of 2008, the Company will strengthen cost control, avoid various risks and improve profitability; keep on improving management, optimizes shipbuilding production and management flow, further improve shipbuilding efficiency to achieve the goal of "Commence construction of 18 vessels, launch 17 vessels and deliver 18 vessels"; enhance technical innovation and develop new type oil tankers and high-tech vessels such as semi-submersible heavy lift vessel and Ro/Ro passenger vessel; Improve marketing of the vessels that meeting the requirements of PSPC and improve its market share to made preparation for the upgrade of products. In the view of well-receival of vessels which meeting the requirements of PSPC and the projects under negotiation, it is expected that the Company should secure many orders for product oil tankers and achieve the goal of securing 16 vessels in 2008.

In the second half of 2008, in accordance with its production structure and the market, the Company will take opportunities of the development of shipbuilding industry in South China, further optimize production structure and complete the purchase of high-quality ship assets; accomplish the name-change of the Company and determined the development strategy of the Company.

VI.SIGNIFICANT EVENTS

(I) CORPORATE GOVERNANCE INFORMATION

1. Corporate Governance Practices

During the period under review, the Company had complied with the Company Law and the Securities Law of the PRC, relevant regulations issued by China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, actively consummated its corporate governance structure, and standardized its operations.

During the period under review, the Company had complied with the code provisions set out in the Code of Corporate Governance Practices contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In accordance with the revised Internal Control Implementation Framework, the Company should conduct the internal control review and analysis at least once a year. The internal control review for year 2008 will begin from September this year, to pinpoint relevant key points, then review and analysis them gradually. The contents and results of this review and analysis considered and approved by the board of directors will be published in the annual report of 2008.

The Company developed toward Resources-Saving and Environmental-Friendly enterprise, for achieving its goals of saving energy and reducing emission. Moreover, the Company was willing to take the social responsibility and contribute itself for building the harmonious society when confronting the Snow Disaster and Sichuan Earthquake in first half year.

Besides, the Company gained the title of “Top Ten Social-responsible Enterprises, Guangzhou 2007”, and Mr. Li zhushi, Board Chairman, gained the title of “Top Ten Social-responsible Entrepreneurs, Guangzhou 2007”.

2. Securities Transactions by Directors

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organs in relation to securities transactions by directors and has consistently upheld the principle of complying with the most stringent provisions. The Company had adopted the Model Code for Securities Transactions by Directors of Listed Companies. The Company has made specific inquiry of all its directors for preparing this report and all directors have confirmed that they have complied with Model Code for Securities Transactions by Directors of Listing Companies during the period under review.

3. Meetings of Board of Directors

During the period under review, the Board of Directors of the Company held six meetings, including two meetings by means of written resolutions. All the directors including proxies attended the meetings.

Moreover, the Audit Committee of the Board held two meetings to review the financial reports for year 2007 and the first quarter of 2008. The Nomination Committee of the Board held two meetings to review and select the candidates for Directors, Board Chairman and President of the New Term of Board of Directors. And the Emolument and Examination Committee held two meetings to discuss and review the reward policies and reward scheme for executive directors, internal supervisors and senior management.

(II) PROFIT DISTRIBUTION PLAN DURING THE PERIOD UNDER REVIEW

In accordance with the resolution of 2007 Annual General Meeting, the 2007 scheme of profit distribution of the Company is as follows: (1) to offset the loss of accumulated retained earnings; (2) deduct 10% of the retained earnings after offsetting the loss above-mentioned amounting to RMB753,435,405.82 as statutory public welfare fund, which amounted to RMB75,343,540.58; (3) to pay dividend of RMB0.5 (Include Tax) on each of the 494,677,580 shares in issue, the total dividend will amount to RMB247,338,790. The scheme of profit distribution has been completed in June 2008.

(III) THE COMPANY DID NOT MAKE PROFIT DISTRIBUTION AND DID NOT INCREASE ITS SHARE CAPITAL BY TRANSFER FROM CAPITAL RESERVE FOR THE FIRST HALF OF 2008.

(IV) SIGNIFICANT LITIGATION OR ARBITRATION EVENT

The Company and Guangzhou International Trust Investment Company (“GZITIC”), Hong Kong Guanghong Intl’ Co., Ltd (“HKGH”) entered into a “Credit’s Right Transfer Agreement”, GZITIC transferred the creditor right amounting RMB 10.64 million of HKGH owned by Guangzhou International Trust Investment Development Co., Ltd., a subsidiary of GZITIC, to the Company. At the same time, the Company and the HKGH entered into a “Debt Offset Agreement”, which stated that HKGH would transfer seven cars to the Company, while the rest of debts would be settled with its interest in Guanghong Electronic (Shenzhen) Co., Ltd.

As HKGH still did not fulfill its obligations after several negotiations, the Company raised the litigation against HKGH for settling the debts amounted RMB 10.64 million and relevant interests owned by the Company to the Secondary People’s Court of Guangzhou. The Court accepted the case, and seized the interest in Guanghong Electronic (Shenzhen) Co., Ltd., which controlled by HKGH.

Apart from that, no significant litigation arbitration events occurred during the period under review.

(V) SHARES OF OTHER LISTED COMPANY POSSESSED BY THE COMPANY AND ITS INVESTMENT INFORMATION

NO.	Stock Code	Abbreviation	Share	Initial investment cost (RMB)	Book Value As at 30 June 2008	Book Value As at 31 December 2007	Classify
1	600036	Merchants Bank	12,153,348	10,010,000.00	284,631,410.16	441,884,357.75	Available-for-sale financial assets
2	601872	Merchants Energy Shipping	10,000,000	37,100,000.00	61,700,000.00	128,700,000.00	Available-for-sale financial assets
Total			–	47,110,000.00	346,331,410.16	570,584,357.75	–

(VI) PROPERTY TRANSFER

The Company entered into conditional equity transfer agreement (the “Agreement”) with CSSC on 25 July 2008, to purchase 100% equity interest in Guangzhou Wenchong Shipyard Co., Ltd. (“GWS”), a wholly-owned subsidiary of CSSC. The acquisition price is RMB3,041,226,700. The Agreement will be completed when the capital verification report on receipt by the Company of the proceeds of the Proposed Rights Issue is issued. The Agreement will be terminated, if the Proposed Rights Issue is not approved by the relevant securities regulatory administrative departments. For more details please refer to the announcements in connection with the proposal acquisition issued on 30 June 2008, 21 July 2008 and 25 July 2008 by the Company.

(VII) SIGNIFICANT CONNECTED TRANSACTIONS

1. Routine connected transactions

Unit: RMB

No.	Content and category	Transaction amount	Proportion in the same type of transactions	Pricing basis
1	Total materials and labor services supplied to CSSC Group by the Company	59,930,919.81		
1.1	Electro-mechanical facility and metallic material	35,481,906.75	72.98	Market price
1.2	Power Source	1,197,140.53	2.46	Cost plus management fee from 20% to 25%
1.3	Labor and technology services	23,251,872.53	47.82	Not less than the price to the third parties
2	Total materials and labor services supplied to the Company by CSSC Group	126,800,248.05		
2.1	Electro-mechanical facility, metallic, marine accessories and marine equipment	105,144,712.23	6.78	Market price or not less favorable than the price offered by the third independent parties
2.2	Labor and technology services	21,655,535.82	6.43	Cost plus management fee of 10%
3	Financial services supplied from CSSC Group	114,870.94		
3.1	Deposits	27,942,514.73		Interest rate on deposits published by the People's Bank of China
3.2	Interest from deposits	114,870.94	0.09	
3.3	Loans	–		
3.4	Interest from loans	–		
4	Total guarantee fees for guarantee supplied to the Company from CSSC Group	4,545,199.63	100	Agreed fee, not more than the price offered by the third independent parties
5	Total sales agency fees	22,238,353.83	49.33	1% of contract price in accordance with international practice
6	Total purchases agency fees	3,163,011.10	0.20	1% to 2% of contract price in accordance with international practice

Since the H-shares of the Company were listed on The Stock Exchange of Hong Kong Limited, the Group had engaged in various continuing connected transactions with the CSSC Group due to the nature of assembly building. The transactions including importing raw materials and equipment and handling export through subsidiaries of CSSC, purchasing electrical and mechanical equipment from manufacturers under the supervision of CSSC, provision of testing, design, management and subcontracting services by companies controlled by CSSC, and purchase of marine equipments and steel through the materials procurement department of CSSC with its advantage of bargaining ability.

All the transactions were entered into by bidding or on term no worse than that offered by independent third parties. Moreover, the Company makes clear the responsibilities and obligations of both parties in the relevant contracts. Therefore, the transactions did not make impact on independence of the Company, and nor lead to dependence of the Company on any connected parties.

Matters in relation to connected transactions are set out in Connected Transactions in the note (X) to the financial statements prepared under PRC Accounting Standards and Regulations and in the note(21) to condensed consolidated interim financial information in accordance with HKAS 34 contained in this report.

It was anticipated that business of the Group will increase and took the proposed acquisition into consideration, the Company and CSSC has entered into Supplemental Agreement to 2007 Framework Agreement and Conditional Supplemental Agreement to 2007 Framework Agreement (the "agreements"). The agreements were approved by the Second Meeting of the Sixth Term of the Board and the first extraordinary general meeting of 2008.

Property and interest transfer

The *Conditional Equity Transfer Agreement* was entered into between the Company and CSSC on 25 July 2008 for purchase by the Company 100% equity interest in GWS, wholly-owned subsidiary of CSSC, also constituted a major and connected transaction. For more details please refer to the announcements in connection with the proposed acquisition issued on 30 June 2008, 21 July 2008 and 25 July 2008 by the Company on Shanghai Security.

The independent non-executive directors of the Company consider that the terms of the acquisition of GWS and the basis for determining the consideration are fair and reasonable so far as the independent of the Company shareholders are concerned, and are in the interests of the Company and its independent H shareholders as a whole.

(VIII) SIGNIFICANT CONTRACTS AND PERFORMANCES

Two shipbuilding contracts, each for building two Ro/Ro passenger vessels, were entered into between the Company and China Shipping Passenger Liner Company Limited and its joint venture company, China Shipping Gang Lian Maritime Company Limited respectively on 15 May 2008. The value of the contracts amounts to approximately RMB 2.1 billion. The contracts will be beneficial to adjust the Company's product receivables structure, and thereby reduce the risk of RMB appreciation. Moreover, the construction of the Vessels will improve the Company's product structure as well as help towards achieving the Company's strategic goal of developing hi-tech ships, and improve its competitiveness and risk management. For more details please refer to the announcement issued on 15 May 2008 by the Company.

(IX) IMPLEMENTATION OF COMMITMENT

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

(X) SIGNIFICANT TRUSTS, CONTRACTS AND LEASES

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

(XI) APPOINTMENT OR DEMISSION OF THE AUDITORS

The 2007 Annual General Meeting approved to re-appoint Ascenda Certified Public Accountants Limited (Beijing) and Pricewaterhousecoopers as the domestic auditors and international auditors of the Company respectively.

(XII) PUNISHMENT AND RECTIFICATION OF THE COMPANY, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER OF THE COMPANY

During the period under review, there is no inspection, administrative penalty by China Securities Regulatory Commission nor publicly criticism by stock exchange to the Company and its directors, supervisors, senior management, controlling shareholders and actual controller.

(XIII) OTHER SIGNIFICANT EVENTS

1. The 2008 Rights Issue Proposal of the Company was approved by the second meeting of the sixth term of the Board held on 30 June 2008, the first Extraordinary General Meeting of 2008, A Shareholders Class Meeting and H Shareholders Class Meeting held on 18 August 2008. The Proposal Rights Issue must be submitted to China Securities Regulatory Commission for approval. For details please refer to the announcements issued on 30 June 2008 and 18 August 2008 by the Company.
2. Pursuant to the approval of the sixteenth meeting of the fifth term of the Board, the Company entered into a maximum amount guarantee contract for a maximum guarantee amount of RMB50 million with Bank of China, Zhujiang Branch during the period from December 2006 to January 2007, so as to guarantee working capital loan of United Steel Structure Limited, a 51% subsidiary of the Company. Pursuant to the approval of the twenty-eighth meeting of the fifth term of the Board, the amount of the guarantee has decreased to RMB30 million, during the year 2008. Apart from that, no significant external guarantees occurred during the period under review.
3. In order to avoid RMB exchange rate risks for the shipbuilding order which would be delivered after the year 2010, the new increased loans of the Company in the first half 2008 amounted to USD367 million and HKD148 million.
4. Pursuant to the approval of the thirty-first meeting of the fifth term of the Board, the Company increase the registered capital of Glory Group Development Co., Ltd. (the "Glory Development"), a subsidiary of the Company, to HKD30 million, to invest RMB11.2 million in the second project of Zhenjiang CSSC Hyundai Generator Equipment Co., Ltd. in accordance with proportion of equity interest (32%). And that project' investment will have positive impact for the development of shipbuilding supporting of the Group.
5. As at 30 June 2008, the Group has no significant contingent liabilities.
6. As at 30 June 2008, the gearing ratio of the Company was 79.39% (77.10% at the beginning of the period). The change is mainly due to hedge the RMB exchange rate risk, increased well the loans of the bank.
7. There has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the period under review.

VII. FINANCIAL STATEMENTS (UNAUDITED)

The financial statements of the Company have been prepared in accordance with the Accounting Systems for Business Enterprises promulgated in the People's Republic of China.

Balance Sheet As at June 30, 2008

Unit: RMB

Asset	Consolidated		Parent Company	
	End Balance	Beginning Balance	End Balance	Beginning Balance
Current Assets:				
Monetary funds	8,334,374,005.88	6,854,408,172.27	8,266,247,478.49	6,795,682,384.53
Trading financial assets	332,038,310.99	294,309,931.43	332,038,310.99	294,309,931.43
Notes receivable	—	—	—	—
Accounts Receivable	172,144,996.31	314,322,502.65	91,220,525.28	208,019,567.55
Advances to suppliers	722,672,586.84	514,980,821.52	680,306,268.75	554,051,866.66
Insurance receivable	—	—	—	—
Interest receivable	—	—	—	—
Dividend receivable	—	—	—	—
Other receivables	253,694,683.36	244,211,429.71	256,313,837.22	243,384,219.73
Inventories	1,318,834,675.37	955,349,681.48	1,176,456,146.18	846,411,548.82
Non-current assets due within one year	—	—	—	—
Other current assets	—	—	—	—
Sub-total of current assets	11,133,759,258.75	9,177,582,539.06	10,802,582,566.91	8,941,859,518.72
Non-current assets:				
Available-for-sale financial Assets	348,779,410.08	575,174,357.75	348,779,410.08	575,174,357.75
Held-to-maturity investment	—	—	—	—
Long-term receivables	—	—	—	—
Long-term equity investment	36,143,236.37	34,873,588.85	104,888,274.52	104,605,396.75
Investment properties	99,473,651.14	100,611,056.86	99,473,651.14	100,611,056.86
Fixed assets	941,779,690.84	937,526,406.93	899,417,839.52	898,498,642.92
Construction in progress	184,921,633.97	105,089,480.85	184,921,633.97	100,516,696.29
Project goods and material	—	—	—	—
Disposal of fixed assets	—	—	—	—
Intangible assets	90,945,119.85	92,915,557.89	81,574,603.54	83,427,665.56
Long-term deferrals	—	—	—	—
Deferred tax assets	9,921,720.48	10,660,450.50	8,314,697.97	7,851,272.09
Other non-current assets	—	—	—	—
Sub-total of non-current assets	1,711,964,462.73	1,856,850,899.63	1,727,370,110.74	1,870,685,088.22
Total assets	12,845,723,721.48	11,034,433,438.69	12,529,952,677.65	10,812,544,606.94
Liabilities & owners' (stockholders') equity				
Current liabilities:				
Short-term loans	2,598,365,001.49	494,297,390.00	2,438,890,220.00	471,227,390.00
Trading financial liabilities	20,500,780.14	11,628,218.98	20,500,780.14	11,628,218.98
Notes payable	—	—	—	—
Accounts payable	602,776,687.57	624,390,269.85	635,319,688.49	598,591,406.02
Advances from customers	335,377,295.08	250,222,378.27	288,003,447.84	234,290,739.62
Accrued employee compensation	9,002,073.94	35,803,402.22	3,924,652.64	30,725,980.92
Tax and expenses payable	85,517,140.41	272,040,368.76	82,235,942.46	262,924,495.91
Interest payable	—	—	—	—
Other payables	58,089,859.58	93,294,913.66	49,862,890.98	83,581,622.99
Insurance contract provision	—	—	—	—
Dividend payable	35,204.38	9,169.38	35,204.38	9,169.38
Long-term liabilities due within one year	748,898,321.06	1,160,077,390.49	748,898,321.06	1,160,077,390.49
Other current liabilities	4,545,981,226.00	4,871,825,309.94	4,565,600,715.00	4,872,543,454.90
Sub-total of current liabilities	9,004,543,589.65	7,813,588,811.55	8,833,271,862.99	7,725,599,869.21

Asset	Consolidated		Parent Company	
	End Balance	Beginning Balance	End Balance	Beginning Balance
Long-term liabilities:				
Long-term borrowings	870,986,324.84	387,468,446.74	870,986,324.84	387,468,446.74
Bonds payable	–	–	–	–
Long-term payables	–	–	–	–
Special payables	24,570,000.00	24,570,000.00	24,570,000.00	24,570,000.00
Provision	71,704,250.80	61,652,483.76	71,704,250.80	61,652,483.76
Deferred tax liabilities	211,972,440.33	201,603,184.22	211,972,440.33	201,603,184.22
Other long-term liabilities	14,003,187.83	18,192,133.87	14,003,187.83	18,192,133.87
Sub-total of long-term liabilities	1,193,236,203.80	693,486,248.59	1,193,236,203.80	693,486,248.59
Total liabilities	10,197,779,793.45	8,507,075,060.14	10,026,508,066.79	8,419,086,117.80
Owners'(stockholders') equity				
Paid-in capital (or stock)	494,677,580.00	494,677,580.00	494,677,580.00	494,677,580.00
Capital reserves	876,486,937.49	1,044,766,481.52	876,486,937.49	1,044,766,481.52
Less: treasury stock	–	–	–	–
Surplus reserves	175,491,051.92	175,491,051.92	174,315,239.75	174,315,239.75
Common risk provision	–	–	–	–
Undistributed profit	1,022,364,659.47	736,574,570.94	957,964,853.62	679,699,187.87
Foreign currency translation difference	–	–	–	–
Total of owner's equity belong to the parent company	2,569,020,228.88	2,451,509,684.38	2,503,444,610.86	2,393,458,489.14
Minority Interest (B/S)	78,923,699.15	75,848,694.17	–	–
Total owners'(stockholders') equity	2,647,943,928.03	2,527,358,378.55	2,503,444,610.86	2,393,458,489.14
Total liabilities & owners' (stockholders') equity	12,845,723,721.48	11,034,433,438.69	12,529,952,677.65	10,812,544,606.94

Income Statement
For the Period from January 1, 2008 to June 30, 2008

Unit: RMB

Items	Consolidated		Parent Company	
	First half of 2008	First half of 2007	First half of 2008	First half of 2007
I. Total Operating revenue	3,077,202,691.70	2,412,391,363.23	2,849,279,612.20	2,068,723,919.59
Less: Operating costs	2,566,412,773.25	1,997,947,247.36	2,366,620,647.63	1,750,932,801.26
Taxes and surcharge	8,216,521.56	8,302,153.11	6,636,876.53	6,907,462.77
Selling expenses	28,710,868.64	5,961,634.20	26,243,409.22	1,513,166.83
General and administrative expenses	117,764,019.20	92,703,896.49	107,153,767.91	79,844,755.93
Financial expenses	-214,304,652.89	-45,396,144.04	-220,680,904.23	-50,574,835.43
Impairment loss	-4,838,623.60	12,651,451.02	–	1,331,875.59
Add: Gain from change of fair value	28,855,818.40	149,371,654.56	28,855,818.40	149,371,654.56
Investment income	65,206,694.00	7,193,585.77	64,167,331.71	6,525,108.20
Including: Investment income/loss from associates and jointly controlled entities				
II. Operating Profit (“-” for loss)	669,304,297.94	496,786,365.42	656,328,965.25	434,665,455.40
Add: Non-operating revenue	30,470,778.39	155,571,789.74	30,188,148.21	155,422,157.73
Less: Non-operating expenditures	1,970,085.77	2,103,817.39	1,345,480.53	2,001,254.54
Including: Loss on disposal of non-current assets				
III. Income before tax (“-” for loss)	697,804,990.56	650,254,337.77	685,171,632.93	588,086,358.59
Less: Income tax	161,601,107.04	164,388,538.89	159,567,177.18	147,836,431.77
IV. Net Profit (“-” for loss)	536,203,883.52	485,865,798.88	525,604,455.75	440,249,926.82
Net profit attributable to the owners of parent company	533,128,878.53	465,135,036.53	525,604,455.75	440,249,926.82
Minority interest (P&L)	3,075,004.99	20,730,762.35	–	–
V. Earnings per share (EPS):				
i) Basic EPS	1.08	0.94	–	–
ii) Diluted EPS	1.08	0.94	–	–

Cash Flow Statement
For the Period from January 1, 2008 to June 30, 2008

Unit: RMB

Items	Consolidated		Parent Company	
	First half of 2008	First half of 2007	First half of 2008	First half of 2007
I. Cash flows from operating activities:				
Cash received from the sale of goods or rendering of services	2,849,106,810.06	3,117,344,273.96	2,378,998,370.10	2,695,959,334.24
Refunds of taxes	269,257,270.62	86,779,508.93	267,174,959.91	68,754,324.04
Other cash receipts relating to operating activities	24,507,769.60	46,710,668.95	6,418,868.00	31,835,344.68
Sub-total of cash inflows	3,142,871,850.28	3,250,834,451.84	2,652,592,198.01	2,796,549,002.96
Cash paid for goods and services	3,014,938,898.91	2,266,934,797.64	2,551,612,166.89	1,954,877,848.67
Cash paid to and on behalf of employees	337,393,803.36	202,500,448.26	224,161,519.66	136,744,574.04
Payments of all types of taxes	309,742,958.89	50,625,687.07	287,702,855.97	30,047,551.89
Other cash payments relating to operating activities	98,077,117.54	131,026,031.59	73,984,491.37	93,512,572.55
Sub-total of cash out flows	3,760,152,778.70	2,651,086,964.56	3,137,461,033.89	2,215,182,547.15
Net cash flows from operating activities	-617,280,928.42	599,747,487.28	-484,868,835.88	581,366,455.81
II. Cash flows from investing activities:				
Cash received from return of investments	10,430,695.00	319,915,964.62	10,430,695.00	319,675,580.00
Including: Cash received from sale of subsidiary company	-	-	-	-
Cash received from return on investment	63,731,676.24	2,469,920.00	63,731,676.24	2,469,920.00
Net cash received from the sale of fixed assets, intangible assets and other long-term assets	253,963.83	523,913.00	191,713.83	523,413.00
Other cash receipts relating to investing activities	51,927,738.52	21,008,776.00	51,897,550.12	20,988,952.85
Sub-total of cash inflows	126,344,073.59	343,918,573.62	126,251,635.19	343,657,865.85
Cash paid to acquire fixed assets, intangible assets and other long-term assets	78,282,207.68	62,051,591.31	75,265,188.84	60,168,978.31
Cash paid to acquire investments	10,430,695.00	251,572,352.77	10,430,695.00	251,572,352.77
Other cash payments relating to investing activities	2,298,346,324.25	-	2,298,152,850.00	-
Sub-total of cash out flows	2,387,059,226.93	313,623,944.08	2,383,848,733.84	311,741,331.08
Net cash flows from investing activities	-2,260,715,153.34	30,294,629.54	-2,257,597,098.65	31,916,534.77
III. Cash flows from financing activities:				
Cash received from investments by others	-	-	-	-
Incl. Cash received as investment from minor shareholders	-	-	-	-
Cash received from borrowings	3,041,581,222.38	356,164,421.69	2,722,380,460.00	259,444,057.50
Other cash receipts relating to financing activities	11,829,793.54	6,905,376.75	2,000,000.00	-
Sub-total of cash inflows	3,053,411,015.92	363,069,798.44	2,724,380,460.00	259,444,057.50
Cash repayments of amounts borrowed	670,802,097.02	343,684,037.19	496,607,914.00	226,599,078.00
Cash paid for distribution of dividends or profits and for interest expenses	309,234,435.62	34,580,397.60	308,078,359.80	30,921,696.62
Incl. Dividend and profit paid by subsidiaries to minor shareholders	-	-	-	-
Other cash payments relating to financing activities	7,127,405.45	1,001,360.83	15,099.41	963,969.97
Incl. Cash paid to minor shareholders due to the legal capital reduction of the subsidiary company	-	-	-	-
Sub-total of cash out flows	987,163,938.09	379,265,795.62	804,701,373.21	258,484,744.59
Net cash flows from financing activities	2,066,247,077.83	-16,195,997.18	1,919,679,086.79	959,312.91
IV. Effect of changes in foreign exchange rate on cash				
	-3,508,092.58	-5,708,962.15	-4,800,908.30	-3,991,297.96
V. Net increase in cash and cash equivalents	-815,257,096.51	608,137,157.49	-827,587,756.04	610,251,005.53
Add: Cash and cash equivalents at the beginning of the period	6,739,631,979.44	4,338,007,057.97	6,698,359,234.53	4,252,200,864.96
VI. Cash and cash equivalents at the end of the period	5,924,374,882.93	4,946,144,215.46	5,870,771,478.49	4,862,451,870.49

Consolidated Statement of Changes in Equity
For the Period from January 1, 2008 to June 30, 2008

Unit: RMB

Item	Current Year								Last Year							
	Owners' Equity Attributable to the Parent Company								Owners' Equity Attributable to the Parent Company							
	Paid-in capital (or stock)	Capital Reserves	Less: Treasury stock	Surplus reserves	Undistributed Profit	Others	Minor shareholders' equity	Total owners' equity	Paid-in capital (or stock)	Capital Reserves	Less: Treasury stock	Surplus reserves	Undistributed Profit	Others	Minor shareholders' equity	Total owners' equity
I. Total Equity at the end of last year	494,677,580.00	1,044,766,481.52	-	175,491,051.92	736,574,570.94	-	75,848,694.17	2,527,358,378.55	494,677,580.00	793,464,788.81	-	100,147,511.34	-126,577,188.54	-	61,404,848.23	1,323,117,539.84
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior period errors adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Total equity at the beginning of the year	494,677,580.00	1,044,766,481.52	-	175,491,051.92	736,574,570.94	-	75,848,694.17	2,527,358,378.55	494,677,580.00	793,464,788.81	-	100,147,511.34	-126,577,188.54	-	61,404,848.23	1,323,117,539.84
III. Increase (decrease) in equity																
in current year	-168,279,544.03	-	-	-	285,790,088.53	-	3,075,004.98	120,585,549.48	-251,301,692.71	-	-	75,343,540.58	863,151,759.48	-	14,443,845.94	1,204,240,838.71
(i) Net profit	-	-	-	-	533,128,878.53	-	3,075,004.98	536,203,883.51	-	-	-	-	940,656,796.04	-	14,443,845.94	955,100,641.98
(ii) Gain/Loss directly recognized in equity	-168,279,544.03	-	-	-	-	-	3,075,004.98	-168,279,544.03	-251,301,692.71	-	-	-	-	-	14,443,845.94	251,301,692.71
1. Net movement on fair value of available-for-sale financial assets	-168,279,544.03	-	-	-	-	-	-	-168,279,544.03	-251,301,692.71	-	-	-	-	-	-	251,301,692.71
2. Change on investee's equity under equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Influence of income tax related to owners' equity items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total of (i) & (ii)	-168,279,544.03	-	-	-	533,128,878.53	-	3,075,004.98	367,924,339.48	-251,301,692.71	-	-	-	940,656,796.04	-	14,443,845.94	1,206,402,334.69
(iii) Movement of paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Owners' paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Profit allotment	-	-	-	-	-247,338,790.00	-	-	-247,338,790.00	-	-	-	-	75,343,540.58	-77,505,036.56	-	-2,161,495.98
1. Appropriation of statutory surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	75,343,540.58	-75,343,540.58	-	-
2. Profit distributed to owners (or shareholders)	-	-	-	-	-247,338,790.00	-	-	-247,338,790.00	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-2,161,495.98
(v) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Transfer from surplus reserves to undistributed profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Total equity at the end of the year	494,677,580.00	876,486,937.49	-	175,491,051.92	1,022,364,659.47	-	78,923,699.15	2,647,943,928.03	494,677,580.00	1,044,766,481.52	-	175,491,051.92	736,574,570.94	-	75,848,694.17	2,527,358,378.55

Statement of Changes in Equity (Parent Company)
For the Period from January 1, 2008 to June 30, 2008

Unit: RMB

Items	Current Year							Last Year						
	Paid-in capital (or stock)	Capital Reserves	Less: Treasury stock	Surplus reserves	Undistributed Profit	Others	Total owners' equity	Paid-in capital (or stock)	Capital Reserves	Less: Treasury stock	Surplus reserves	Undistributed Profit	Others	Total owners' equity
	I. Total Equity at the end of last year	494,677,580.00	1,044,766,481.52	-	174,315,239.75	679,699,187.87	-	2,393,458,489.14	494,677,580.00	793,464,788.81	-	98,971,699.17	-161,282,629.11	-
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior period errors adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Total equity at the beginning of the year	494,677,580.00	1,044,766,481.52	-	174,315,239.75	679,699,187.87	-	2,393,458,489.14	494,677,580.00	793,464,788.81	-	98,971,699.17	-161,282,629.11	-	1,225,831,438.87
III. Increase (decrease) in equity in current year	-168,279,544.03	-	-	-	278,265,665.75	-	109,986,121.72	-251,301,692.71	-	-	75,343,540.58	840,981,816.98	-	1,167,627,050.27
(i) Net profit	-	-	-	-	525,604,455.75	-	525,604,455.75	-	-	-	-	916,325,357.56	-	916,325,357.56
(ii) Gain/Loss directly recognized in equity	-168,279,544.03	-	-	-	-	-	-168,279,544.03	-251,301,692.71	-	-	-	-	-	251,301,692.71
1. Net movement on fair value of available-for-sale financial assets	-168,279,544.03	-	-	-	-	-	-168,279,544.03	-251,301,692.71	-	-	-	-	-	251,301,692.71
2. Change on investee's equity under equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Influence of income tax related to owners' equity items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total of (i) & (ii)	-168,279,544.03	-	-	-	525,604,455.75	-	357,324,911.72	-251,301,692.71	-	-	75,343,540.58	916,325,357.56	-	1,167,627,050.27
(iii) Movement of paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Owners' paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Share-based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Profit allotment	-	-	-	-	-247,338,790.00	-	-247,338,790.00	-	-	-	-	75,343,540.58	-75,343,540.58	-
1. Appropriation of statutory surplus reserves	-	-	-	-	-	-	-	-	-	-	-	75,343,540.58	-75,343,540.58	-
2. Profit distributed to owners (or shareholders)	-	-	-	-	-247,338,790.00	-	-247,338,790.00	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserves to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Transfer from surplus reserves to undistributed profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Total equity at the end of the year	494,677,580.00	876,486,937.49	-	174,315,239.75	957,964,853.62	-	2,503,444,610.86	494,677,580.00	1,044,766,481.52	-	174,315,239.75	679,699,187.87	-	2,393,458,489.14

NOTES TO THE FINANCIAL STATEMENTS

I Brief Introduction to the Company

Guangzhou Shipyard International Company Limited (“the Company” and its subsidiaries) was reorganized in 1993 from Guangzhou Shipyard, and incorporated in the PRC as a joint venture limited company. Upon approval, the Company was registered as a Sino-foreign joint limited company on October 21st 1994. The Company’s registered capital amounts to RMB494,677,580, and its legal representative is Li Zhushi.

The Company is engaged to design and construct handy-size oil tanker. Currently, the Company is the most famous shipyard in China, with strong advantage in design and development technics and experience in constructing handy-size oil tanker under modernized facilities. At present, the Company owns one 40,000dwt, two 60,000dwt shipbuilding berths and one 50,000dwt dry dock and ship-repairing quay. It also owns processing lines for steel plate and large pipe; and production lines for steel structure engineering, elevator and other electro-mechanic products.

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

The Company’s parent company is China State Shipbuilding Corporation (CSSC), and the ultimate controlling party is State-owned Assets Supervision and Administration Commission of the State Council.

II Basis of Financial Statements Preparation

Since January 1, 2007, the Company prepared financial statements according to the *Accounting Standards for Business Enterprises* [Cai Kuai (2006) No.3] issued on February 15, 2006 and its supplementary rules. The financial statements hereby were restated, and according items were adjusted retrospectively to comply with requirements of *Accounting Standards for Business Enterprises* No. 38 – First time adoption of Accounting Standards for Business Enterprises, and “Explanation for public company information disclosure requirements No.7-Preparation and disclosure for comparative financial information of transition period from old Accounting Standards for Business Enterprises.” [CSRC(2007) NO.10]

The financial statements have been prepared on the going concern and accrual basis, and recognized, measured and reported based on actual transactions and events, in accordance with Accounting Standards for Business Enterprises-Basic Standard and other specific accounting standards, guidelines and explanations. Estimations and assumptions are applied when preparing qualified financial statements according to the requirements of Accounting Standards for Business Enterprises, which would affect presentation and disclosure of asset, liability and contingencies as at balance sheet date, and reporting revenue and expense.

III State of Compliance

The financial statements have been prepared in conformity with China Accounting Standards for Business Enterprise issued by the Ministry of Finance in February 2006, truly and fully reflecting the Company’s financial conditions, operating results, cash flows and relating information.

IV Significant Accounting Policies, Accounting Estimates

1. Accounting period

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

2. Currency Presented in Accounting Records

Accounting records are maintained in Renminbi

3. Basis of Accounting

Recognition, measurement and reporting are based upon accrual system, and debit and credit accounting is applied.

4. Basis of Measurement

Basically, valuation bases upon cost of acquisition, and replacement costing, recoverable value, discounted present value or fair value are specially required by accounting standards.

5. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

6. Foreign Currency Translation

Foreign currency translations during the year are translated into Renminbi at the exchange rates quoted by the People's Bank of China on the date when the transactions take place. At the balance sheet date, the monetary items denominated in foreign currencies are adjusted in accordance with the spot rate quoted by the People's Bank of China, exchange difference arising from the adjustment should be recognized in the current profit or loss except those that could be capitalized when purchasing or constructing assets. Foreign currency non-monetary items measured at historical cost shall continue to be translated at the spot exchange rates at the dates of the transactions, the amounts in functional currency shall remain unchanged.

7. Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale, and held-to-maturity. The classification depends on the purpose and for which the financial assets were acquired and the ability of holding. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, including financial assets held for trading and those designed as at fair value through profit or loss, are recognized initially at fair value with relevant transaction fees charged to current profit and loss. Considerations include declared cash dividends or matured interests are recognized as receivables. Cash dividends and interest received during holding period are recognized as investment income. At the balance sheet date, change of fair value of the financial assets should be charged to current profit or loss. When derecognition, difference between the fair value and initial measurement of the financial asset is recognized as investment income, concurrently adjustment made for gain or loss arising from change in fair value.

b) Accounts receivable and provision for doubtful debts

Initial recognition based upon consideration or contract value of receivables. In cases where debtors are bankrupt or are dead, unrecoverable amount after settlement out of liquidation or property; debtors overdue and certify it is impossible to get back after litigation process, the receivables are recognized as bad debt loss.

Allowance method is applied when accounting bad debt. On balance sheet date, except for receivables between associated companies within consolidation scope, the Company shall assess the significant receivables individually for impairment, and recognize the amount of impairment as the difference between discounted present value of future cash flow and the carrying amount. If there is no indication of impairment, receivables together with the insignificant amounts shall be assessed collectively in groups of similar credit risk characteristics, and 0.5% of the receivable balances shall be accounted as impairment amount, i.e. bad debt allowance.

If the Company finance with receivables including factoring, pledge or discounting the receivables to financial institutions and the Company shall bear the repayment responsibility in case the ultimate debtor overdues, the receivables shall be treated as pledge for loans; if the Company has no repayment responsibility, the transfer should be recognized and the profit and loss should be accounted.

When the Company recovers the receivables, the difference between the consideration paid and the carrying amount of the receivables should be charged to current profit or loss.

c) Held-to-maturity investments

Held-to-maturity investments are those non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity. These assets are initially recognized at the sum of their fair value and correlative transaction expenses when they are acquired. Interest incomes are measured at amortized costs and effective interest rate through holding period and recognized as investment incomes in the income statement.

d) Available-for-sale financial assets

Available-for-sale financial assets are those financial assets other than financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. The original cost of these financial assets is stated at the sum of their fair value and related business charges. At balance sheet date, available-for-sale financial assets are measured at fair value and their changes in fair value are charged to capital surplus, transferred to profit or loss when the financial assets are disposed.

Determination of Fair Value

The fair values of quoted investments are based on current bid prices of an active market. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

8. Inventories

Inventories of the Company are finished goods or merchandise held by an enterprise for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

Inventories of the Company are valued on the basis of cost, which include:

- (1) Raw materials and low-value consumables are stated at standard costs and actual costs. The amount is adjusted for price variance to arrive at actual cost at the end of month.
- (2) Low-value consumables are amortized upon issuance for use.
- (3) Finished products and work-in-progress are stated at actual cost.

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

At balance sheet date, inventories are stated at the lower of cost and net realizable value. If the carrying amount of inventories exceed their net realizable value due to obsolescence, out-of date, or low selling price, or estimated loss in construction, provision for impairment of inventory should be made to profit or loss account. Methods of making provision for impairment of inventories include:

- (1) For materials (excluding those special materials for the products with the support of contract), provision is made on those damaged or rotten materials based on the difference between cost and net realizable value.
- (2) For construction contract (long-term contracted construction), provision is made on the basis of estimated loss incurred during the contracted period.
- (3) For finished goods covered by contracts, provision is made based on the difference between cost and sales proceeds when the actual cost is more than the foreseeable operating income.

9. Long-term equity investments

The company's long-term equity investments include investments in subsidiaries, associate companies, and joint-operation companies.

Initial measurement of long-term equity investments

For a business combination involving enterprises under common control, long-term investments are accounted for based on book value. For a business combination involving enterprises not under common control, long-term investments are accounted for based on fair value recognized by the parties and goodwill on acquisition could be recognized.

If the initial investment cost of long-term equity investment not under common control exceeds the share of net assets of the invested company at fair value, the cost of long-term equity investment should not be adjusted. Otherwise, the difference (between initial cost and the share of net assets of the invested company at fair value) should be charged to profit or loss and adjusted simultaneously to the cost of long-term equity investment.

Subsequent measurement of long-term equity investments

For enterprises in which the Company's investment representing more than 50% of the investee's issued capital, the investment is accounted for on a cost basis in the separate financial statements of the parent, but consolidated financial statements are prepared under equity method to adjust the costs of investment in subsidiaries.

For enterprises in which the Company's investment representing more than 20% but equal to or less than 50% of the investee's issued capital, equity method of accounting is adopted and no consolidated financial statements are prepared generally except where the Company actually has control over the investing project.

The Company's investments representing 20% or less of the investee's issued capitals are stated at cost.

Impairment of long-term equity investments

The Company recognizes net losses incurred by the investee enterprise to the extent that the carrying amount of the investment is reduced to zero. If the investee enterprise realizes net profits in subsequent period, the Company will recover to recognize share of profits after its attributable share of profits makes up the share of unrecognized losses.

10. Investment Property

Investment property of the Company includes buildings holding for earning rental.

Investment property is a property held for long-term rental yields or for capital appreciation or for both, rather than a property and land use right used in the ordinary course of business. Investment property is measured at cost when it is acquired, while that acquired from non-monetary asset exchange with commercial substance, business combination or debt composition not under common control are recorded at fair value when it is incurred.

After initial measurement, investment real property is carried at cost less accumulated depreciation and straight-line depreciation. Depreciation variables are depicted as follows:

Estimated Useful Life (Year)	Estimated Residual Rate	Annual Depreciation Rate
45-70	3%	1.39%-2.16%

Subsequent recognition is at cost, the same principle and method as fixed assets.

When investment real property becomes owner-occupied, it is reclassified as fixed assets.

11. Fixed Assets and Depreciation

Fixed assets refer to tangible assets that have been used for more than one accounting year, including other equipment related to the production and business. Fixed assets are stated at actual cost upon acquisition.

The subsequent expenditures that meet capitalization requirement would be recognized as the cost of fixed assets. Reparative expenditure that do not meet capitalization requirement would be charged to the profit and loss account in the period in which it is incurred.

Depreciation is provided to write off the cost over their useful lives on a straight-line method, after taking into account the estimated residual value of 3% to 10% of the original cost. Except for those reparative expenses that meet capitalization requirement, other reparative expenses of fixed assets should be charged to the profit and loss account. The annual rates of depreciation for various categories of fixed assets are as follows:

Classifications	Useful life	Annual Depreciation rate (%)
Machinery and equipment	8-50	1.8%-12.13%
Transmission systems	6-20	4.5%-16.17%
Instrument and meters	10-15	6.47%- 9.7%
Vehicles	8-35	2.57%-12.13%
Buildings	5-10	9%-19.4%
Structures	15-50	1.8%-6.47%

Provision for impairment is made when there is an indication that the fixed assets devalue. At the balance sheet date, the value of fixed asset is calculated in accordance with the lower of carrying amount and recoverable value. When the recoverable value is lower than carrying amount, the difference will be determined as provision for impairment of fixed assets on single asset basis.

12. Construction-in-progress

Construction-in-progress is stated at cost. The relevant interests are included as project cost before the project reaches its intended use. Construction-in-progress acquired through non-monetary exchange with commerce substance, business combination or debt composition not under common control should be measured at fair value.

The project is recognized as fixed assets when the project reaches its intended use. For the project has reached its intended use but not yet settle the final account for completed project, from the date the project reaches its intended use, and in accordance with the budget and the construction value of the project, the project could be transferred into fixed assets, and drawn depreciation in accordance with depreciation methods of fixed assets. The readjustment will make after the final account for completed project was settled.

At the balance sheet date, the value of construction-in-progress is calculated in accordance with the lower of carrying amount and recoverable value. When the recoverable value is lower than carrying amount, the difference will be determined as provision for impairment of construction-in-progress on single asset basis. The impairment loss could not reverse after recognition.

13. Intangible assets

Intangible asset of the Company is identifiable non-monetary asset without physical substance owned or controlled by the Company, including land using right and know-how without patent.

Intangible assets are initially measured at actual cost, which is equivalent to considerations paid and related charges. Once the contracted value is not fair value, the acquisition cost should be value at fair value.

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an individual project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales. During the period when the asset is not yet in use, it is tested for impairment annually.

Amortization is provided to write off the cost evenly over the useful lives from the month it is acquired. Intangible assets are not amortized where the useful lives of intangible assets cannot be ascertained but subject to impairment test annually. The amortization variables are depicted as follows:

Category	Residual Value	Useful Life	Amortization Method
Land using right	0	50 year	Straight-line
Know-How without patent	0	5-10 year	Straight-line

The Company will make impairment provision by difference between the book value and the recoverable amount of the intangible assets when intangible assets devalue. The impairment loss could not reverse after recognition.

14. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses when incurred.

When the following three requirements are met simultaneously, the expenses of loan in order to purchase or construct assets are capitalized and covered by the cost of the asset.

- (1) The payout (only including cash paid, transferred non-currency assets or holding debt liability) has been occurred.
- (2) The expenses of loan have been occurred.
- (3) The action of buy and construction, which are indispensable in order to reach the scheduled workable condition, has begun.

The loan expenses for buying or constructing fixed assets, fulfilling the condition of capitalization and the fixed assets reaching the scheduled workable condition can be stated as cost of fixed assets. The loan expenses occurred after the construction was reached the scheduled workable condition would be stated as the current financial expenses.

Investment income earned at the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

15. Financial Liabilities

The Company's financial liabilities include: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (a) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (b) the financial liability are not derivatives as effective hedging instrument.

The Company value the financial liability on the basis of fair value, without any deduction for transaction costs it may incur upon future disposal, otherwise, the financial liability shall be valued based upon amortized cost.

Other financial liability is financial liability other than financial liabilities at fair value through profit or loss, mostly composed of trade payables. Initial cost is recognized as the sum of the fair value of financial liability and related transaction cost. Subsequent measurement is based upon amortised cost.

16. Employee Benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by an enterprise in exchange for service rendered by employees, including employee wages, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, union running costs and employee education costs, non-monetary benefits, compensation to employees for termination of employment relationship, and other expenditures incurred in exchange for service rendered by employees.

17. Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

When the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognised as a finance cost.

18. Deferred Income

Deferred Income of the Company is the portion of government grant to be reported in future period. Relevant accounting treatment refers to IV 20.

19. Revenue

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. It is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of services

Revenue from sale of services is recognized when the contract has been executed and the sum of money in contract or the evidence of collecting money has been received.

Use by Others of Enterprise Assets

Revenue from use by others of enterprise assets is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognised on a time-proportion basis using the effective interest method, which determined according to the period and calculation required by related contract and agreements.

Construction Contracts

When the result of construction contract (long-term contract engineering) is foreseeable, it is to calculate the business income on basis of the percentage of the construction progress when settle accounts, and to calculated the business cost on basis of the same percentage of scheduled cost. The provision for loss, which consists of the whole cost of construction, will be made when foreseeable loss. Generally, in accordance with the situation of the Company could anticipate the result for the contracts of a long-term project such as a first-made shipbuilding contract (or new order) reasonably when the construction progress reached 50%. And for the ships of batch production, the Company could anticipate the result when the construction progress reached 30%.

Unrealized operating income of foreign currency construction contract is to be calculated on basis of recording exchange rate of the period, contract price and the percentage of scheduled cost. Total foreseeable operating income is the sum of unrealizable and realized operating income. When the project is accomplished or at the end of accounting period, the balance of accumulated operating income and scheduled result is considered as exchange profit and loss, and recorded as financial expenses in Profit and Loss Statement.

The cost of the construction in current period equals scheduled cost of the contract multiply the percentage of the construction progress, then minus the accumulated cost recognized in past financial periods.

20. Government grants

Government grants to the Company include financial appropriation, financial discount, tax refund (only VAT reimbursement schema) and so on.

Government grants relating to the purchase of fixed assets, intangible assets and other long-term assets should be presented as deferred income and recognized as income evenly over the useful life of the related assets from the date when they have been established for use.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government subsidy for the Company is recognized directly in the income statement if it could be calculated on the same basis as relative revenue recognition of construction contracts.

21. Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease incurred in the Company all belong to operating lease.

22. Income Tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities (or assets) are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

23. Business Combination

For a business combination involving enterprises under common control, assets and liabilities that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

For a business combination involving enterprises not under common control, the acquirer shall measure the assets given and liabilities incurred or assumed as consideration of the business combination at their fair values on the acquisition date; any difference between the fair value and the carrying amount of an item shall be recognized in profit or loss for the current period.

24. Preparation of Consolidated Financial Statements

The scope of the consolidation includes all subsidiaries under effective control and special purpose investees under effective control.

The consolidated financial statements shall be prepared in conformity with *Accounting Standards for Business Enterprises* No. 33 – Consolidated Financial Statements, by the parent, after eliminating the effects of intragroup transactions. Minority interests are individually presented under shareholder's equity in the consolidated financial statements.

The accounting policies and accounting period applied by the subsidiaries and the Company is consistent.

25. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Company reports follow mostly through business segments with supplementary information as geographical segments.

26. Others

Enterprise Pension Funds

In year 2007, the Company has design business pension funds plan according the related regulations promulgated nationally. The scheme is approved by the Company's employees' representatives committee and board of directors, also archived by provincial ministry of labor and social security.

The Company has set up enterprise pension funds committee, which is responsible for daily management of the funds. The management of the funds separated with other assets of the Company, and the independent third party was invited to be manager of the account. The Company accounts for the expenditure of enterprise pension fund as employee benefits, charging to the current profit or loss, or capitalizing as assets. At the same time, the Company will pay the annuity directly to the account of employees which was set up in the bank.

Risk Management

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's integral risk management is aimed at decreasing potential unfavorable financial effects at the best effort.

The board of directors reviews and agrees policies for managing each of the risks. The management sets up several committees and designs reporting procedures under policies approved by the board. These committees are responsible for assessing various financial risks by co-working with each operating unit and financial institutions. After reporting to the management, the committees implements predesigned actions to circumvent or hedge the financial risks.

Due to continuing flourish in shipbuilding industry, considering long contracted period, the Company bears some sort of market risks. To circumvent market risks, the Company strengthens strategic relationships with suppliers, improving customized services and increasing expenditure on research and development to maintain market niche, aiming to lowering the risks.

As an international shipbuilding enterprise, the Company priced the shipbuilding contract denominated in U.S dollar, and face foreign exchange risks as a result. To manage foreign exchange risk resulted from future transactions and recognized assets and liabilities, the Company uses derivatives to hedge foreign exchange risks. By forecasting cash flows for next few years, identifying amount of foreign cash flow in-and-out, locking future exchange rate through foreign exchange forward contract with financial institutions, and managing structured liabilities, the Company prudently manages the facing future exchange rate risks.

The Company controls the credit facility within the amount approved by the board. The management applies facility based upon the approval, and decides investment accordingly. The credit facility is basically approved annually, under special case, which would be approved out-of-budget. The financial department of the Company is responsible for managing the facility amount and cost of capital and making suggestions on the financing. The main objective of the credit risks management is to insure working capital required in normal operation, and to lowest the financing cost and risk cost at the best.

Some of the Company's financial assets are booked as fair value, which is affected by the fluctuating market price greatly. However, the Company will pay attention to the change of the market price, and if needed, the Company shall take some measures so as to protect the Company's benefit under management's decisions.

V Change in Accounting Policies, and Accounting Estimates and Significant Prior Period Errors Adjustments

1. Change in Accounting Policies

No change in accounting policies in current reporting period.

2. Change in Accounting Estimates

No change in accounting estimates in current reporting period.

3. Significant Prior Period Errors Adjustments

No significant prior period errors adjustments.

VI Taxation

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

1. Turnover Tax and Surcharge

Category	Taxation Basis	Tax Rate
Business tax	Transportation and construction installation	3%
	Other services	5%
Value-added tax	Incremental revenue from shipbuilding, ship-repairing, steel structures, mechanical and electrical equipment manufacturing, and materials sales	17%
Education surcharge	Turnover tax payable during the period	3%
Flood defence expenses	Income from principal activities and other incomes	0.09%

2. Corporate Income tax

The Company is taxed based upon taxable income with applicable rates, which are displayed as follows:

Companies	Tax Rate
Guangzhou Shipyard International Company Limited	25%
Guangzhou United Steel Structures Limited	25%
Masterwood Company Limited	25%
Guangzhou Xinsun ShippingService Company Limited	25%
Guangdong GSI Elevator Limited	25%
Guangzhou Hongfan Information Technique Co., Ltd.	25%
Guangdong Parts and Pipes Limited	25%
Guangzhou Guangli Marine Human Resource Service Co., Ltd	25%
Rongguang Developing Co., Ltd.	17.5%
Guangzhou Hongfa Hotel	25%
Fonkwang Developing	17.5%

3. Real Estate Tax

Estate tax used by the Company is based on the 70% of the original cost of the buildings and calculated at the tax rate of 1.2%; for those leased, it was based on the rental income and calculated at the tax rate of 12%.

4. Individual Income Tax

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

VII Business Combination and Consolidated Financial Statements

i. As at June 30, 2008, information of the Company's Subsidiary companies was shown as follows:

1. Subsidiaries acquired through business combination under common control

Subsidiaries	Organization Code	Registration Place	Industry	Registered Capital ('000)	Business Scope
Guangdong Parts and Pipes Limited	70786913-X	FoShan	Parts Manufacturing	10,000	Base construction Manufacturing and sales of erroconcrete and construction parts
Guangzhou Guangli Marine Human Resource Service Co., Ltd	19047465-2	Guangzhou	Labor Service Supply	500	Provincial labor employment introduction, Marine installation

Subsidiaries	Holding Ratio		Representative Ratio	Investment As at the Period End	The net Amount of Effective Investment	Consolidated(Y/N)
	Direct	Indirect				
Guangdong Parts and Pipes Limited	100%	-	100%	14,438,930.92	14,438,930.92	Y
Guangzhou Guangli Marine Human Resource Service Co., Ltd	80%	15.2%	95.2%	6,088,575.52	6,088,575.52	Y

2. Other Subsidiaries

Subsidiaries	Organization Code	Registration Place	Industry	Registered Capital ('000)	Business Scope
Masterwood Company Limited	61841220-X	Guangzhou	Furniture Manufacturing	RMB3,315	Manufacture and sales of all kind of furniture
Guangzhou Xinsun ShippingService Company Limited	231249006	Guangzhou	Installation, welding, fitting, coating, repairing of hull structure	RMB2,000	Installation, welding, fitting, coating, repairing of hull structure
Guangzhou United Steel Structures Limited	61843570-0	Guangzhou	Production and sales of steel structure	USD8,850	Production and sales of steel structure, installation of structures
Guangdong GSI Elevator Limited	23112891-7	Guangzhou	Elevator Installation	RMB21,000	Installation, welding, fitting of elevator
Guangzhou Hongfan Information Technique Co., Ltd.	70825764-5	Guangzhou	Developing of computer software, system integration and sales	RMB5000	Developing of computer software, system integration and sales
Rongguang Developing Co., Ltd.	–	HONGKONG	Trading	HKD10	Trading
Guangzhou Hongfa Hotel	63320352-9	Guangzhou	Restaurant	RMB10,000	Lodge, restaurant
Fonkwang Developing	–	HONGKONG	Trading	HKD200	Trading

Subsidiaries	Holding Ratio		Representative Ratio	Investment As at the Period End	The net Amount of Effective Investment	Consolidated(Y/N)
	Direct	Indirect				
Masterwood Company Limited	51%	25%	76%	5,335,107.45	5,335,107.45	Y
Guangzhou Xinsun ShippingService Company Limited	75%	–	75%	13,555,580.88	13,555,580.88	N
Guangzhou United Steel Structures Limited	83%	16.184%	99.184%	16,186,805.36	16,186,805.36	Y
Guangdong GSI Elevator Limited	51%	–	51%	74,005,072.15	74,005,072.15	Y
Guangzhou Hongfan Information Technique Co., Ltd.	95%	3.8%	98.8%	29,706,340.20	29,706,340.20	Y
Rongguang Developing Co., Ltd.	51%	–	51%	4,971,011.13	4,971,011.13	Y
Guangzhou Hongfa Hotel	100%	–	100%	3,987,386.55	3,987,386.55	Y
Fonkwang Developing	–	86.16%	86.16%	3,825,571.34	3,825,571.34	Y
Masterwood Company Limited	–	70%	70%	2,088,791.16	2,088,791.16	Y

ii. Change of Consolidation Scope during Current Period

No change of consolidation scope during current period.

iii. Minority Interest

Refer to Note IX 33.

VIII Joint Venture and Associate Companies

Joint venture and associated companies are displayed as follows:

Companies	Organization Code	Registration Place	Industry	Holding Ratio	Representative Ratio	Period-end Net Asset ('0000)	Current Revenue ('0000)	Current Net Income ('0000)
SOUTH CHINA MARINE AND INDUSTRIAL SPECIAL Coating CO., LTD	618428789	Guangzhou	Coating	25%	25%	1486	1227	150
Zhanjiang South Ocean Marine Services Inc.	749150668	Zhanjiang	ShipEquipment Fitting	40%	40%	171	10	-25
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	782067313	Zhenjiang	Equipment Manufacturing	32%	32%	6986	3241	308

IX Notes to Significant Items in the Financial Statements

i. Consolidated Financial Statements

1. Monetary Funds

(1) Details of monetary funds are listed below:

Item	Ending Balance	Beginning Balance
Cash on hand	214,820.13	297,787.13
Bank	5,923,755,294.07	6,738,958,761.86
Inc.: Deposit in CSSC Financial CO.	27,942,514.73	26,881,257.61
Other monetary funds	2,410,403,891.68	115,151,623.28
Total	<u>8,334,374,005.88</u>	<u>6,854,408,172.27</u>

Note 1. As at June 30, 2008, there is no pledge, frozen or potential unreceivable risk related to the Company's cash.

Note 2. Other monetary funds are CD under lien.

Note 3. CSSC Financial CO., one of subsidiaries of CSSC, is a non-bank financial institution authorized by People's Bank of China.

(2) Foreign Currency included in the balance is listed below:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
Cash	-	-	138,660.47	-	-	68,093.96
HKD	83,743.34	0.88	73,627.14	159.42	0.94	149.28
USD	6,143.80	6.86	42,140.94	6,093.80	7.30	44,512.77
EUR	954.84	10.83	10,341.11	942.84	10.67	10,057.18
GBP	917.25	13.68	12,551.28	917.29	14.58	13,374.73
BANK	-	-	250,771,067.81	-	-	8,520,795.18
HKD	1,562,802.56	0.88	1,374,010.43	35,706.28	0.94	33,435.36
USD	35,098,559.07	6.86	240,741,900.92	1,145,575.64	7.30	8,367,971.81
EUR	799,150.98	10.83	8,655,156.46	11,192.38	10.67	119,388.01
Other monetary funds			152,570.46	-	-	8,131,618.77
USD	22,243.51	6.86	152,570.46	1,113,218.90	7.30	8,131,618.77
Total			<u>251,062,298.74</u>	-	-	<u>16,720,507.91</u>

2. Trading Financial Assets

Item	Ending Fair Value	Beginning Fair Value
Financial Assets designed as at fair value through profit or loss	<u>332,038,310.99</u>	<u>294,309,931.43</u>

3. Account Receivables

(1) Classification based on significance:

Classification	Ending Balance			Net
	Amount	Ratio (%)	Bad Debt Allowance	
Individually significant balance	95,781,066.35	54.17	1,211,031.24	94,570,035.11
Individually insignificant but significant based on credit risk characteristics	38,015,344.46	21.50	3,217,187.21	34,798,157.25
Other insignificant balances	43,028,713.98	24.33	251,910.03	42,776,803.95
Total	<u>176,825,124.79</u>	<u>100.00</u>	<u>4,680,128.48</u>	<u>172,144,996.31</u>

Classification	Beginning Balance			Net
	Amount	Ratio (%)	Bad Debt Allowance	
Individually significant balance	242,206,247.69	75.86	1,211,031.24	240,995,216.45
Individually insignificant but significant based on credit risk characteristics	28,944,035.70	9.06	3,516,874.48	25,427,161.22
Other insignificant balances	48,152,035.01	15.08	251,910.03	47,900,124.98
Total	<u>319,302,318.40</u>	<u>100.00</u>	<u>4,979,815.75</u>	<u>314,322,502.65</u>

Note 1. The ending balance of accounts receivable decreased by 45.23% due to the returned installment payment for ships mainly.

Note 2. Individually significant balance refers to the amount of more than 10 million. No impairment loss for the individually significant balance at the period end.

Note 3. Individually insignificant but significant based on credit risk characteristics refer to the accounts receivable aging more than 1 year with insignificant amount.

Note 4. Other insignificant balance refers to the accounts receivable aging within 1 year with insignificant amount.

(2) Classification based on ages:

Aging	Ending Balance			Net
	Amount	Ratio (%)	Bad Debt Allowance	
Within one year	135,949,007.45	76.88	1,725,893.41	134,223,114.04
1-2 years (including 2 years)	32,355,785.09	18.30	100,089.40	32,255,695.69
2-3 years (including 3 years)	3,361,753.86	1.90	18,127.37	3,343,626.49
Over 3 years	2,297,805.51	1.30	5,245.42	2,292,560.09
Special	2,860,772.88	1.62	2,830,772.88	30,000.00
Total	<u>176,825,124.79</u>	<u>100</u>	<u>4,680,128.48</u>	<u>172,144,996.31</u>

Aging	Beginning Balance			
	Amount	Ratio (%)	Bad Debt Allowance	Net
Within one year	290,358,282.70	90.93	1,462,941.26	288,895,341.44
1-2 years (including 2 years)	17,513,338.76	5.48	100,089.40	17,413,249.36
2-3 years (including 3 years)	3,625,473.67	1.14	18,127.37	3,607,346.30
Over 3 years	1,049,083.37	0.33	5,245.42	1,043,837.95
Special	6,756,139.90	2.12	3,393,412.30	3,362,727.60
Total	319,302,318.40	100	4,979,815.75	314,322,502.65

Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
USD	6,931,870.50	6.8591	47,546,392.93	6,287,237.30	7.8087	49,095,149.93
HKD	8,618,988.77	0.8792	7,577,814.93	3,407,072.05	0.9773	3,329,731.51
EUR	135,280.00	10.8302	1,465,109.46	-	-	-
Total			56,589,317.32			52,424,881.44

(3) Top 5 customers

Customers	Ending Balance		
	Balance per book	Aging	%
Asia Aluminum Factory Co. Ltd.	21,888,375.00	Within one year	10.39
Guangzhou CSSC LONGXUE Development Co. Ltd. (Note 2)	17,531,000.00	Within one year	8.32
Guangzhou Fire Station	16,170,000.00	Mor than one year	7.68
BECHTEL POWER CORPORATION	40,191,691.35	Within one year	19.08
Naval Equipment Department	6,552,000.00	More than one year	3.11
Total	102,333,066.35		48.59

Note 1. UP to June 30, 2008, the ending balance of accounts receivable from top 5 customers amounted to RMB102,333,066.35, which accounted for 48.59% of the total balance.

Note 2. Guangzhou CSSC LONGXUE Development Co. Ltd. is the related party of the Company.

(4) Movement of bad debt allowance:

Item	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Bad debt allowance	4,979,815.75	-	-	299,687.27	4,680,128.48

(5) Up to June 30, 2008, no accounts receivable from the investors which own 5% or more voting shares on the Company. Ending balance with related party refers to Note X.iii.

4. Advances to Suppliers

(1) Classification based on ages:

Ages	Ending Balance			Beginning Balance		
	Amount	Ratio (%)	Bad Debts	Amount	Ratio (%)	Bad Debts
Within one year	674,410,257.12	93.32	–	514,970,952.69	100.00	–
1-2 years (including 2 years)	47,828,110.89	6.62	–	6,550.00	0.00	–
2-3 years (including 3 years)	430,900.00	0.06	–	3,318.83	0.00	–
Over 3 years	3318.83	0.00	–	–	–	–
Total	722,672,586.84	100.00	–	514,980,821.52	100	–

(2) Balance with main suppliers:

Suppliers	Ending Balance		Beginning Balance
	Book Value	Nature	
Guangzhou CSSC Huangpu Shipbuilding Ltd.	269,888,640.00	Contracted Value	269,888,640.00
Dalian Marine Diesel Engine Factory	258,247,000.00	Equipment	112,270,000.00
CSSC No. 704 Research Institution	31,194,000.00	Equipment	31,194,000.00
Zhenjiang CSSC Equipment Ltd.	20,080,000.00	Equipment	27,480,000.00
Guangzhou Shipyard Ltd.	11,554,837.40	Project	12,009,382.83
Total	590,964,477.40		452,842,022.83

Note 1. Guangzhou CSSC Huangpu Shipbuilding Ltd., Zhenjiang CSSC Equipment Ltd. and Guangzhou Shipyard Ltd. are related parties of the Company.

(3) Up to June 30, 2008, no Advances to Suppliers which own 5% or more voting shares on the Company. Ending balance with related party refers to Note X.iii.

(4) The increased balance of 40.33% compared to the beginning mainly resulted from enlargement of the company's production scale and increasing lack of supply in the market.

5. Other Receivables

(1) Classification based on significance:

Classification	Ending Balance			
	Amount	Ratio (%)	Bad Debt Allowance	Net
Individually significant balance	194,178,962.76	73.73	9,302,498.46	184,876,464.30
Individually insignificant but significant based on credit risk characteristics	2,520,358.60	0.96	12,601.79	2,507,756.81
Other insignificant balances	66,677,521.82	25.32	367,059.57	66,310,462.25
Total	263,376,843.18	100	9,682,159.82	253,694,683.36

Classification	Beginning Balance			
	Amount	Ratio (%)	Bad Debt Allowance	Net
Individually significant balance	197,106,765.52	77.63	9,168,732.23	187,938,033.29
Individually insignificant but significant based on credit risk characteristics	1,016,306.17	0.40	5,081.33	1,011,224.84
Other insignificant balances	55,769,082.17	21.97	506,919.39	55,262,162.78
Total	253,892,153.86	100	9,680,724.15	244,211,429.71

Note 1. Individually significant balance refers to the amount of more than 10 million. No impairment loss for the individually significant balance at the period end.

Note 2. Individually insignificant but significant based on credit risk characteristics refer to the accounts receivable aging more than 1 year with insignificant amount.

Note 3. Other insignificant balance refers to the accounts receivable aging within 1 year with insignificant amount.

(2) Classification based on significance:

Classification	Ending Balance			
	Amount	Ratio (%)	Amount	Net
Within one year	245,465,631.75	93.20	928,833.49	244,536,798.26
1-2 years (including 2 years)	1,319,552.64	0.50	1,202.33	1,318,350.31
2-3 years (including 3 years)	379,680.58	0.14	1,862.58	377,818.00
Over 3 years	2,517,709.46	0.96	2,016.62	2,515,692.84
Special	13,694,268.75	5.20	8,748,244.80	4,946,023.95
Total	263,376,843.18	100.00	9,682,159.82	253,694,683.36

Classification	Beginning Balance			
	Amount	Ratio (%)	Amount	Net
Within one year	239,181,578.94	94.21	927,397.82	238,254,181.12
1-2 years (including 2 years)	240,465.85	0.09	1,202.33	239,263.52
2-3 years (including 3 years)	372,516.63	0.15	1,862.58	370,654.05
Over 3 years	403,323.69	0.16	2,016.62	401,307.07
Special	13,694,268.75	5.39	8,748,244.80	4,946,023.95
Total	253,892,153.86	100.00	9,680,724.15	244,211,429.71

(2) Significant Account Balance:

Items	Ending Balance				Beginning Balance
	Book Value	Nature	Ages	%	
Interest receivable of CD	131,617,750.00	Interest receivable of CD	Within one year	49.97	49,915,107.00
Subsidies Receivable	103,140,169.87	Ship subsidies	Within one year	39.16	183,412,496.77
Guangzhou International Trust and Investment Company	13,694,268.75	Entrusted Deposits	More than 5 years	5.20	13,694,268.75
Beijing XINHUA Tendering Agency Co., Ltd.	1,150,000.00	Bid	Within one year	0.44	—
Total	249,602,188.62			94.77	247,021,872.52

Note 1. Ending significant account balances amounted to 249,602,188.62, which accounted for 98.39% of total other receivables.

Note 2. Entrusted deposits have been exchanged for some assets with Guangzhou Notional Investment Corp. under Debt Restructuring Agreement. Under the agreement, asset transferring procedures for GUANGHO Project and 32 real assets in Longgang Shenzhen are under going, which is out of agreed period.

(3) Movement of bad debt allowance:

Item	Beginning Balance	Increase	Decrease		Ending Balance
			Reverse	Write-off	
Bad Debts	9,680,724.15	1,435.67	-	-	9,682,159.82

(4) Balance with related party refer to Note X.iii.

6. Inventory

(1) Classification

Categories	Ending Balance	Beginning Balance
Raw Materials	562,441,925.88	441,273,482.06
Work-in-Process	759,454,430.70	520,529,135.71
Finished Goods	4,156,225.85	6,681,159.26
Low-value consumables	1,692,328.70	316,512.21
Less: Impairment Provision	8,910,235.76	13,450,607.76
Total	1,318,834,675.37	955,349,681.48

(2) Movements of Impairment Provision

Categories	Beginning Balance	Accrual	Decrease		Ending Balance
			Reverse	Write-off	
Raw Materials	13,450,607.76	-	4,540,372.00	-	8,910,235.76

Note. The ending balance of inventories increased by 38.05% comparing to the beginning balance resulted from enlargement of the company's production amount and increasing lack of supply in the market.

7. Available-for-sale Financial Assets

(1) Classification:

Item	Ending Fair Value	Beginning Fair Value
Equity Instrument	348,779,410.08	575,174,357.75

(2) Classification broken down:

Item	Ending Fair Value	Beginning Fair Value
China Merchants Energy Shipping Co., Ltd	61,700,000.00	128,700,000.00
China MerChants Bank Co., Ltd	284,631,410.16	441,884,357.75
Membership of Wuhan Gold and Silvil Golf Club	2,447,999.92	4,590,000.00
Total	348,779,410.08	575,174,357.75

Note. The decreased balance of 39.36% compared to the beginning balance owing to the movement of the fair value at the end of the period.

8. Long-term Equity Investment

(1) Classification:

Item	Beginning Balance	Increase	Decrease	Ending Balance
Subsidiaries	13,555,580.88	–	–	13,555,580.88
Joint Venture	3,344,454.04	373,843.85	–	3,718,297.89
Associate Companies	17,973,553.93	895,803.67	–	18,869,357.60
Total	34,873,588.85	1,269,647.52	–	36,143,236.37
Less: Impairment	–	–	–	–
Net Value	34,873,588.85			36,143,236.37

Note. The ending balance of 13,555,580.88 is the investment in subsidiary, Guangzhou Guanglian Container Limited, when the Company held 75% of interests. With regard to the 24th board resolution of the fifth board of directors, because Guangzhou Guanglian Container Limited terminated co-operation beforehand this year, and went to liquidate, the financial statement of the subsidiary will no longer be consolidated in current period.

(2) Equity Investment Accounting Based on Cost Method:

Investees	Initial Investment	Beginning Balance	Increase	Decrease	Ending Balance	Holding Ratio	Representative Ratio
Shenzhen Yuanzhou Science & Technology Industry Company Ltd.	1,000,000.00	1,000,000.00	–	–	1,000,000.00	7%	7%
CSSC Information Technique Co., Ltd.	900,000.00	900,000.00	–	–	900,000.00	15%	15%
Total	1,900,000.00	1,900,000.00	–	–	1,900,000.00		

(3) Equity Investment Accounting Based on Equity Method:

Investees	Holding Ratio	Representative Ratio	Initial Investment	Incremental Investment (Less: Shares sold)	Accumulated Equity	Accumulated Cash Dividends
SOUTH CHINA MARINE AND INDUSTRIAL SPECIAL Coating CO., LTD	25%	25%	1,722,060.00	–	1,966,237.89	464,622.06
Zhanjiang South Ocean Marine Services Inc.	40%	40%	800,000.00	–	-106,037.49	–
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	32%	32%	15,558,800.00	–	716,595.09	–
Total			18,080,860.00		2,606,795.49	464,622.06

Investees	Beginning Balance	Increase or Decrease	Current Cash Dividends	Ending Balance
SOUTH CHINA MARINE AND INDUSTRIAL SPECIAL Coating CO., LTD	3,344,454.04	373,843.85	–	3,718,297.89
Zhanjiang South Ocean Marine Services Inc.	784,928.59	-90,966.08	–	693,962.51
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	15,288,625.34	986,769.75	–	16,275,395.09
Total	19,418,007.97	1,269,647.52	–	20,687,655.49

9. Investment Property

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Total original costs	108,837,744.26	–	–	108,837,744.26
House and Building	108,864,744.26	–	–	108,864,744.26
2. Accumulated depreciation	4,880,165.80	1,137,405.72	–	6,017,571.52
House and Building	4,880,165.80	1,137,405.72	–	6,017,571.52
3. Provision for Impairment	3,373,521.60	–	–	3,373,521.60
House and Building	3,373,521.60	–	–	3,373,521.60
4. Net value	100,611,056.86	-1,137,405.72	–	99,473,651.14
House and Building	100,611,056.86	-1,137,405.72	–	99,473,651.14

10. Fixed Assets

(1) Movements of original cost and accumulated depreciation:

Item	Beginning Balance	Increase	Decrease	Ending Balance
(1) Total original cost	1,652,756,656.48	52,866,988.14	16,875,031.00	1,688,748,613.62
1. Buildings and Structures	763,438,750.69	787,532.51	4,984,388.24	759,241,894.96
2. Machinery and equipment	813,183,572.51	48,410,382.21	10,944,702.76	850,649,251.96
3. Vehicles	31,371,362.16	1,276,642.12	921,960.00	31,726,044.28
4. Others	44,762,971.12	2,392,431.30	23,980.00	47,131,422.42
(2) Accumulated depreciation	715,230,249.55	42,218,480.58	10,479,807.35	746,968,922.78
1. Buildings and Structures	220,350,440.57	13,025,818.97	–	233,376,259.54
2. Machinery and equipment	456,751,424.70	27,381,107.29	9,592,575.10	474,539,956.89
3. Vehicles	15,378,300.19	1,053,586.56	863,971.65	15,567,915.10
4. Others	22,750,084.09	757,967.76	23,260.60	23,484,791.25
(3) Net Book Value	937,526,406.93	–	–	941,779,690.84
1. Buildings and Structures	543,088,310.12	–	–	525,865,635.42
2. Machinery and equipment	356,432,147.81	–	–	376,109,295.07
3. Vehicles	15,993,061.97	–	–	16,158,129.18
4. Others	22,012,887.03	–	–	23,646,631.17

Note. Asset collateral refers to Note XII.1.

(2) Total fixed asset transferred from construction-in-progress during the period amounted to 45,999,076.30.

(3) No impairment of fixed asset.

11. Construction-in-Progress

(1) Movements of construction-in-progress:

Item	Beginning Balance	Increase	Transfer to Fixed Asset	Other Decrease	Ending Balance
Innovation Projects	105,089,480.85	125,831,229.42	45,999,076.30	–	184,921,633.97
(1) Base Construction, Innovations sponsored by National Debt	14,417,191.75	7,563,621.59	21,980,813.34	–	–
(2) Others	90,672,289.10	118,267,607.83	24,018,262.96	–	184,921,633.97
Total	105,089,480.85	125,831,229.42	45,999,076.30	–	184,921,633.97

Note 1. There is no capitalized interest in the cost of construction-in-progress.

Note 2. The increased balance of 75.97% comparing to the beginning balance mainly resulted from the increase of innovation projects and the investment on Machine Center.

(2) No impairment of construction-in-progress.

12. Intangible Assets

Item	Beginning Balance	Increase	Decrease	Ending Balance
1. Total original costs	132,398,016.15	980,000.00	–	133,378,016.15
Land Use Right	77,619,205.38	–	–	77,619,205.38
Know-How without Patent	54,778,810.77	980,000.00	–	55,758,810.77
2. Accumulated amortization	39,482,458.26	2,950,438.04	–	42,432,896.30
Land Use Right	18,619,750.52	484,165.14	–	19,103,915.66
Know-How without Patent	20,862,707.74	2,466,272.90	–	23,328,980.64
3. Net Book Value	92,915,557.89	-1,970,438.04	–	90,945,119.85
Land Use Right	58,999,454.86	-484,165.14	–	58,515,289.72
Know-How without Patent	33,916,103.03	-1,486,272.90	–	32,429,830.13

(2) No impairment of intangible assets.

13. Deferred Tax Assets

Item	Ending Balance		Beginning Balance	
	Temporary Difference	Deferred Tax Assets	Temporary Difference	Deferred Tax Assets
Impairment Provision	22,474,627.16	5,618,656.79	27,283,250.76	6,820,812.69
Prepaid housing subsidy	6,103,125.00	1,525,781.25	7,323,750.00	1,830,937.50
Housing allowance for retirees	6,540,158.12	1,635,039.53	1,725,651.90	431,412.98
Medical insurance for retirees within 10 years	611,089.28	152,772.32	1,555,218.83	388,804.71
Early retiree benefits	3,924,652.64	981,163.16	4,753,930.46	1,188,482.62
Accrual of windup project costs	33,229.72	8,307.43	–	–
Total	39,686,881.92	9,921,720.48	42,641,801.95	10,660,450.49

14. Impairment Provision

Item	Beginning Balance	Accruals	Decrease		Ending Balance
			Reverse	Write-off	
Bad Debt	14,660,539.90	1,435.67	–	299,687.27	14,362,288.30
Inventory	13,450,607.76	–	4,540,372.00	–	8,910,235.76
Investment Property	3,373,521.69	–	–	–	3,373,521.69
Total	31,484,669.35	1,435.67	4,540,372.00	299,687.27	26,646,045.75

15. Short-term Borrowings

Category	Ending Balance	Beginning Balance	Note
Credit Borrowings	1,046,875,001.49	474,297,390.00	
Guaranteed Borrowings	20,000,000.00	20,000,000.00	
Pledge Loan	1,531,490,000.00	–	
Total	2,598,365,001.49	494,297,390.00	

Note. The ending balance of short-term borrowings increased by 425.67% comparing to beginning balance, the main reason of which was the Company had borrowed more foreign-currency loans in order to prevent from exchange rate fluctuation risk.

16. Trading Financial liabilities

Item	Ending Fair Value	Beginning Fair Value
Financial Assets designed as at fair value through profit or loss	20,500,780.14	11,628,218.98

Note. The beginning balance of the account is derivatives, and the ending balance increase largely due to the fair value of USD/RMB forward contract increase largely with fast appreciation of RMB.

17. Account Payable

(1) Accounts aged over 1 year are displayed as below:

Suppliers	Ending Balance	Beginning Balance	Nature	Unsettled Reason
Whl-FongKwang JV Limited	3,912,847.53	4,279,169.15	Project payment	Unmatured

(2) Balance with related party refers to Note X.iii.

(3) Foreign currency included in the balance:

Item	Ending Balance			Beginning Balance		
	Original Currency	Exchange Rate	RMB	Original Currency	Exchange Rate	RMB
USD	2,701,073.89	6.8599	18,529,167.06	159,411.93	7.30	1,164,440.38
EUR	1,539,151.00	10.8423	16,687,925.32	-	-	-
Total	4,240,224.89		35,217,092.38	159,411.93		1,164,440.38

18. Advances from Customers

(1) Significant ending balances are listed below:

Customers	Amount	Nature	Unsettled Reason
Denmark-A/STORM (Note1)	102,246,180.00	Shipbuilding	Unfinished construction
Denmark-NORDHVALTELTD (Note1)	81,509,100.00	Shipbuilding	Unfinished construction
Jiangnan Heavy Industry Co., Ltd.	47,673,706.95	Project payment	Unfinished construction
Guangzhou CSSC LONGXUE Development Co. Ltd.	32,345,796.62	Design fee	Unfinished construction
CSSC Final Installation Department	23,740,000.00	Ship repairment	Unfinished construction
Total	287,514,783.57		

Note. The amounts of payment from these two customers are the undue shipbuilding fee and design charge.

(2) Accounts aged over 1 year are displayed as below:

Customers	Amounts	Incurrence	Nature	Unsettled Reason
CSSC Final Installation Department	10,600,000.00	Year 2006	Ship repairment	Unfinished construction
Guandong Ministry of Sea Affairs	6,718,000.00	Year 2006	Ship repairment	Unfinished construction
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	3,480,000.00	Year 2005	Design fee	Unfinished construction
Guangdong Machinery Imp. & Exp. Co., Ltd.	920,000.00	Year 2007	Design fee	Unfinished construction
CSSC Technology Research & Economy Development Institute	480,000.00	Year 2005	Design fee	Unfinished construction
Total	22,198,000.00			

(3) Balance with related party refers to Note X.iii.

(4) The increased balance of 34.03% compared to the beginning mainly resulted from prepaid shipbuilding considerations by shipowners, and at the same time, steel structure business enlarges a lot, concurrently leading to inflow of prepayment based on new contracts.

(5) Foreign currency included in the balance:

Item	Original Currency	Exchange Rate	RMB
USD	18,966,214.03	7.0021	132,802,429.80
HKD	128,737.89	0.8893	114,486.61
EUR	1,361,640.80	10.8273	14,742,891.60
Total			<u>147,659,808.01</u>

19. Accrued Employee Compensation

Item	Beginning Balance	Increase	Decrease	Ending Balance
Salary, bonus, allowance and subsidy	25,000,000.00	236,223,123.87	261,223,123.87	-
Employee welfare	5,077,421.30	10,033,252.38	10,033,252.38	5,077,421.30
Social security	-	34,051,824.32	34,051,824.32	-
Housing fund	-	14,669,141.38	14,669,141.38	-
Labor union expenditure and personnel education	972,050.46	6,479,549.22	7,451,599.68	-
Compensation for dismiss of labor relationship	4,753,930.46	14,950.00	844,227.82	3,924,652.64
Others	-	12,062,314.58	12,062,314.58	-
Total	<u>35,803,402.22</u>	<u>313,534,155.75</u>	<u>340,335,484.03</u>	<u>9,002,073.94</u>

Note 1. The ending balance decreased by 74.86% comparing to the beginning balance due to the payment of bonus for the last year for attainment of goal.

Note 2. The ending balance of employee benefits was the benefits and bonus fund accrued as per the Constitution of Guangzhou United Steel Structures Limited, which is some percentage of net profit after tax.

20. Taxes and Expenses Payable

Categories	Ending Balance	Beginning Balance
Value-added Tax	-44,149,061.98	-1,056,047.32
Business Tax	281,056.94	391,058.96
Individual Income Tax	1,767,478.31	6,589,914.19
Corporate Income Tax	117,787,583.25	255,657,993.49
Land Use Tax	2,551,198.00	1,640,756.42
City construction tax	1,104,175.64	3,111,389.03
Real Estate Tax	3,376,977.02	1,483,851.58
Education Surcharge	466,218.43	1,326,452.16
Flood control and maintain expenses	2,346,236.24	2,949,058.41
Others	-14,721.44	-54,058.16
Total	<u>85,517,140.41</u>	<u>272,040,368.76</u>

Note. The ending balance decreased by 68.56% comparing to the beginning balance, the main reason of which was the Company had paid the corporate income tax for year 2007.

21. Other Payables

(1) Balance with related party refer to Note X. iii.

(2) Major account balances are displayed as below:

Item	Ending Balance				Beginning Balance
	Book Value	Nature	Age	%	
Accrued interest on loan	18,283,242.17	Accrued interest on loan	Within a year	27.70	2,261,554.50
Subsidy for employees' housing	8,514,246.98	Subsidy for employees' housing	Within a year	12.90	39,883,276.98
Supplementary old-age pensions	3,254,076.79	Supplementary old-age pensions	Within a year	4.93	3,254,961.88
Subsidy for employee purchasing house	2,974,500.00	Subsidy for employee purchasing house	1-2 years	4.51	5,591,700.00
Subsidy for retired employees' housing	1,725,651.90	Subsidy for retired employees' housing	Above 3 years	2.61	1,725,651.90
Total	<u>34,751,717.84</u>			<u>59.75</u>	<u>52,717,145.26</u>

Note: The ending balance of other payables has decreased by 37.65% due to the payment of employees' housing subsidies.

22. Long-term Liabilities Due Within One Year

Details of the ending balance are listed below:

Item	Ending Balance	Beginning Balance
Long-term liabilities due within one year	748,898,321.06	1,160,077,390.49
Including: Guaranteed Debt	<u>748,898,321.06</u>	<u>1,160,077,390.49</u>

Note: The ending balance of long-term liabilities due within a year has decreased by 35.44%, it mainly due to return bank loans.

23. Other Current Liabilities

Details of the ending balance are listed below:

Item	Ending Balance	Beginning Balance
Long-term Contract Settlement	<u>4,545,981,226.00</u>	<u>4,871,825,309.94</u>

24. Long-term Borrowings

Details of the ending balance are listed below:

Category	Ending Balance	Beginning Balance
Guaranteed Debt	253,667,324.84	387,468,446.74
Pledge Debt	<u>617,319,000.00</u>	<u>-</u>
TOTAL	<u>870,986,324.84</u>	<u>387,468,446.74</u>

Note 1.The ending balance of long-term borrowing increased by 124.79%, it mainly resulted from the hedge exchange rate risks and the additional borrowing in foreign currency

Note 2.All Guaranteed Debt is guaranteed by CSSC.

25. Special Payables

Details of the ending balance are listed below:

Item	Beginning Balance	Increase	Decrease	Ending Balance	Memo
High-speed ro/ro passenger freight ships	6,720,000.00	–	–	6,720,000.00	CHUANCAI [2001] No. 13
semi-submersible heavy lift vessel	17,850,000.00	–	–	17,850,000.00	CHUANGONGJI [2002] No. 350
TOTAL	24,570,000.00	–	–	24,570,000.00	–

26. Provision

Details of the ending balance of provision are listed below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
Product quality warranties	61,652,483.76	17,679,999.70	7,628,232.66	71,704,250.80

Note: The amount of provision has increased by 16.30%, which is due to the increase of total revenue; therefore the product is expected to have a corresponding increase in quality assurance.

27. Deferred Tax Liabilities

Details of the ending balance are listed below:

Item	Ending Balance		Beginning Balance	
	deductible temporary differences	Deferred Tax Liabilities	deductible temporary differences	Deferred Tax Liabilities
Net movement on fair value of available-for-sale financial assets	299,358,299.04	74,839,574.76	523,731,024.42	130,932,756.11
Gains from foreign currency exchange	236,993,931.44	59,248,482.86	–	–
Derivatives	311,537,530.84	77,884,382.71	282,681,712.45	70,670,428.11
TOTAL	847,889,761.32	211,972,440.33	806,412,736.87	201,603,184.22

28. Other Non-current Liabilities

Details of the ending balance are listed below:

Item	Ending Balance	Beginning Balance	Memo
Ro-Ro passenger ship optimization of the core technology	5,455,141.73	5,988,241.28	Deferred Income
Special ship Project No. 1	1,318,130.63	3,328,396.30	Deferred Income
Special ship Project No. 2	2,496,242.72	4,045,596.82	Deferred Income
The technological research on the integration and improvement of area value transferring ability	97,500.01	100,000.00	Deferred Income
Plasma burning garbage power generation processing equipment and technical equipment and complete sets of equipment industry	800,000.00	800,000.00	Deferred Income
Technical renovation fund-development of new ship 40,000 tons technological transformation of equipment	1,730,000.00	1,730,000.00	Deferred Income
No. 1 shipyard adaptability transformation	1,800,000.00	1,800,000.00	Deferred Income
Painting workshop noise control engineering	292,105.26	300,000.00	Deferred Income
Plasma burning garbage power generation deal with key equipment and technology	14,067.48	100,000.00	Deferred Income
Rainstorm disaster recovery of infrastructure funding	–	-100.53	Deferred Income
Total	14,003,187.83	18,192,133.87	

29. Stock

(1) Details of movement of stock in current period are listed below:

Classification	Beginning Balance		Increase/Decrease					Ending Balance	
	Number of Shares	%	Issue New Shares	Capitalization			SUM	Number of Shares	%
				Donated Shares	of Capital Reserve	Others			
1. Restrictive-for-sale Stocks	176,650,615	35.71%	-	-	-	-	-	176,650,615	35.71%
2. Unlimited Stocks	318,026,965	64.29%	-	-	-	-	-	318,026,965	64.29%
(1).RMB Ordinary Shares	160,628,965	32.47%	-	-	-	-	-	160,628,965	32.47%
(2).Foreign Capital Stocks listed abroad	157,398,000	31.82%	-	-	-	-	-	157,398,000	31.82%
TOTAL	494,677,580	100.00%	-	-	-	-	-	494,677,580	100.00%

(2) The Trading Time in Stock Market for Restrictive-for-sale Stocks is listed below:

Time	New available-for-trading stocks after restrictive-for-sale period	Ending Balance of Restrictive-for-sale Stocks	Ending balance for Unlimited Stocks	Memo
24th May 2009	176,650,615	-	494,677,580	Note

Note: The employment date of the Company's equity division reform scheme was 24th May 2006. As the Company's sole non-circulating stock shareholder, CSSC promised as follows:

- The non-circulating stock owned by CSSC shall not be traded in stock market or resold to any third party since the employment of equity division reform scheme;
- CSSC shall not list to sell its shares of A Stock within 24 months after the overdue of its previous promise.

30. Capital Reserves

Details of the change of capital reserves in current period are listed below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
share premium	651,385,281.95	-	-	651,385,281.95
Others	393,381,199.57	-	168,279,544.03	225,101,655.54
TOTAL	1,044,766,481.52	-	168,279,544.03	876,486,937.49

Note: Capital reserves of current period have decreased due to the changes in fair value of available-for-sale financial assets are decreasing.

31. Surplus Reserves

Details of the change of surplus reserves in current period are listed below:

Item	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	156,564,664.49	-	-	156,564,664.49
Other surplus reserves	18,926,387.43	-	-	18,926,387.43
TOTAL	175,491,051.92	-	-	175,491,051.92

32. Undistributed Profit

Details of the change of undistributed profit in current period are listed below:

Item	Current Period	Last Period
Ending balance of undistributed profit in last year	736,574,570.94	-126,577,188.54
Add: Increase (-decrease) in profit due to changes in accounting policies	–	–
Corrections of prior period errors	–	–
Beginning balance of undistributed profit in current year	736,574,570.94	-126,577,188.54
Add: Net profit in current year	533,128,878.53	940,656,796.04
Available-for-distribution profit	1,269,703,449.47	814,079,607.50
Minus: Profit appropriation – statutory surplus reserves	–	75,343,540.58
Minus: Others	–	–
Profit appropriation – staff bonus and welfare fund	–	2,161,495.98
Profit appropriation – reserve fund	–	–
Profit available for distribution to shareholders	1,269,703,449.47	736,574,570.94
Minus: Profit appropriation – statutory surplus reserves	–	–
Profit appropriation – ordinary shares dividends	247,338,790.00	–
Profit appropriation – ordinary shares dividends converted to shares	–	–
Ending balance of undistributed profit	<u>1,022,364,659.47</u>	<u>736,574,570.94</u>

Note: Ordinary shares dividends refer to Shareholders general assembly resolution 2007 annual cash dividend distribution.

33. Minority Interest (Balance Sheet)

Minority interest belongs to subsidiary companies' minorities are listed below:

Name of Minorities	Name of Investees	Ending Balance	Including: Offsetting Amount of Minority Interests
CANAM STEEL STRUCTURES LIMITED	United Steel Structures, Ltd	71,102,912.45	–
CSSC Guangzhou Huangpu shipyard Ltd.	Guangzhou Masterwood Co., Ltd	1,684,770.78	–
CSSC Guangzhou Huangpu shipyard Ltd.	Guangzhou Guangli Marine Engineering Service Co., Ltd	306,987.00	–
CSSC Guangzhou Huangpu shipyard Ltd.	Guangzhou Xingshun Shipping Services Company Limited	208,643.96	–
CSSC Guangzhou Huangpu shipyard Ltd.	Guangdong GSI Elevator Limited	360,805.75	–
Ou Zhi Min	Fonkwang Developing Co., Ltd.	483,509.71	–
CSSC Science & Technology Association Technology Consultation Service Corporation	Guangzhou HONGFAN PC Technology Co., Ltd	974,708.05	–
China Shipbuilding IT Co., Ltd	Guangzhou HONGFAN PC Technology Co., Ltd	2,534,240.96	–
Quan Hua Tai etc.	Guangzhou HONGFAN PC Technology Co., Ltd	1,267,120.49	–
TOTAL		<u>78,923,699.15</u>	<u>–</u>

34. Operating Income/Operating Costs

(1) Details of operating income and operating costs are listed below:

Item	Current Period	Last Period
Operating Income	3,077,202,691.70	2,412,391,363.23
Including: Income from principal activities	3,028,581,548.50	2,327,018,412.14
Other Operating Income	48,621,143.20	85,372,951.09
Operating Costs	2,566,412,773.25	1,997,947,247.36
Including: Cost of Sales	2,532,003,487.96	1,968,744,008.31
Other Operating Expenses	<u>34,409,285.29</u>	<u>29,203,239.05</u>

(2) Operating Income & Costs are classified by products and projects as follows:

Product/Project	Current Period		Last Period	
	Operating Income	Operating Costs	Operating Income	Operating Costs
Shipbuilding Products	2,721,098,026.86	2,257,971,591.50	2,014,864,650.33	1,711,908,733.49
Steel Structuring Projects	145,485,883.48	132,882,066.73	241,542,654.28	208,357,464.33
Mechanical & Electrical Products	161,997,638.16	141,149,829.73	70,611,107.53	48,477,810.49
Others	48,621,143.20	34,409,285.29	85,372,951.09	29,203,239.05
TOTAL	3,077,202,691.70	2,566,412,773.25	2,412,391,363.23	1,997,947,247.36

(3) The total revenue from top 5 clients and its proportion of total revenue are listed below:

Item	Amount
Total revenue from top 5 clients	2,228,806,894.10
Republic of Malta Yimoer Shipping Co., Ltd	680,747,774.99
Denmark NORDHVAL PTE .LPE	426,912,705.15
Denmark A/S TORM	408,093,478.71
Greece PANCOAST Shipping Corporation	358,635,018.42
Sweden Getelan Corporation	354,417,916.83
Proportion of the total revenue	72.43%

(4) Operating income from principal activities and gross margin are listed by areas below:

Area	Operating Income from Principal Activities		Gross Margin		Changes (%)
	Current Period	Last Period	Current Period	Last Period	
Denmark	837,227,935.66	122,852,968.10	172,650,537.15	24,517,478.56	581.49
Republic of Malta	680,747,774.99	130,889,188.71	147,343,910.82	28,078,153.80	420.09
Germany	29,474,265.95	–	1,842,045.37	–	–
Liberia	–	602,348,182.11	–	140,771,686.30	-100.00
Sweden	354,417,916.83	50,122,482.27	58,889,437.02	17,502,431.23	607.10
USA	110,217,578.80	172,238,166.09	10,913,900.84	645,474.06	-36.01
Oman	–	43,842,287.05	–	7,635,265.36	-100.00
Greece	358,635,018.42	120,383,377.32	50,676,052.34	33,266,953.32	197.91
Hongkong	144,360.17	10,425,822.23	12,727.10	1,638,006.75	-98.62
Macao	–	17,889,136.78	–	1,131,811.38	-100.00
Other areas	33,008,475.60	5,763,280.71	1,057,586.55	1,464,630.94	472.74
Subtotal	2,403,873,326.42	1,276,754,891.37	443,386,197.19	256,651,891.70	88.28
China	624,708,222.08	1,050,263,520.77	53,191,863.35	101,622,512.13	-40.52
TOTAL	3,028,581,548.50	2,327,018,412.14	496,578,060.54	358,274,403.83	30.15

(5) Details of Construction Contracts:

The Company's shipbuilding products are provided according to Rules of Construction Contract, all of which are fixed-price construction contracts. Details are listed below:

Item	Total Amount (RMB)	Accumulated Costs	Realized Accumulated Gross Margin	Settlement Amount
Refined oil/Chemicals ship	18,313,815,050.95	3,509,620,300.71	829,236,942.31	7,232,920,883.58
Semi-submersible heavy lift vessel	1,697,400,000.00	8,330,305.53	–	551,433,600.00
Ro-Ro passenger ship series	2,072,000,000.00	–	–	414,400,000.00
Fueled ships	759,000,000.00	182,159,360.03	1,308,729.07	324,503,037.79
Special ships	1,489,390,000.00	637,727,973.40	80,717,094.88	987,879,000.00
TOTAL	24,331,605,050.95	4,337,837,939.67	911,262,766.26	9,511,136,521.37

35. *Turnover Tax and Surcharge*

Details of turnover tax and surcharge are listed below:

Category	Current Period	Last Period
Business tax	1,273,035.09	1,173,186.15
City Maintenance and Construction Tax	4,860,440.82	4,987,576.87
Education surcharge	2,083,045.65	2,141,390.09
TOTAL	8,216,521.56	8,302,153.11

36. *Expenses*

(1) Selling expenses and administration expenses are listed below:

Item	Current Period	Last Period
Selling expenses	28,710,868.64	5,961,634.20
Administration expenses	117,764,019.20	92,703,896.49

Note. Selling expenses in current period increased by 381.59% comparing to last period, the main reason of which was that the sales of ship had increased, as a consequence, the provision made for shipyard repairing fees had increased as well.

(2) Details of financial expenses are listed below:

Item	Current Period	Last Period
Interest expenses	91,064,792.00	33,540,329.08
Minus: Interest income	132,013,052.13	57,175,298.21
Add: Net loss foreign currency exchange	-180,623,562.26	-29,253,270.66
Transaction fee and others	7,267,169.50	7,492,095.75
TOTAL	-214,304,652.89	-45,396,144.04

Note: Financial expenses have decreased rapidly in current period, which are mainly contributed by the foreign currency exchange gain from the large amount of borrowings and the greatly increased interest income due to the rational cash flow management.

37. Impairment Loss

Details of Impairment loss are listed below:

Item	Current Period	Last Period
Bad debt loss	-298,251.60	–
Impairment loss of inventories	-4,540,372.00	11,319,575.43
Impairment loss of investment properties	–	1,331,875.59
TOTAL	-4,838,623.60	12,651,451.02

Note: Asset Impairment loss has largely decreased, this is due to re-use of raw material which had already been made an impairment loss provision, and therefore it has reversed impairment loss for inventory.

38. Net Gain on the movement of fair value

Details of net movement on fair value are listed below:

Source	Current Period	Last Period
Derivatives	28,855,818.40	149,371,654.56

Note: Net gain on the movement of fair value has decreased 80.68% comparing to last period, this main reason is due to fluctuation of fair value of forward contract.

39. Investment Income

(1) The sources of investment income are listed below:

Sources of Investment Income	Current Period	Last Period
The adjustment based on the net profit & loss of investee enterprises under equity method at the end of the year	1,322,240.06	1,178,477.57
Income from holding and disposal of trading financial assets and those at fair value through profit or loss	63,731,676.24	735,785.55
Income from holding and disposal of trading financial liabilities and those at fair value through profit or loss	–	–
Income from holding and disposal of available-for-sale financial assets	152,777.70	574,074.07
Interest income from the held-to-maturity investment	–	4,705,248.58
Others	–	–
TOTAL	65,206,694.00	7,193,585.77

Note: Investment income has increased by 806.46% in current year, which is mainly owing to the increased income from holding and disposal of financial assets at fair value through profit or loss and those available for sale.

(2) Investment income is listed by investee enterprises below:

Name of Investee Enterprises	Current Period	Last Period
Investment Income from stocks	4,560,626.24	420,000.00
Income from Central Bank's Notes	–	4,705,248.58
Income from selling available-for-sale financial assets	152,777.70	574,074.07
Gain from trading financial assets	59,171,050.00	735,785.55
South China Marine & Industrial Special Coating Ltd.	373,843.85	–
Zhenjiang Zhongchuan Electricity Power Equipment Ltd.	1,039,362.29	758,477.57
Zhanjiang South Ocean Marine Services Inc.	-90,966.08	–
Others	–	–
TOTAL	65,206,694.00	7,193,585.77

40. Non-operating revenue

Details of non-operating revenue are listed below:

Item	Current Period	Last Period
Sub-total of income from the disposal of non-current asset	286,748.63	523,853.00
Including: Income from the disposal of fixed assets	286,748.63	523,853.00
Penalty income	46,880.00	33,176.50
Compensation income	32,080.00	25,425.00
Government subsidies (Note 1)	29,831,437.38	154,256,131.23
Other Income	273,632.38	733,204.01
TOTAL	30,470,778.39	155,571,789.74

Note 1.The main source of current-year non-operating income, which has decreased by 80.41%, is government subsidies.

Note 2.Details of government subsidies are listed below:

Item	Current Period
Products Subsidy	18,604,811.16
New product development subsidy	6,178,651.84
Other Subsidies	4,220,554.20
Tax return from self-developed software	214,420.18
Export subsidy of complete plant	613,000.00
TOTAL	29,831,437.38

41. Non-operating Expenditures

Item	Current Period	Last Period
Sub-total of losses from the disposal of non-current asset	1,259,016.56	1,444,493.55
Including: Losses from the disposal of fixed assets	1,259,016.56	1,444,493.55
Penalty expenses	293.96	160,611.02
Donation expenses	2,500.00	–
Compensation expenses	175,848.77	359,145.91
Other expenses	532,426.48	139,566.91
TOTAL	1,970,085.77	2,103,817.39

42. Income Tax

Income tax expenses are consisted of:

Item	Current Period	Last Period
Income tax expense in current period	121,700,600.50	97,675,009.27
Deferred tax expense	39,900,506.54	66,713,529.62
TOTAL	161,601,107.04	164,388,538.89

43. *Minority Interest (Profit or Loss)*

Details of minority interests are listed below:

Name of Minorities	Name of Investee Enterprises	% of Minority	Current Period	Last Period
CANAMSTEEL STRUCTURES LIMITED	United Steel Structures, Ltd	0.49	1,925,409.33	19,894,645.66
CSSC Guangzhou Huangpu shipyard Ltd	Guangzhou Masterwood Co., Ltd	0.24	180,103.16	40,008.80
CSSC Guangzhou Huangpu shipyard Ltd	Guangzhou Guangli Marine Engineering Service Co., Ltd	0.05	126,277.16	4,522.72
CSSC Guangzhou Huangpu shipyard Ltd	Guangzhou Xingshun Shipping Services Company Limited	0.01	–	–
CSSC Guangzhou Huangpu shipyard Ltd	Guangdong GSI Elevator Limited	0.01	1,916.28	72,765.95
Ou Zhi Min	Fonkwang Developing Co., Ltd.	0.30	157,217.86	271,943.79
CSSC Science & Technology Association Technology Consultation Service Corporation	Guangzhou HONGFAN PC Technology Co., Ltd	0.10	139,608.41	83,711.94
China Shipbuilding IT Co., Ltd	Guangzhou HONGFAN PC Technology Co., Ltd	0.26	362,981.86	217,651.04
Quan Hua Tai etc.	Guangzhou HONGFAN PC Technology Co., Ltd	0.13	181,490.93	108,825.51
Others				36,686.94
TOTAL			3,075,004.99	20,730,762.35

44. *Supplementary Information of Cash Flow Statement*

(1) Reconciliation of net income to cash flows from operating activities based on indirect method:

Supplementary Information	Current Period	Last Period
I. Reconciliation of net income to cash flows from operating activities:		
Net income	536,203,883.52	485,865,798.88
Add: provision for fixed assets	-4,838,623.60	1,331,875.59
Depreciation of fixed assets,	42,857,267.04	39,694,013.45
Amortization of intangible assets	2,950,438.04	2,499,189.50
Amortization of long-term prepayments	–	767,570.63
Losses on disposal of fixed assets, intangible assets and other long-term assets (“-” for gains)	526,011.46	823,077.70
Losses on scrapping of fixed assets (“-” for gains)	446,256.47	93,562.85
Losses on movement of fair value (“-” for gains)	-28,855,818.40	-149,371,654.56
Financial expenses (“-” for gains)	-214,304,652.89	14,391,725.81
Investments losses (“-” for gains)	-65,206,694.00	-7,193,585.77
Decrease in Deferred tax assets (“-” for increase)	738,730.02	17,251,958.20
Increase in Deferred tax liabilities (“-” for decrease)	10,369,256.11	96,064,010.54
Decrease in inventories (“-” for increase)	-636,515,006.11	-283,479,885.45
Decrease in operating receivables (“-” for increase)	-143,518,780.20	301,863,254.10
Increase in operating payables (“-” for decrease)	-118,133,195.88	-2,289,222.22
Others	–	81,435,798.03
Net cash flows from operating activities	-617,280,928.42	599,747,487.28
II. Investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds to be expired within one year	–	–
Fixed assets under finance lease	–	–
III. Net increase in cash and cash equivalents:		
Cash at the end of the period	5,924,374,882.93	4,946,144,215.46
Less: Cash at the beginning of the period	6,739,631,979.44	4,338,007,057.97
Plus: Cash equivalents at the end of the period	–	–
Less: Cash equivalents at the beginning of the period	–	–
Net increase in cash and cash equivalents	-815,257,096.51	608,137,157.49

(2) Cash and cash equivalents are listed below:

Item	Current Period	Last Period
I. Cash	5,924,374,882.93	4,946,144,215.46
Including: Cash in treasury	214,820.13	223,750.25
Available-for-use bank deposit	5,923,755,294.07	4,584,427,963.58
Other available-for-use monetary fund	404,768.73	361,492,501.63
II. Cash equivalents	-	-
Including: Bond Investment mature within 3 months	-	-
III. Ending balance of cash and cash equivalents	5,924,374,882.93	4,946,144,215.46
Including: limited-for-use Cash and cash equivalents belongs to parent company or subsidiaries within the group	-	-

(3) Other items in cash flow statement

A. Other cash receipts relating to operating activities are listed below:

Item	Current Period	Last Period
Special fund receipt from CSSC	4,210,000.00	8,000,000.00
Other subsidies receipt	613,000.00	-
TOTAL	4,823,000.00	8,000,000.00

B. Other cash payments relating to operating activities are listed below:

Item	Current Period	Last Period
General and administrative expenses	24,405,119.61	41,429,782.85
Selling expenses	3,953,081.94	5,961,634.20
Manufacturing expenses	69,718,915.99	83,634,614.54
TOTAL	98,077,117.54	131,026,031.59

C. Other cash receipts relating to investing activities

Item	Current Period	Last Period
Interest income	51,927,738.52	21,008,176.00

ii. Financial Statements of the Parent Company

45. Accounts receivable

(1) Classification based on significance:

Classification	Ending balance			
	Original value	Percentage	Provision for bad debts	Net value
Individually significant balance	55,589,375.00	59.37	277,946.88	55,311,428.13
Individually insignificant but significant based on credit risk characteristics	21,664,375.24	23.13	2,065,683.36	19,598,691.88
Other insignificant balances	16,392,367.11	17.50	81,961.84	16,310,405.27
Total	93,646,117.35	100.00	2,425,592.07	91,220,525.28

Beginning balance

<u>Classification</u>	<u>Original value</u>	<u>Percentage</u>	<u>Provision for bad debts</u>	<u>Net value</u>
Individually significant balance	163,387,673.00	77.64	816,938.37	162,570,734.63
Individually insignificant but significant based on credit risk characteristics	11,981,327.79	5.69	1,390,692.89	10,590,634.90
Other insignificant balances	35,076,158.83	16.67	217,960.81	34,858,198.02
Total	210,445,159.62	100.00	2,425,592.07	208,019,567.55

Note 1: Individually significant receivables refer to the receivables with the amount of more than 10 million.

Note 2: Individually insignificant but significant based on credit risk characteristics refer to the receivables aging more than 1 year with insignificant amount.

Note 3: Other insignificant balances refer to the receivables aging within 1 year with insignificant amount.

(2) Classification based on ages:

Ending Balance

<u>Aging</u>	<u>Amount</u>	<u>Ratio</u>	<u>Provision for bad debts</u>	<u>Net</u>
Within 1 year	71,981,742.11	76.87	887,137.16	71,094,604.95
1-2 years (including 2 years)	17,769,791.75	18.98	88,848.96	17,680,942.79
2-3 years (including 3 years)	1,944,628.36	2.08	9,723.14	1,934,905.22
More than 3 years	512,635.50	0.55	2,563.18	510,072.32
Special	1,437,319.63	1.53	1,437,319.63	-
Total	93,646,117.35	100.00	2,425,592.07	91,220,525.28

Beginning balance

<u>Aging</u>	<u>Amount</u>	<u>Ratio</u>	<u>Provision for bad debts</u>	<u>Net</u>
Within 1 year	198,463,831.83	94.30	1,034,899.18	197,428,932.65
1-2 years (including 2 years)	7,370,168.07	3.50	36,850.84	7,333,317.23
2-3 years (including 3 years)	3,173,057.73	1.51	15,865.29	3,157,192.44
More than 3 years	100,628.37	0.05	503.14	100,125.23
Special	1,337,473.62	0.64	1,337,473.62	-
Total	210,445,159.62	100.00	2,425,592.07	208,019,567.55

46. Other Receivables

(1) Classification based on significance:

Ending Balance

<u>Classification</u>	<u>Amount</u>	<u>Ratio (%)</u>	<u>Bad Debt Allowance</u>	<u>Net</u>
Individually significant balance	194,178,962.76	73.00	9,302,498.46	184,876,464.30
Individually insignificant but significant based on credit risk characteristics	2,520,358.60	0.95	12,601.79	2,507,756.81
Other insignificant balances	69,275,996.09	26.05	346,379.98	68,929,616.11
Total	265,975,317.45	100.00	9,661,480.23	256,313,837.22

Beginning balance

Classification	Beginning balance		Bad Debt	
	Amount	Ratio (%)	Allowance	Net
Individually significant balance	196,343,192.07	77.59	9,164,905.36	187,178,286.71
Individually insignificant but significant based on credit risk characteristics	378,851.09	0.15	1,708.00	377,143.09
Other insignificant balances	56,323,656.80	22.26	494,866.87	55,828,789.93
Total	253,045,699.96	100.00	9,661,480.23	243,384,219.73

Note 1: Individually significant balances refer to the other receivables with the amount of more than 10 million.

Note 2: Individually insignificant but significant based on credit risk characteristics refer to the receivables aging more than 1 year with insignificant amount.

Note 3: Other insignificant balances refer to the receivables aging within 1 year with insignificant amount.

(2) Classification based on ages:

Ending Balance

Aging	Ending Balance		Bad Debt	
	Amount	Ratio (%)	Allowance	Net
Within 1 year	249,665,840.10	93.87	900,159.39	248,765,680.71
1-2 years (including 2 years)	129,146.66	0.05	645.73	128,500.93
2-3 year (including 3 years)	52,335.00	0.02	261.68	52,073.33
More than 3 years	2,433,726.94	0.92	12,168.63	2,421,558.31
Special	13,694,268.75	5.15	8,748,244.80	4,946,023.95
Total	265,975,317.45	100.00	9,661,480.23	256,313,837.22

Beginning Balance

Aging	Beginning Balance		Bad Debt	
	Amount	Ratio (%)	Allowance	Net
Within 1 year	238,972,580.12	94.44	911,527.43	238,061,052.69
1-2 years (including 2 years)	86,854.37	0.03	434.27	86,420.10
2-3 years (including 3 years)	10,000.00	0	50.00	9,950.00
More than 3 years	281,996.72	0.11	1,223.73	280,772.99
Special	13,694,268.75	5.41	8,748,244.80	4,946,023.95
Total	253,045,699.96	100.00	9,661,480.23	243,384,219.73

47. Long-term Equity Investment

(1) Long-term equity investments are listed as follows in terms of category:

Item	Beginning balance	Increase	Decrease	Closing balance
Investment for subsidiary company	99,476,014.12	–	–	99,476,014.12
Investment for joint venture	3,344,454.04	373,843.85	–	3,718,297.89
Investment for associate company	1,784,928.59	-90,966.08	–	1,693,962.51
total	104,605,396.75	282,877.77	–	104,888,274.52

(2) Long-term investments under the cost method:

Investee	Initial amount	Beginning balance	Increase	Decrease	Ending balance	Percentage holding of investee's capital	Percentage holding of voting power
Rongguang Development Company Limited	10,700.00	10,700.00	–	–	10,700.00	100.00	100.00
Guangzhou Hongfan Information Technique Company Limited	2,550,000.00	2,550,000.00	–	–	2,550,000.00	51.00	51.00
Guangdong Shipyard International Elevator Company Limited	19,950,000.00	19,950,000.00	–	–	19,950,000.00	95.00	95.00
Guangzhou Xingshun Shipping Service Company Limited	500,000.00	500,000.00	–	–	500,000.00	83.00	83.00
Guangzhou United Steel Structures Limited	37,522,079.55	37,522,079.55	–	–	37,522,079.55	51.00	51.00
Masterwood Company Limited	1,690,741.80	1,690,741.80	–	–	1,690,741.80	51.00	51.00
Guangzhou Guanglian Container	15,000,000.00	15,000,000.00	–	–	15,000,000.00	75.00	75.00
Guangzhou Guangli Marine Human Resource Service Co., Ltd	3,052,492.77	3,052,492.77	–	–	3,052,492.77	80.00	80.00
Guangdong Parts and Pipes Limited	19,200,000.00	19,200,000.00	–	–	19,200,000.00	100.00	100.00
Shenzhen Yuanzhou Service and Technology Industry Company	1,000,000.00	1,000,000.00	–	–	1,000,000.00	7.00	7.00
Total	100,476,014.12	100,476,014.12	–	–	100,476,014.12	–	–

Note 3: The details of the long-term equity investment under the equity method refer to Note IX. i.8.

48. Operating Revenue and Operating Cost

(1) Details for operating revenue and operating cost are listed as follows:

Items	Current period	Last period
Operating Revenue	2,849,279,612.20	2,068,723,919.59
Revenue from main operations	2,797,486,338.91	2,033,040,695.11
Revenue from other operations	51,793,273.29	35,683,224.48
Operating Cost	2,366,620,647.63	1,750,932,801.26
Cost of main operations	2,328,961,623.05	1,727,341,628.12
Cost of other operations	37,659,024.58	23,591,173.14

(2) Details are listed as follows in terms of category for production or business:

Category	Current period		Last period	
	Revenue	Cost	Revenue	Cost
Shipping building products	2,721,098,026.86	2,257,971,591.50	2,014,864,650.33	1,711,908,733.49
Steel structure construction	3,000,809.49	3,185,958.60	3,784,211.79	3,560,763.48
Mechanical and electrical products	73,387,502.56	67,804,072.95	14,391,832.99	11,872,131.15
Other business	51,793,273.29	37,659,024.58	35,683,224.48	23,591,173.14
Total	2,849,279,612.20	2,366,620,647.63	2,068,723,919.59	1,750,932,801.26

X Related Parties and Related-Party Transactions

i. Related parties

1. Parent company

Name of parent company	Registered address	Principle business	Registered capital	Organization code	Holding ratio	Representative ratio
China State Shipbuilding Corporation	No 1, Pudong Main Street, Shanghai City	investment and operation for state-owned assets	637,430,000.00	190499390	35.71%	35.71%

2. Subsidiary

Details of subsidiary refer to Note VII. i.

3. Joint Venture and Associate Company

Details of joint venture and associate company refer to VIII.

4. Other Related Parties

Name of Related Parties	Relationship with the Company
Anqing Marine Diesel Factory	Controlled by the same final controller
Guangzhou Wenchong shipyard Ltd.	Controlled by the same final controller
Guangzhou Shipyard	Controlled by the same final controller
CSSC Guangzhou Huangpu shipyard Ltd.	Controlled by the same final controller
Huanan Marine Mechanical Factory	Controlled by the same final controller
Jiangxi Chaoyang Mechanical Factory	Controlled by the same final controller
Jiangxi Marine Valve Factory	Controlled by the same final controller
Jiujiang Instrument Factory	Controlled by the same final controller
CSSC Jiujiang Fire control Equipment Co., Ltd	Controlled by the same final controller
CSSC Nanjing Lvzhou Machinery Co., Ltd	Controlled by the same final controller
Shanghai Navigation Instrument Co., Ltd	Controlled by the same final controller
CSSC Zhenjiang Equipment Co., Ltd	Controlled by the same final controller
CSSC No. 9 Institute	Controlled by the same final controller
China Shipping Trading Corporation	Controlled by the same final controller
Marine Design& Research Institute of China	Controlled by the same final controller
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	Controlled by the same final controller
Huudong Zhonghua Shipbuilding (Group) Co., Ltd	Controlled by the same final controller
Jiangnan Shipbuilding Group Co., Ltd	Controlled by the same final controller
CSSC Guangzhou Longxue Shipbuilding Co., Ltd	Controlled by the same final controller
CSSC Integrated Technology Economy Institute	Controlled by the same final controller
Guangxi Guijiang Shipyard	Controlled by the same final controller
Jiujiang Haitian Equipment Manufacture Co., Ltd	Controlled by the same final controller
CSSC International Trade Co., Ltd	Controlled by the same final controller
Guangzhou Marine and Engineering Design & Research Institute	Controlled by the same final controller
Shanghai Waigaoqiao Shipbuilding Co., Ltd	Controlled by the same final controller
China United Shipbuilding Co., Ltd	Controlled by the same final controller
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd	Controlled by the same final controller
Jangna Heavy Engineering Company Limited	Controlled by the same final controller
Guangzhou CSSC-Oceanline-GWS Marine Engineering Co., Ltd	Controlled by the same final controller
CSSC Guangzhou Holding Co.	Controlled by the same final controller

ii. Related Party Transactions

1. Selling goods and providing services

Name of related parties	Current Period	Last Period	Pricing policy
	Amount	Amount	
South China Marine & Industrial Special Coating Ltd.	39,746.49	13,434.91	Market price
Guangzhou Marine and Engineering Design & Research Institute	85,923.29	55,202.46	Market price
Guangzhou Wenchong shipyard Ltd.	683,625.30	5,087,797.82	Market price
Guangzhou CSSC-Oceanline-GWS Marine Engineering Co., Ltd	5,321,553.08	–	–
Guangzhou Shipyard	2,963,488.14	1,586,281.85	Market price
CSSC Guangzhou Huangpu shipyard Ltd.	5,007,287.60	4,262,385.42	Market price
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	6,811,525.64	–	Market price
CSSC Guangzhou Nansha-Longxue Shipbuilding Co., Ltd	10,357,211.13	621,755.68	Market price
CSSC No. 9 Institute	–	1,280,000.00	Market price
Shanghai Marine Research Institute	–	50,000.00	Market price
Shanghai Waigaoqiao Shipbuilding Co., Ltd	–	-7,692.31	Market price
China Shipping Trading Corporation	1,296,762.22	1,261,848.00	Market price
Jangna Heavy Engineering Company Limited	27,214,227.27	–	–
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd	149,572.65	–	Market price
TOTAL	59,930,919.81	14,211,013.83	Market price

2. Sales acted by related parties

Name of Related Parties	Amount		Pricing Policy
	Jan-Jun 2008	Jan-Jun 2007	
China Shipping Trading Corporation	17,200,168.08	17,157,693.43	Market Price
CSSC International Trade Co., Ltd	5,038,185.75	705,718.42	Market Price

Note: Other assets except selling goods are all acted by China Shipping Trading Corporation and its subordinate companies.

3. Purchasing goods and adopting services

Name of related parties	Jan-Jun 2008	Jan-Jun 2007	Pricing Policy
	Guangzhou CSSC-Oceanline-GWS Marine Engineering Co., Ltd	220,800.00	
Guangzhou Wenchong Shipyard Ltd	–	957,347.29	Market Price
Guangzhou Marine and Engineering Design & Research Institute	1,300,000.00	–	Market Price
Guangzhou Shipyard	53,865,070.37	42,815,377.02	Market Price
CSSC Guangzhou Huangpu Shipyard Ltd.	351,921.85	512,632.50	Market Price
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	751,673.10	–	Market Price
Huanan Marine Mechanical Factory	8,934,957.26	424,786.32	Market Price
Jiangxi Marine Valve Factory	57,500.00	–	Market Price
Jiangxi Chaoyang Mechanical Factory	–	10,615.38	Market Price
CSSC Nanjing Lvzhou Machinery Co., Ltd	8,457,802.42	7,029,679.49	Market Price
Shanghai Marine Research & Design Institute	3,510,000.00	600,000.00	Market Price
Shanghai Navigation Instrument Factory	–	1,057,760.00	Market Price
CSSC Zhenjiang Equipment Co., Ltd	49,314,235.05	21,888,737.63	Market Price
CSSC No. 11 Institute	35,000.00	120,000.00	Market Price
CSSC Integrated Technology Economy Institute	1,288.00	–	Market Price
TOTAL	126,800,248.05	75,416,935.63	Market Price

4. *Purchasing goods and materials acted by related parties*

Name of Related Parties	Amount		Pricing Policy
	Jan-Jun 2008	Jan-Jun 2007	
China Shipping Trading Corporation	–	93,084.24	Market Price
China United Shipbuilding Co., Ltd	3,163,011.10	1,264,223.17	Market Price

Note: other assets purchased by the Company except goods are all acted by CSSC.

5. *Providing financial services*

Name of Related Party	Ending Balance of Bank Deposit		Interest Income of the Company		Remarks
	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	
China Marine Finance Co., Ltd	27,942,514.73	27,488,265.93	114,870.94	67,340.09	Deposit

6. *Pledge*

Name of the company	Current Period			Last Period		
	Guarantee	Amount	Period	Guarantee	Amount	Period
CSSC	Loan	4,136,797.62	1 year		5,318,324.02	
CSSC Guangzhou Shipping Company	L/G	408,402.01	1 year	L/G	1,052,122.50	
TOTAL		4,545,199.63			6,370,446.52	

iii. *Balance with Related Parties*

Name of Related Party	Account	Ending Balance		Beginning Balance	
		Amount	Percentage (%)	Amount	Percentage (%)
Guangzhou Shipyard Ltd.	Other receivables	91,765.71	0.03	48,440.00	–
CSSC Guangzhou Huangpu Shipyard Ltd.	Other receivables	17,796.27	0.01	–	–
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	Other receivables	660,000.77	0.25	–	–
CSSC Group-Guangzhou Shipbuilding Corporation	Other receivables	151,560.15	0.06	–	–
CSSC Guangzhou Nansha-Longxue Shipbuilding Co., Ltd	Other receivables	60,944.96	0.02	–	–
Guangzhou Marine and Engineering Design & Research Institute	Other receivables	1,260.00	0.00	–	–
SUBTOTAL		983,327.86	0.37	48,440.00	

Name of Related Party	Account	Ending Balance		Beginning Balance	
		Amount	Percentage (%)	Amount	Percentage (%)
South China Marine & Industrial Special Coating Ltd.	Account receivables	9,418.35	0.00	3,200.01	–
Guangzhou CSSC-Oceanline-GWS Marine Engineering Co., Ltd	Account receivables	1,526,175.00	0.01	–	–
China Shipbuilding IT Co., Ltd	Account receivables	11,000.00	0.01	11,000.00	–
Guangxi Guijiang Shipyard	Account receivables	3,789.00	0.00	3,789.00	–
Marine Design& Research Institute of China	Account receivables	19,929.80	0.01	–	–
Guangzhou Wenchong Shipyard Ltd.	Account receivables	399,030.00	0.90	787,213.02	0.25
Guangzhou Shipyard	Account receivables	2,503,417.30	1.19	199,300.91	0.06
CSSC Guangzhou Huangpu Shipyard Ltd.	Account receivables	458,555.00	0.22	167,295.00	0.05
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	Account receivables	17,535,600.00	8.33	16,715,110.00	5.32
CSSC No. 9 Institute	Account receivables	404,750.00	0.19	380,000.00	0.12
CSSC Guangzhou Nansha-Longxue Shipbuilding Co., Ltd	Account receivables	369,347.85	0.18	323,516.59	0.10
China Shipping Trading Corporation	Account receivables	–	–	69,700.00	0.02
SUBTOTAL		23,241,012.30	11.03	18,660,124.53	5.90
CSSC Guijiang Shipyard Co., Ltd	Advances to suppliers	930,000.00	0.12	190,000.00	0.04
Guangzhou Shipyard	Advances to suppliers	11,554,837.40	1.53	13,253,278.83	2.57
CSSC Guangzhou Huangpu Shipyard Ltd.	Advances to suppliers	269,888,640.00	35.70	269,888,640.00	52.41
CSSC Huanan Marine Mechanical CO., Ltd	Advances to suppliers	5,982,400.00	0.79	942,400.00	0.18
China United Shipbuilding Co., Ltd	Advances to suppliers	–	–	28,937,346.09	5.62
Jiujiang Haitian Equipment Manufacture Co., Ltd	Advances to suppliers	888,540.00	0.12	888,540.00	0.17
CSSC Zhenjiang Equipment Co., Ltd	Advances to suppliers	23,865,056.80	3.16	33,134,222.40	6.43
CSSC International Trade Co., Ltd	Advances to suppliers	3,318.33	0.00	3,318.83	–
Systems Engineering Research Institute, CSSC	Advances to suppliers	–	–	8,975,000.00	1.74
China Shipping Trading Corporation	Advances to suppliers	1,107,330.83	0.15	705,733.93	0.14
Guangzhou Marine and Engineering Design & Research Institute	Advances to suppliers	582,000.00	0.08	582,000.00	0.11
SUBTOTAL		314,802,123.36	41.64	357,500,480.08	69.42
CSSC Guijiang Shipyard Co., Ltd	Account payables	245,880.00	0.04	2,458,800.00	0.39
Guangzhou Shipyard	Account payables	3,591,794.62	0.60	5,420,155.07	0.87
CSSC Guangzhou Huangpu Shipyard Ltd.	Account payables	200,000.00	0.03	–	–
CSSC Huanan Marine Mechanical CO., Ltd	Account payables	5,010,100.00	0.83	1,306,248.89	0.21
Jiangxi Marine Valve Factory	Account payables	479,875.00	0.08	477,000.00	0.08
Jiujiang Instrument Factory	Account payables	50,000.00	0.01	50,000.00	0.01
CSSC Jiujiang Fire control Equipment Co., Ltd	Account payables	42,500.00	0.01	42,500.00	0.01
CSSC Nanjing Lvzhou Machinery Co., Ltd	Account payables	4,389,700.00	0.73	2,299,570.00	0.37
Shanghai Navigation Instrument Co., Ltd	Account payables	247,760.00	0.04	247,760.00	0.04
CSSC Zhenjiang Equipment Co., Ltd	Account payables	13,672,478.00	2.27	2,467,890.00	0.40
CSSC No. 9 Institute	Account payables	26,000.00	0.00	116,552.00	0.02
China Shipping Trading Corporation	Account payables	-39,871.51	-0.01	-29,720.02	–
Marine Design& Research Institute of China	Account payables	262,300.00	0.04	262,300.00	0.04
SUBTOTAL		28,178,516.11	4.68	15,119,055.94	2.94

Name of Related Party	Account	Ending Balance		Beginning Balance	
		Amount	Percentage (%)	Amount	Percentage (%)
Guangzhou Economic Development Zone South China Marine & Industrial Special Coating Ltd.		–	–	6,285.12	0.01
Guangzhou Shipyard	Other payables	629,109.58	1.08	28,592.40	0.03
China United Shipbuilding Co., Ltd	Other payables	190,000.00	0.33	190,000.00	0.20
CSSC No. 9 Institute	Other payables	923,361.05	1.59	923,361.05	0.99
CSSC Guangzhou Holding Co.	Other payables	408,402.01	0.70	–	–
SUBTOTAL		2,150,872.64	3.70	1,148,238.57	1.23
Guangzhou Wenchong Shipyard Ltd.	Advances from customers	–	–	4,048,500.00	1.62
Guangzhou Shipyard	Advances from customers	917,700.00	0.27	–	–
CSSC Guangzhou Huangpu Shipyard Ltd.	Advances from customers	21.37	0.00	21.37	–
CSSC Guangzhou Nansha-Longxue Construction & Development Co., Ltd	Advances from customers	31,658,796.62	9.44	15,002,999.95	6.00
Guangzhou CSSC-Oceanline-GWS Marine Engineering Co., Ltd	Advances from customers	4,048,500.00	1.21	–	–
Hudong Zhonghua Shipbuilding (Group) Co., Ltd	Advances from customers	4,600,000.00	1.37	4,600,000.00	1.84
Jiangnan Shipyard (Group) Co., Ltd	Advances from customers	–	–	34,707,130.75	13.87
Jiangnan Heavy Industry Co., Ltd	Advances from customers	26,201,052.74	7.81	–	–
CSSC No. 9 Institute	Advances from customers	1,219,750.00	0.36	450,000.00	0.18
The 708th Institute of CSCC	Advances from customers	–	–	3,280,000.00	1.31
CSSC Integrated Technology Economy Institute	Advances from customers	1,144,000.00	0.34	–	–
CSSC	Advances from customers	–	–	1,130,000.00	0.45
Guangzhou Marine and Engineering Design & Research Institute	Advances from customers	4,680,000	–	3,280,000.00	1.31
SUBTOTAL		74,469,820.73	20.81	66,498,652.07	26.58

XI Contingencies

The Company has no material contingencies at the end of 30th June 2008 that needs to be disclosed.

XII Commitments

1. Mortgage

The details of mortgage for the Company are listed as follows at the end of the year:

Items	Original value	Net value	Guarantee	Other Information-Mortgage Bank	Remarks
Equipment	72,725,995	7,798,465	The Company	China Commercial Bank Fangcui Branch	In the line of credit
Housing& building	169,431,693	122,747,155	The Company	China Commercial Bank Fangcui Branch	In the line of credit

2. Unmatured Forward Contract

To hedge foreign exchange rate risk, the Company signed foreign exchange rate forward contract with the bank (including forward contract buying and selling). As of June 30, 2008, unmatured forward contracts of the Company accumulated to 55 contracts, the transaction amount amounted to USD 549,400,000, and the contracted transaction period ranges from July 01, 2008 to June 30, 2010.

The Company has no other material Commitments after the balance sheet date to be disclosed except those above-mentioned.

XIII Subsequent events after the balance sheet date

The Company has no other material subsequent events after the balance sheet date, June 30, 2008 to be disclosed.

XIV Supplemental Information

i. Non-often Profits or Losses

In accordance with the “Questions and Answers for the Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1 – non-often Profits and losses” amended by the China Securities Regulatory Commission in 2007 (Kuaiji [2007] NO. 9), the non-often profits or losses of the Company are listed as follows:

Items	Jan-Jun 2008	Jan-Jun 2007
Non-often revenues		
1. Gains from disposal of non-current assets	286,748.63	523,853.00
2. Government allowance through profits or losses	11,226,626.22	10,760,544.22
3. Other items of non-operating revenue	352,592.38	791,804.91
4. Others	–	7,482,158.64
Subtotal	<u>11,865,967.23</u>	<u>19,558,360.77</u>
Non-often expenditures		
1. Losses from disposal of non-current assets	1,259,016.56	1,444,493.55
2. Provision for assets as the force majeure	-4,838,623.60	12,651,451.02
3. Other items of non-operating expenditures	711,069.21	659,323.84
4. Others	–	–
Subtotal	<u>-2,868,537.83</u>	<u>14,755,268.41</u>
Influenced profit before tax	14,734,505.06	4,803,092.36
Less: income tax expenses	3,683,626.27	1,585,020.48
Influenced net profit	11,050,878.80	3,218,071.88
Influenced minority interests	2,273,368.78	–
Influenced net profits belonging to the common stockholders of parent company	<u>8,777,510.01</u>	<u>–</u>
Net profits belonging to the common stockholders of parent company deducted non-often profits or losses	<u>524,351,368.52</u>	<u>460,331,944.17</u>

ii. Return on Net Assets and Earning Per Share

In accordance with the “Regulations of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No. 9 – Calculation and Disclosing of Rate on Net Assets and Earning Per Share” and “Questions and Answers for the Standards of Disclosing Relevant Information for the Company Which Publishes Securities Publicly No 1 – non-often Profits and losses” amended by the China Securities Regulatory Commission in 2007, the Company has calculated the rate of return on net assets and earning per share. Details are listed as follows:

1. Calculation Results

Profits for According Period	Current Period			
	Rate of Return on Net Assets		Earning per Share	
	Spreading out	Weighted Average	Basic Earning per Share	Diluted Earnings per Share
Net profits belonging to the common stockholders (I)	20.75%	20.20%	1.08	1.08
Net profits belonging to the common stockholders after deducted non-often profits or losses (II)	20.41%	19.87%	1.06	1.06
Profits for according period	Last Period			
	Rate of Return on Net Assets		Earning per Share	
	Spreading out	Weighted Average	Spreading out	Weighted Average
Net profits belonging to the common stockholders (I)	25.84%	30.38%	0.94	0.94
Net profits belonging to the common stockholders after deducted non-often profits or losses (II)	25.57%	30.07%	0.93	0.93

2. Calculation Process of Earnings Per Share

Items	Number	Current Period
Net profits belonging to the common stockholders of the Company	1	533,128,878.53
Non-often profits or losses belonging to the common shareholders of parent company deducted the tax	2	8,777,510.01
Net profits belonging to the common shareholders of the Company after deducted non-often profits or losses	3=1-2	524,351,368.52
Total number of shares for the beginning of the year	4	494,677,580.00
Additional number of shares for increasing capital with accumulation fund or the distribution of stock dividends	5	-
Additional number of shares for initially issuing shares or debt for equity	6	-
	6	-
	6	-
Months calculated from the next month of initially issuing shares or debt for equity to the last month of the accounting period	7	-
	7	-
	7	-
Decreased number of shares for purchasing back or drawing back stocks for the accounting period	8	-
Months calculated from the next month of decreasing shares to the last month for the accounting period	9	-
Months for the accounting period	10	6
Weighted average number of ordinary shares outstanding	11=4+5+6x7÷10-8x9÷10	494,677,580.00
Basic earnings per share (I)	12=1÷11	1.08
Basic earnings per share (II)	13=3÷11	1.06
Interests for the potential dilutive ordinary shares recognized as expenditures	14	-
Income tax rate	15	25%
Diverting expenditures	16	-
Additional number of shares for performing the right of warrants and share options	17	-
Diluted earnings per share (I)	18=1+(14-16)x(1-15)÷(11+17)	1.08
Diluted earnings per share (II)	19=3+(14-16)x(1-15)÷(11+17)	1.06

XV The Authorization of Financial Statement

The financial statements were approved by the Board Meeting held on August 22nd, 2008.

VIII Condensed consolidated interim financial information prepared in accordance with HKAS 34. (All amounts in Renminbi Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	30 June 2008 Unaudited	31 December 2007 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,132,695	1,049,953
Investment properties	5	93,170	94,161
Land use rights and leasehold land	5	75,314	76,108
Intangible assets	5	15,941	15,921
Interest in associates		20,688	19,419
Available-for-sale financial assets	6	1,900	577,074
Derivative financial instruments	7	188,732	245,852
Restricted cash	10	200,000	–
Total non-current assets		1,728,440	2,078,488
Current assets			
Inventories		1,014,941	725,423
Due from customers on construction contracts		303,894	229,927
Trade receivables	8	172,145	314,323
Other receivables	9	904,042	728,187
Available-for-sale financial assets	6	348,779	–
Derivative financial instruments	7	143,306	48,458
Term deposits with initial term of over three months	10	5,339,458	5,331,755
Restricted cash	10	2,209,999	114,776
Cash and cash equivalents	10	716,535	1,457,792
Total current assets		11,153,099	8,950,641
Total assets		12,881,539	11,029,129
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	11	1,146,655	1,146,655
Other reserves		400,001	568,281
Retained earnings		–	247,339
– Proposed dividend		–	–
– Others		1,022,364	489,234
		2,569,020	2,451,509
Minority interests		78,923	75,848
Total equity		2,647,943	2,527,357
LIABILITIES			
Non-current liabilities			
Borrowings	12	870,986	387,468
Derivative financial instruments	7	3,563	–
Deferred income tax liabilities	13	202,050	190,943
Retirement benefit obligations		2,327	3,173
Total non-current liabilities		1,078,926	581,584
Current liabilities			
Due to customers on construction contracts		4,545,984	4,871,825
Trade payables	14	602,777	624,390
Other payables and accruals		452,255	440,661
Dividends payable		35	9
Current income tax liabilities		117,714	255,649
Borrowings	12	3,347,263	1,654,374
Derivative financial instruments	7	16,938	11,628
Provisions for warranty		71,704	61,652
Total current liabilities		9,154,670	7,920,188
Total liabilities		10,233,596	8,501,772
Total equity and liabilities		12,881,539	11,029,129
Net current assets		1,998,429	1,030,453
Total assets less current liabilities		3,726,869	3,108,941

The notes on pages 64 to 76 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT-BY FUNCTION OF EXPENSE

	Note	Unaudited	
		Six months ended 30 June	
		2008	2007
Revenue		3,077,203	2,327,018
Construction costs		(2,294,935)	(1,708,913)
Cost of goods sold and services rendered		(310,567)	(272,966)
Cost of sales		(2,605,502)	(1,981,879)
Gross profit		471,701	345,139
Other gains – net		89,004	135,434
Selling and marketing costs		(4,196)	(4,146)
Administrative expenses		(106,568)	(101,006)
Other income		23,644	216,401
Other expenses		(2,200)	(1,451)
Operating profit	15	471,385	590,371
Finance income – net	16	225,152	59,986
Share of profit/(loss) of associates		1,269	(36)
Profit before income tax		697,806	650,321
Income tax expense	17	(161,601)	(164,389)
Profit for the period		536,205	485,932
Attributable to:			
– shareholders of the Company		533,130	465,202
– minority interests		3,075	20,730
		536,205	485,932
Earnings per share for profit attributable to the shareholders of the Company			
for the period (expressed in RMB per share)			
– basic and diluted	18	1.0777	0.9404

The notes on pages 64 to 76 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Unaudited

	Note	Attributable to shareholders of the Company					Minority interests	Total equity
		Share Capital	Other reserves	Retained earnings/ (accumulated losses)	Total			
Balance at 1 January 2007		1,146,655	241,635	(126,643)	1,261,647	61,404	1,323,051	
Fair value gains, net of tax:								
– available-for-sale financial assets		–	73,187	–	73,187	–	73,187	
Profit for the period		–	–	465,202	465,202	20,730	485,932	
Total recognised income for the six months ended 30 June 2007		–	73,187	465,202	538,389	20,730	559,119	
Dividend paid by a subsidiary		–	–	–	–	(490)	(490)	
Acquisition of minority interests		–	–	–	–	(2,047)	(2,047)	
Balance at 30 June 2007		<u>1,146,655</u>	<u>314,822</u>	<u>338,559</u>	<u>1,800,036</u>	<u>79,597</u>	<u>1,879,633</u>	
Balance at 1 January 2008		1,146,655	568,281	736,573	2,451,509	75,848	2,527,357	
Fair value losses, net of tax:								
– available-for-sale financial assets	6	–	(168,190)	–	(168,190)	–	(168,190)	
Disposal of available-for-sale financial assets		–	(90)	–	(90)	–	(90)	
Profit for the period		–	–	533,130	533,130	3,075	536,205	
Total recognised income (loss) for the six months ended 30 June 2008		–	(168,280)	533,130	364,850	3,075	367,925	
Dividends relating to 2007 paid in 2008	19	–	–	(247,339)	(247,339)	–	(247,339)	
Balance at 30 June 2008		<u>1,146,655</u>	<u>400,001</u>	<u>1,022,364</u>	<u>2,569,020</u>	<u>78,923</u>	<u>2,647,943</u>	

The notes on pages 64 to 76 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	Unaudited	
		Six months ended 30 June	
		2008	2007
Cash flows from operating activities – net		(2,709,414)	(1,312,541)
Cash flows from investing activities:			
– purchases of property, plant and equipment and intangible assets		(133,383)	(69,405)
– proceeds from sale of property, plant and equipment		192	523
– acquisition of a subsidiary, net of cash acquired		–	608
– payment of acquisition consideration		(15,360)	–
– purchase of held-to-maturity financial assets		–	(248,520)
– redemption of held-to-maturity financial assets		–	320,000
– dividend from available-for-sale financial assets		–	420
– proceeds from disposal of available-for-sale financial assets		2,175	779
Cash flows from investing activities – net		(146,376)	4,405
Cash flows from financing activities:			
– proceeds from borrowings		2,886,385	356,164
– repayments of borrowings		(524,207)	(343,684)
– dividends paid to shareholders of the Company		(247,313)	–
– dividends paid to minority interests		–	(490)
Cash flows from financing activities – net		2,114,865	11,990
Net decrease in cash and cash equivalents		(740,925)	(1,296,146)
Cash and cash equivalents at start of period		1,457,792	2,255,879
Exchange losses on cash and cash equivalents		(332)	(3,486)
Cash and cash equivalents at end of period	10	716,535	956,247

The notes on pages 64 to 76 form an integral part of this condensed consolidated interim financial information.

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Guangzhou Shipyard International Company Limited (the “Company”) is a joint stock company established in the People’s Republic of China (the “PRC”) with limited liability. The address of its registered office is 40 South Fangcun Main Road, Guangzhou, the PRC.

The Company is listed on Shanghai Securities Exchange and The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was presented in thousands of units of Renminbi Yuan (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 22 August 2008.

2 Basis of preparation

This condensed consolidated interim financial information of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2008, which comprise the condensed consolidated interim balance sheet as at 30 June 2008, and the condensed consolidated interim income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months ended 30 June 2008, accounting policies and the explanatory notes, has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2007, as set out in 2007 annual report of the Company dated on 18 March 2008.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC)-Int 11, “HKFRS 2 – Group and treasury share transactions”.
- HK(IFRIC)-Int 12, “Service concession arrangements”.
- HK(IFRIC)-Int 14, “HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction”.

4 Segment information

Primary reporting format – business segments

At 30 June 2008, the Group is organized in the PRC basis into two main business segments:

- (1) Shipbuilding – construction and trading of vessels; and
- (2) Steel structure and other manufacturing – manufacturing and trading of steel structure and mechanical and electrical equipment.

Turnover consists of revenue from shipbuilding, steel structure and other manufacturing segments, which are Rmb2,721,098,000 and Rmb236,591,000 for the six months ended 30 June 2008 and Rmb2,014,865,000 and Rmb280,779,000 for the six months ended 30 June 2007 respectively.

Other operations of the Group mainly comprise the trading of computers, painting services and ship repairing services, none of which are of a sufficient size to be reported separately.

The segment results for the six months ended 30 June 2008 are as follows:

Business segment	Shipbuilding	Steel structure and other manufacturing	Other operations	Elimination	Group
Total segment revenue	2,721,098	250,819	147,017	–	3,118,934
Inter-segment revenue	–	(14,228)	(27,503)	–	(41,731)
Revenue	2,721,098	236,591	119,514	–	3,077,203
Segment results	534,044	25,966	33,944	(16,886)	577,068
Unallocated revenue					4,767
Unallocated costs and expense					(110,450)
Operating profit					471,385
Finance income – net					225,152
Share of profits of associates			1,269		1,269
Profit before income tax					697,806
Income tax expense					(161,601)
Profit for the period					536,205

The segment results for the six months ended 30 June 2007 are as follows:

Business segment	Shipbuilding	Steel structure and other manufacturing	Other operations	Elimination	Group
Total segment revenue	2,014,865	315,470	127,135	–	2,457,470
Inter-segment revenue	–	(34,691)	(95,761)	–	(130,452)
Revenue	2,014,865	280,779	31,374	–	2,327,018
Segment results	612,308	78,822	18,424	(18,291)	691,263
Unallocated revenue					1,513
Unallocated costs and expense					(102,405)
Operating profit					590,371
Finance income – net					59,986
Share of losses of associates			(36)		(36)
Profit before income tax					650,321
Income tax expense					(164,389)
Profit for the period					485,932

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that are also available to third parties.

Other segment items for the six months ended 30 June 2008 are as follows:

	Shipbuilding	Steel structure and other manufacturing	Other operations	Unallocated	Group
Depreciation and amortization	23,256	3,037	3,748	16,374	46,415
Capital expenditure	<u>54,032</u>	<u>245</u>	<u>52,540</u>	<u>22,257</u>	<u>129,074</u>

Other segment items for the six months ended 30 June 2007 are as follows:

	Shipbuilding	Steel structure and other manufacturing	Other operations	Unallocated	Group
Depreciation and amortization	18,676	3,311	4,058	15,756	41,801
Write-down of inventory	–	13,135	–	–	13,135
Capital expenditure	<u>35,887</u>	<u>1,073</u>	<u>21,838</u>	<u>11,514</u>	<u>70,312</u>

Capital expenditure mainly comprises additions to property, plant and equipment and intangible assets.

The segment assets and liabilities at 30 June 2008 are as follows:

	Shipbuilding	Steel structure and other manufacturing	Other operations	Elimination	Group
Segment assets	6,690,582	612,038	261,236	(44,182)	7,519,674
Interest in associates			20,688		20,688
Unallocated assets					<u>5,341,177</u>
Total assets					<u>12,881,539</u>
Segment liabilities	5,352,024	240,344	218,493	(44,182)	5,766,679
Unallocated liabilities					<u>4,466,917</u>
Total liabilities					<u>10,233,596</u>

The segment assets and liabilities at 31 December 2007 are as follows:

	Shipbuilding	Steel structure and other manufacturing	Other operations	Elimination	Group
Segment assets	6,198,530	522,233	134,818	(70,950)	6,784,631
Interest in associates			19,419		19,419
Unallocated assets					<u>4,225,079</u>
Total assets					<u>11,029,129</u>
Segment liabilities	5,631,559	218,290	78,451	(70,950)	5,857,350
Unallocated liabilities					<u>2,644,422</u>
Total liabilities					<u>8,501,772</u>

Segment assets consist primarily of operating cash, property, plant and equipment, inventories, derivatives financial instruments and receivables, and mainly exclude investment properties, deferred income tax assets and available-for-sale financial assets.

Segment liabilities comprise operating liabilities and mainly exclude taxation and borrowings.

Secondary reporting format – geographical segments

Although the Group's two main business segments are managed in the PRC, turnover is contributed from the following main geographical areas in which the customers are located:

Mainland China – Shipbuilding, steel structure and other manufacturing and other operations
 Denmark – Shipbuilding
 Sweden – Shipbuilding
 Liberia – Shipbuilding
 Malta – Shipbuilding
 Greece – Shipbuilding
 Macao – Steel structure and other manufacturing
 United State of America – Steel structure and other manufacturing
 Hong Kong – Shipbuilding, steel structure and other manufacturing
 Oman – Steel structure and other manufacturing
 Other countries – Shipbuilding, steel structure and other manufacturing

Revenue	Six months ended 30 June	
	2008	2007
Denmark	837,228	122,854
Malta	680,748	130,889
Mainland China	673,329	1,050,264
Greece	358,635	120,383
Sweden	354,419	50,122
United States of America	110,217	172,238
Hong Kong	144	10,424
Liberia	–	602,349
Oman	–	43,842
Macao	–	17,889
Other countries	62,483	5,764
	3,077,203	2,327,018

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

Total assets	As at	
	30 June 2008	31 December 2007
Mainland China	12,765,136	10,977,057
Hong Kong	95,715	32,653
	12,860,851	11,009,710
Interest in associates	20,688	19,419
	12,881,539	11,029,129

Total assets are allocated based on where the assets are located.

Capital expenditures	Six months ended 30 June	
	2008	2007
Mainland China	<u>129,074</u>	<u>70,312</u>

Capital expenditure is allocated based on where the assets are located.

Analysis of revenue by category	Six months ended 30 June	
	2008	2007
Construction contracts	2,721,098	2,014,865
Sales of goods	276,923	280,901
Provision of services	79,182	31,252
	<u>3,077,203</u>	<u>2,327,018</u>

5 Capital expenditure

	Property, plant and equipment	Investment properties	Land use rights and leasehold land	Intangible assets	Total capital expenditure
Six months ended					
30 June 2008					
Opening net book amount					
at 1 January 2008	1,049,953	94,161	76,108	15,921	1,236,143
Additions	128,094	–	–	980	129,074
Disposals	(1,682)	–	–	–	(1,682)
Depreciation and amortization	(43,670)	(991)	(794)	(960)	(46,415)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount					
at 30 June 2008	<u>1,132,695</u>	<u>93,170</u>	<u>75,314</u>	<u>15,941</u>	<u>1,317,120</u>
Six months ended					
30 June 2007					
Opening net book amount					
at 1 January 2007	981,567	98,721	67,784	–	1,148,072
Additions	55,242	27	–	15,043	70,312
Disposals	(3,871)	(365)	–	–	(4,236)
Depreciation and amortization	(40,009)	(1,100)	(567)	(125)	(41,801)
Impairment	–	(10)	–	–	(10)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount					
at 30 June 2007	<u>992,929</u>	<u>97,273</u>	<u>67,217</u>	<u>14,918</u>	<u>1,172,337</u>

6 Available-for-sale financial assets

	<u>Six months ended 30 June</u>	
	2008	2007
Beginning of the period	577,074	220,665
Disposals	(2,142)	(625)
Fair value (losses)/gains transferred to equity	<u>(224,253)</u>	<u>119,790</u>
End of the period	350,679	339,830
Less non-current portion:	<u>(1,900)</u>	<u>(339,830)</u>
Current portion	<u><u>348,779</u></u>	<u><u>–</u></u>

Available-for-sale financial assets represent listed corporate shares of China Merchants Bank, China Merchants Energy Shipping Co., Ltd., other unlisted equity interests of private issuers and golf club membership.

The fair value losses, net of tax, amounting to RMB168,190,000 for the six months ended 30 June 2008 were debited to other reserves.

Current portion of the available-for-sale financial assets represent the listed corporate shares and golf club membership to be disposed within 12 months.

7 Derivative financial instruments

	<u>Assets as at</u>		<u>Liabilities as at</u>	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Forward foreign exchange contracts	332,038	294,310	(20,501)	(11,628)
Less non-current portion:				
Forward foreign exchange contracts	<u>(188,732)</u>	<u>(245,852)</u>	<u>3,563</u>	<u>–</u>
Current portion	<u><u>143,306</u></u>	<u><u>48,458</u></u>	<u><u>(16,938)</u></u>	<u><u>(11,628)</u></u>

These forward foreign exchange contracts will be matured from July 2008 to June 2010.

8 Trade receivables

At 30 June 2008 and 31 December 2007, the ageing analyses of the trade receivables were as follows:

	<u>As at</u>	
	30 June 2008	31 December 2007
Not exceeding one year	136,366	300,070
More than one year but not exceeding two years	31,554	11,682
More than two years but not exceeding three years	2,884	160
More than three years	<u>1,341</u>	<u>2,411</u>
	<u><u>172,145</u></u>	<u><u>314,323</u></u>

The general credit terms of trade receivables are:

<u>Operations</u>	<u>Credit terms</u>
Shipbuilding	Within one month after issue of invoice
Steel structure and other manufacturing	Normally one to six months
Other operations	Normally one to six months

9 Other receivables

	As at	
	30 June 2008	31 December 2007
Prepayments for trading materials and equipment	722,673	514,981
Subsidy receivables for shipbuilding	101,937	83,332
Other taxes recoverable	45,737	100,081
Others	33,695	29,793
	<u>904,042</u>	<u>728,187</u>

10 Bank balances and cash

	As at	
	30 June 2008	31 December 2007
Bank balances and cash	8,465,992	6,904,323
Less: Restricted cash	(2,409,999)	(114,776)
Term deposits with initial term of over three months	(5,339,458)	(5,331,755)
	<u>716,535</u>	<u>1,457,792</u>

The restricted cash was held in bank accounts as guarantee deposits for forward contract transactions and bank loans.

11 Share capital

	As at 1 January, 30 June 2007 and 1 January, 30 June 2008	
	Number of shares (thousands)	Amount
Share capital registered, issued and fully paid		
Circulating State Shares subject to trading restrictions	176,651	176,651
Ordinary A Shares	160,629	160,629
Ordinary H Shares	157,398	157,398
	<u>494,678</u>	<u>494,678</u>
Share premium		<u>651,977</u>
Total		<u>1,146,655</u>

Note: The circulating State Shares subject to trading restrictions will be tradable at the Shanghai Stock Exchange three years after completion of the PRC State Share Reform on 24 May 2006.

12 Borrowings

	As at	
	30 June 2008	31 December 2007
Non-current		
Bank borrowings	870,986	387,468
Current		
Bank borrowings		
– short-term bank borrowings	2,598,365	494,297
– current portion of long-term bank borrowings	748,898	1,160,077
	<u>3,347,263</u>	<u>1,654,374</u>
Total borrowings	<u>4,218,249</u>	<u>2,041,842</u>

As at 30 June 2008, borrowings of RMB1,002,566,000 (31 December 2007: RMB1,547,545,000) were guaranteed by China State Shipbuilding Corporation (“CSSC”).

As at 30 June 2008, borrowings of RMB2,148,809,000 (31 December 2007: RMB18,627,000) were pledged by restricted cash of RMB2,383,480,000 (31 December 2007: RMB23,000,000).

13 Deferred income tax liabilities

Taking into consideration the offsetting of balances within the same tax jurisdiction, the Group has recognised the deferred tax assets and liabilities for the following temporary differences:

	As at	
	30 June 2008	31 December 2007
Provision and impairment of assets	5,618	6,820
Staff benefits	4,304	3,840
Fair value gains on derivatives financial instruments	(77,884)	(70,671)
Fair value gains on available-for-sale financial assets	(74,840)	(130,932)
Unrealized exchange gains	(59,248)	–
	<u>(202,050)</u>	<u>(190,943)</u>

14 Trade payables

At 30 June 2008 and 31 December 2007, the ageing analyses of the trade payables were as follows:

	As at	
	30 June 2008	31 December 2007
Not exceeding one year	595,479	617,977
More than one year but not exceeding two years	6,640	5,932
More than two years but not exceeding three years	566	362
More than three years	92	119
	<u>602,777</u>	<u>624,390</u>

15 Operating profit

The following items have been credited/charged to the operating profit during the interim period:

	<u>Six months ended 30 June</u>	
	2008	2007
<u>Credit:</u>		
Fair value gains on derivative financial instruments	28,855	149,372
Realised gains on the derivative financial instruments	59,172	–
Subsidy income for expenses compensations	4,833	8,000
Subsidy income for shipbuilding	18,605	143,496
Gain from disposal of financial assets at fair value through profit or loss	4,561	–
Gain from disposal of available-for-sale financial assets	33	–
Available-for-sale financial assets transfer out from other reserve	120	–
Compensation from customer for a contract termination	–	45,904
Reversal of impairment for trade receivables	408	1,813
Income from held-to-maturity financial assets	–	4,705
<u>Charge:</u>		
Depreciation and amortization charges	46,415	41,801
Add: amount capitalized in opening inventories	12,776	17,061
Less: amount capitalized in ending inventories	(17,837)	(14,218)
	41,354	44,644
Write-down of inventory	–	13,135
Employee benefit expenses, include directors' emoluments	314,218	187,352
Loss on disposal of property, plant and equipment	1,490	3,713

16 Finance income – net

	<u>Six months ended 30 June</u>	
	2008	2007
Interest income	133,945	56,623
Interest expense	(92,228)	(39,844)
Exchange gain from financing activities	183,435	43,207
	225,152	59,986

17 Income tax expense

Taxation on the PRC profit has been calculated on the estimated assessable profit for the six months ended 30 June 2008 at the rates of taxation prevailing in the PRC.

	<u>Six months ended 30 June</u>	
	2008	2007
Current income tax – the PRC enterprise income tax	121,008	97,675
Deferred income tax	40,593	66,714
	<u>161,601</u>	<u>164,389</u>

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full financial year.

Since 1993, being the first batch of mainland entities listed on The Stock Exchange of Hong Kong Limited, nine entities including the Company were granted by the Ministry of Finance and the State Administration of Taxation to the preferential income tax rate of 15%. The Company had been levied income tax at rate of 15% up to year 2006. On 19 June 2007, the State Administration of Taxation ordered local tax authorities to terminate the above preferential income tax rate arrangement with immediate rectification. In accordance with the advice of in-charge tax authority, the Company will pay its income tax at the rate of 33% for year 2007. The management of the Company has re-assessed the implication of prior year income tax and considers that there should be no material financial impact regarding this tax matter.

Effective 1 January 2008, the Company and the subsidiaries established in the PRC is subject to the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the corporate income tax rate applicable to the Company and the subsidiaries is 25% since 1 January 2008.

18 Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of RMB533,130,000 (six months ended 30 June 2007: RMB465,202,000) and the weighted average number of 494,677,580 (six months ended 30 June 2007: 494,677,580) ordinary shares in issue during the period.

19 Dividends

During the period, a dividend of RMB247,339,000 for the year ended 31 December 2007 was paid in 2008 (2007: nil).

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

20 Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	<u>As at</u>	
	<u>30 June 2008</u>	31 December 2007
Contracted but not provided for	81,425	44,851
Authorized but not contracted for	277,223	148,739
	<u>358,648</u>	<u>193,590</u>

21 Significant related party transactions

CSSC, the immediate shareholder of the Company which owns 35.71% of the Company's shares, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to CSSC group companies, directly or indirectly controlled by the PRC government, are also regarded as related parties of the Group. Neither CSSC nor the PRC government publishes financial statements available for public use.

The following significant transactions were carried out with related parties:

i) Sales of goods and services

	<u>Six months ended 30 June</u>	
	2008	2007
Sales of goods:		
– to companies controlled by CSSC	36,679	2,659
– to other state-controlled enterprises	<u>105,238</u>	<u>990,177</u>
	<u>141,917</u>	<u>992,836</u>
Sales of services:		
– to companies controlled by CSSC	<u>23,252</u>	<u>11,552</u>

ii) Purchases of goods and services

	<u>Six months ended 30 June</u>	
	2008	2007
Purchases of goods:		
– from companies controlled by CSSC	105,145	60,383
– from other state-controlled enterprises	<u>574,144</u>	<u>473,827</u>
	<u>679,289</u>	<u>534,210</u>
Purchase of services:		
– from companies controlled by CSSC	21,656	15,035
– from other state-controlled enterprises	<u>4,202</u>	<u>8,418</u>
	<u>25,858</u>	<u>23,453</u>

iii) Payment of expenses and other charges

	<u>Six months ended 30 June</u>	
	2008	2007
Vessel sales commissions payable:		
– to companies controlled by CSSC	22,238	17,863
– to other state-controlled enterprises	<u>2,102</u>	<u>554</u>
Other expenses payable:		
– to companies controlled by CSSC	11,502	11,464
Interest expense payable:		
– to state-controlled banks	<u>76,159</u>	<u>15,921</u>
	<u>112,001</u>	<u>45,802</u>

iv) **Interest income and other income**

	Six months ended 30 June	
	2008	2007
Interest income from held-to-maturity financial assets		
– from state-controlled banks	–	4,705
Interest income from bank balances and cash		
– from state-controlled banks	105,896	45,063
Realized gain on forward foreign exchange contracts		
– from state-controlled banks	32,952	736
	138,848	50,504

v) **Key management compensation**

	Six months ended 30 June	
	2008	2007
Emolument, salaries and other short-term employee benefits	1,059	1,176
Post-employment benefits	75	88
	1,134	1,264

22 Events occurring after the balance sheet date

The Company and CSSC entered into a Conditional Equity Transfer Agreement on 25 July 2008 pursuant to which the Company will acquire CSSC's 100% equity interest in Wenchong Shipbuilding Limited at a consideration of RMB3,041,226,700. The transaction was approved by the independent shareholders of the Company in the extraordinary general meeting of 2008 on 18 August 2008. As at the date of this report, the transaction has not been completed.

IX Documents available for inspection

1. Financial statements with signatures and stamps of legal representative, chief accountant and accounting departments head.
2. The originals of announcements published in "Shanghai Securities News", the websites of Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chinagsi.com) and related Company documents.