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

(A Joint-Stock Company with Limited Liability Established in the People's Republic of China)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. 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, Director 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 didn't 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 announcement is a summary of the interim report for the six months ended 30 June 2008. Investors are advised to read the full text of the interim report for the six months ended 30th June 2008 for detail information.

This report is prepared in both English and Chinese. In the event that different interpretation occurs, with the exception of the financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), the Chinese version shall prevail.

2. OVERVIEW OF THE COMPANY

2.1 BRIEF INTRODUCTION

Stock Abbreviation	Guangzhou Shipyard International	Guangzhou Shipyard International
Stock Code	600685	0317
Place of Listing Shares	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
	Company Secretary	**Authorized Securities representative**
Name	Mr. Li Zhidong	Ms. Yang Ping
Telephone	(8620) 81891712 ext. 2962	(8620) 81891712 ext. 2995
E-mail	Lzd@chinagsi.com	yangping@chinagsi.com
Address	40 South Fangcun Main Road Guangzhou, P.R.C	
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2.2 MAJOR FINANCIAL DATA AND INDICATORS

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

Unit: RMB

Items	**Unaudited As at 30 June 2008**	**Audited 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**		
	2008 (Consolidated)	**2007 (Consolidated)**	**Change (%)**
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

The nature and amount after deduction of exceptional items are as follows:

Unit: RMB

Exceptional income items	Amount
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
Others	-
Subtotal	8,899,475.42
Exceptional expenses items	-
Loss from Sale or deposition of non-current assets	944,262.42
Provision for assets due to force majeure	-3,628,967.70
Other non-operating expense	533,301.91
Others	-
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 Hong Kong Financial Reporting Standards ("HKFRS")

Unit: RMB'000

Items	**Unaudited As at 30 June 2008 (Consolidated)**	**Audited As at 31 December 2007 (Consolidated)**	**Change (%)**
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**		
	2008 (Consolidated)	**2007 (Consolidated)**	**Change (%)**
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 prepared under different accounting principles

£ Applicable R Not applicable

3. CHANGES OF SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDINGS

3.1 CHANGES OF SHARE CAPITAL

£ Applicable R Not applicable

3.2 SHAREHOLDERS INFORMATION

(1). As at 30 June 2008, the total number of shareholders of the Company was 55,829, including a shareholder of A share subject to sale restrictions, 55,717 shareholders of listed freely transferable A shares and 111shareholders of listed H Shares.

(2). As at 30 June 2008, the Top 10 shareholders of the Company are as follows:

Unit: share

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	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	Others
GF Jufeng Shape Security Investment Fund	-1,130,500	5,174,757	1.05	-	Unknown	Others
GF Large Growth Mixed Securities Investment Fund	-1,000,000	5,011,451	1.01	-	Unknown	Others
GF Jufu Opening Security Investment Fund	-531,423	4,100,297	0.83	-	Unknown	Others
Pingan Life Insurance Dividend Fund	-	3,049,912	0.62	-	Unknown	Others
Great Wall Anxin Return Mixed Securities Investment Fund	-193,000	3,006,493	0.61	-	Unknown	Others
Great Wall Consumer Value-added Securities Investment Fund	475,142	2,951,231	0.60	-	Unknown	Others
Oriental Choice Mixed Opening Securities Investment Funds	1,359,894	2,929,821	0.59	-	Unknown	Others

(3) Top 10 shareholders of freely transferable shares as at 30 June 2008

Shareholder	Number of transferable shares as at 30 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
Pinan 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 Funds	2,929,821	A Share
GF Strategy Optimization Mixed Securities Investment Fund	2,758,756	A Share

(4) Except That 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, 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"*.

3.3 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

3.4 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.

4. INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 CHANGE IN SHARES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

£ Applicable R Not applicable

4.2 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 director, Mr. Pan Zunxian as non-executive director and Mr. Fu Xiaosi as external supervisor by election at the 2007 AGM.

5 . REPORT OF THE BOARD OF DIRECTORS

5.1 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 subprime 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 income 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, the principal operating income amounted to RMB 3,028.58 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 RMB 1.08.

The turnover prepared in accordance with HKFRS of the Group amounted to RMB 3,077.2 million, representing an increase of 32% over that of last year. The profit attributable to shareholders after taxation and minority interest amounted to RMB 533.13 million, representing an increase of 14.60% over that of last year. The earnings per share was RMB 1.08.

5.2 PRINCIPAL OPERATION INFORMATION

(1). Major operation information

Unit: RMB

Products	Operating income	Operating costs	Operating profit margin %	Change of operating income compared with that of the same period last year (%)	Change of operating cost compared with that of the same period last year (%)	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 and others	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.

5.3. Geographical Statement of Operation

Unit: RMB’000

Area	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

5.4 Other operations of significant influence in the Company's net profit

£Applicable R Not applicable

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

Unit: RMB'0000

Items	**First half of 2008**		**First half of 2007**		**Change (%)**
	Amount	**Percentage in total profit (%)**	**Amount**	**Percentage in 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 in 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 selling expenses 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 new PRC Accounting Standards and Regulations.

（2） The financial expenses decreased significantly 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 impairment losses decreased, mainly due to the provision for inventory made during 2007.

（4） The percentage of gain from change in fair value decreased mainly due to the delivery of partial forward foreign exchange settlement contracts and decrease in appreciation 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 income decreased mainly due to the change of shipbuilding production structure during the period under review.

5.6 Explanation on significant changes in principal activities and their compositions

£ Applicable R Not applicable

5.7 Application of proceeds from share offering

£ Applicable R Not applicable

5.8 Changes on business plan for the next half year

£ Applicable R Not applicable

5.9 Warning statement in relation to expected possible loss of net profit from the beginning of the year to the end of the next reporting period, or possible significant change compared with that of the same period of last year

£ Applicable R Not applicable

5.10 The Management's explanation on the qualified opinion issued by the auditors to the period under review

£ Applicable R Not applicable

5.11 The Management's explanation on the changes and settlements to the affairs involved by the qualified opinion issued by the auditors

£ Applicable R Not applicable

6. SIGNIFICANT EVENTS

6.1 ACQUISITION, DISPOSAL AND RESTRUCTURE OF ASSETS

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 RMB 3,041,226,700. 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.

6.2 GUARANTEE

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 form 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 RMB 30 million, during the year 2008. Apart from that, no significant external guarantees occurred during the period under review.

6.3 Significant Connected Transactions

(1) The contents, amounts and pricing basis of routine connected transactions during the period under review

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

(2) Connected transactions of non-operating credits or debts

£ Applicable R Not applicable

6.4 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 for settling part of its debts before the end of September 2005, 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 equity interest in Guanghong Electronic (Shenzhen) Co., Ltd., which controlled by HKGH.

6.5 Analysis to other significant events and their effect and settlement

6.5.1 Shares of other listed companies 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	_

6.5.2 Information on interest possessed by the Company of un-listed financial enterprises and companies going public

£ Applicable R Not applicable

6.5.3 The additional undertaking of shares subject to sale restrictions made by shareholders who hold over 5% shares of the Company in 2008.

£ Applicable R Not applicable

6.5.4 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.

(2) In order to avoid RMB exchange rate risks for the shipbuilding order which would be delivered after the year 2010, the new increased loans in the first half 2008 amounted to USD 367 million and HKD 148 million.

(3) 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 HKD 30 million, to invest RMB 11.2 million in the second project of Zhenjiang CSSC Hyundai Generator Equipment Co., Ltd. in accordance with proportion of equity interest (32%). These projects' investments will have positive impact for the development of shipbuilding supporting of the Group.

(4) As at 30 June 2008, the Group has no significant contingent liabilities.

(5) 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.

(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.

(8) 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.

(9) Corporate Governance Information

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.

(10) 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.

7. FIANCIAL REPORTS

7.1 Audit opinion

£ Audited R Unaudited

7.2 Prepared in accordance with HKFRS. (All amounts in Renminbi Yuan thousands unless otherwise stated)

Condensed consolidated interim income statement-by function of expense

For the six months ended 30 June 2008

		Unaudited Six months ended 30 June	
	Note	**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	4	**471,385**	590,371
Finance income - net	5	**225,152**	59,986
Share of profit/(loss) of associates		**1,269**	(36)
Profit before income tax		**697,806**	650,321
Income tax expense	6	**(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	7	**1.0777**	0.9404

Condensed consolidated interim balance sheet

As at 30 June 2008

	Note	30 June 2008 Unaudited	31 December 2007 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**1,132,695**	1,049,953
Investment properties		**93,170**	94,161
Land use rights and leasehold land		**75,314**	76,108
Intangible assets		**15,941**	15,921
Interest in associates		**20,688**	19,419
Available-for-sale financial assets		**1,900**	577,074
Derivative financial instruments		**188,732**	245,852
Restricted cash		**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		**904,042**	728,187
Available-for-sale financial assets		**348,779**	-
Derivative financial instruments		**143,306**	48,458
Term deposits with initial term of over three months		**5,339,458**	5,331,755
Restricted cash		**2,209,999**	114,776
Cash and cash equivalents		**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		**1,146,655**	1,146,655
Other reserves		**400,001**	568,281
Retained earnings			
- Proposed dividend	9	**-**	247,339
- 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

Condensed consolidated interim balance sheet

	Note	30 June 2008 Unaudited	31 December 2007 Audited
LIABILITIES			
Non-current liabilities			
Borrowings		**870,986**	387,468
Derivative financial instruments		**3,563**	-
Deferred income tax liabilities		**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	10	**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		**3,347,263**	1,654,374
Derivative financial instruments		**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

1 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.

2 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".

3 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 Rmb 2,721,098,000 and Rmb 236,591,000 for the six months ended 30 June 2008 and Rmb 2,014,865,000 and Rmb 280,779,000 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.

3 Segment information

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	**54,032**	**245**	**52,540**	**22,257**	**129,074**

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	35,887	1,073	21,838	11,514	70,312

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					**5,341,177**
Total assets					**12,881,539**
Segment liabilities	**5,352,024**	**240,344**	**218,493**	**(44,182)**	**5,766,679**
Unallocated liabilities					**4,466,917**
Total liabilities					**10,233,596**

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					4,225,079
Total assets					11,029,129
Segment liabilities	5,631,559	218,290	78,451	(70,950)	5,857,350
Unallocated liabilities					2,644,422
Total liabilities					8,501,772

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.

3 Segment information

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

	Six months ended 30 June	
Revenue	**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.

	As at	
Total assets	**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.

	Six months ended 30 June	
Capital expenditures	**2008**	2007
Mainland China	**129,074**	70,312

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

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

4 Operating profit

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

	Six months ended 30 June	
	2008	2007
Credit:		
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
Charge:		
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

5 Finance income - net

	Six months ended 30 June	
	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

6 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.

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

Income tax expense is recognised based on management's best estimate of the weighted average 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. 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 have 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.

7 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.

8 Trade receivables

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

	As at	
	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	**1,341**	2,411
	172,145	314,323

The general credit terms of trade receivables are:

Operations	**Credit terms**
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 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).

10 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
	602,777	624,390