

Stock code: 600320 900947

The company referred to: Shanghai Zhenhua
Heavy,Zhenhua B share

Shanghai Zhenhua Heavy Industries Co., Ltd. Annual Report 2015

Important Notice

I. Hereunder, the Board of Directors, the Supervisory Board, directors, supervisors and senior executives of the Company guarantee that the Annual Report is of authenticity, accuracy and integrity; it contains no major omission, false record or serious misleading statement; they will be responsible both individually and jointly for any of above guaranty.

II. All the directors of the company attend meeting of the board of directors.

III. PricewaterhouseCoopers Zhong Tian LLP.(Special general partnership)issued standard unqualified audit report for the Company.

IV. The Company' s responsible person Song Hailiang, accounting responsible person Huang Qiangfeng and accounting responsible person (accounting chief) Wang Jue hereby declare that the financial reports in this Annual Report are true, accurate and complete.

V. Report period profit distribution preplan or preplan for capital reserve transfer to increase capital stock as audited by the board: not to distribute profit; not to convert reserve into capital stock.

VI. Whether non-operational fund occupancy by the controller and its related parties exists with the Company:

No.

VII. Whether there is external guaranty provision violating regulation or procedural decision-making within the Company:

No.

VIII. Significant risk remind

The Company has described the risks in the annual report in details and the investors shall pay attention to that. Refer to the related chapters in the directors' report for the description of the risk of the Company.

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Chapter I Definition

I. Definition

Terms used in this report means the following except for otherwise specified:

Definition of frequently used terms		
The Company	Refers to	Shanghai Zhenhua Heavy Industries Co., Ltd.
CCCC, controlling shareholder	Refers to	China Communications Co., Ltd.
Effective controller	Refers to	China Communications Construction Group

Chapter II Company Profiles and Key Financial Indicator

1. Company information

Statutory company name in Chinese	上海振华重工(集团)股份有限公司
Statutory Chinese Abbreviation of the Company	振华重工
English name of the Company	SHANGHAI ZHENHUA HEAVY INDUSTRIES CO.,LTD.
English Abbreviation of the Company	ZPMC
Legal representative	Song Hailiang

2. Contact information

	Board secretary	Securities Affair Agent
Name	Wang Jue	Li Min
Address	3261 Dongfang Road Shanghai	3261 Dongfang Road Shanghai
Tel.	021-50390727	021-50390727
Fax	021-31193316	021-31193316
Email	IR@zpmc.com	IR@zpmc.com

3. Basic information of the Company

Registered address	3470, South Pudong Road, Shanghai
Post code	200125
Office address	3261 Dongfang Road, Shanghai
Post code	200125
Website	http://www.zpmc.com
Email	zpmc@public.sta.net.cn

4. Information disclosure and reference

Designated media for information	Shanghai Securities News, Hong Kong Wen Wei Po disclosure
Website designated by China Security Regulatory Commission for disclosure of	www.sse.com.cn

annual report	
Annual report available at of the Company	Securities and Law Affairs Office

5. Stock Profiles of the Company

Stock Profiles of the Company				
Short form of Stock type	Stock exchange listed at	Short form of stock	Share code	Stock before change
A-share	Shanghai Stock Exchange	Zhenhua Heavy	600320	ZPMC Industries
B-share	Shanghai Stock Exchange	Zhenhua B-share	900947	-

6. Other

CPA ' s employed by the Company(Domestic)	Title	PrincewaterhouseCoopers Zhong Tian (Special General Partnership)CPAs Co., Ltd
	Office address	11 th Floor, No.202 Hubin Road, Shanghai
	CPAs to sign	Zhao Bo Jin Wen

7. Major Accounting Data and Financial Indicators in Last Three Years

(1) Major accounting data

Major accounting data	2015	2014		Growth over same period prior year (%)	2013	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Operating Income	23,272,394,677	25,477,011,081	25,069,421,487	-8.65	23,453,747,413	23,201,555,800
Net Profit attributable to shareholders of the Company	212,411,967	202,223,273	199,386,986	5.04	145,905,039	139,836,320
Net Profit after deducting non-recurring gains/losses	-214,409,604	-79,581,135	-79,581,135	Not applicable	-1,009,219,217	-1,009,219,217
Net cash generated from operating activities	-1,831,961,473	-863,628,925	-873,383,052	Not applicable	1,064,167,754	965,483,749
		End of 2014		Growth over same period prior year (%)	End of 2013	
	End of 2015	After adjustment	Before adjustment		After adjustment	Before adjustment
Net asset attributable to	14,869,572,883	14,990,495,511	14,780,603,810	-0.81	14,717,660,245	14,510,604,831

shareholders of the Company						
Total assets	59,020,752,259	58,024,869,184	56,145,227,254	1.72	50,946,979,065	49,154,736,687
Weighted Average Shareholders' Equity(Unit: Share)	4,390,294,584	4,390,294,584	4,390,294,584	0	4,390,294,584	4,390,294,584

(2) Major Financial Indicators

Major financial index	2015	2014		Growth over same period end prior year (%)	2013	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Basic EPS (Yuan/share)	0.05	0.05	0.05	0.00	0.03	0.03
Diluted EPS (Yuan/share)	0.05	0.05	0.05	0.00	0.03	0.03
Basic EPS after deducting non-recurring gains/losses(Yuan/share)	-0.05	-0.02	-0.02	Not applicable	-0.23	-0.23
ROE (%)	1.41	1.36	1.36	Increase 0.05%	0.98	0.97
Weighted average net assets earnings ratio after deducting non-recurring gains/losses (%)	-1.45	-0.54	-0.54	Increase 0.91%	-7.03	-7.03

Description of the main accounting data and financial indicators for the first three years at the end of the reporting period

Note: this year, the company acquired 32.51% of the equity of CCCC Tianhe Co., Ltd, and obtained its control rights through a concerted action agreement. Since China Communication Construction Co., Ltd is the controlling shareholder of the Company and CCCC Tianhe Co., Ltd before the acquisition, so this is the acquisition under the same control. The assets and liabilities of CCCC Tianhe acquired are accounted as the historical cost and included in the consolidated financial statements, namely regarded CCCC Tianhe as a part of the Company and the presented in the earliest period. Accordingly, the company has relisted the beginning balance of the corresponding data.

8. Accounting data difference in domestic and international accounting standards

Difference of net profit and net assets attributable to shareholders of listed company in the financial report disclosed according to international accounting standards and domestic accounting standards

Applicable Not applicable

Net profit and net assets attributable to shareholders of listed company disclosed in accordance with the foreign and domestic accounting standards

Applicable Not applicable

9. Quarterly Major Financial Indicator in 2015

	Q1 (Jan-Mar)	Q2 (Apr-June)	Q3 (July-Sept)	Q4 (Oct-Dec)
Operating Income	4,305,540,016	6,018,401,385	5,854,664,693	7,093,788,583
Net profit attributable to shareholders of the Company	45,147,040	64,846,770	54,522,285	47,895,872
Net profit attributable to shareholders of listed company after deducting non-recurring gains	-227,336,493	-67,514,433	67,598,370	12,842,952

and losses				
Net cash generated from operating activities	-1,411,408,163	-342,824,025	-254,369,311	176,640,026

Description of difference between quarterly data and disclosed periodic data

Applicable Not applicable

10 Items and amount of non-recurring gains/losses

Applicable Not applicable

Unit:Yuan Currency:RMB

Items of non-recurring gains/losses	2015	2014	2013
Gains and losses on disposal of non-current assets	9,338,797	13,948,136	241,193,949
Government subsidy on current profit and loss statement except for those closely related to the Company' s operation, enjoyed by certain state standard or certain quota.	22,847,200	20,316,889	47,878,876
Current net profit and loss of the subsidiary under the same control of the company from the beginning to the consolidated day	55,523,666	15,289,013	20,588,282
Gains/losses on fair value movement of tradable financial assets, tradable financial liabilities held except for valid hedging business related with company's normal operation, and investment income acquired from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale.	445,766,951	286,253,779	326,109,601
Investment income acquired from disposal of subsidiaries	0	0	749,942,782
Non-operation revenue/expense apart from above	15,490,536	15,164,034	3,993,654
Minor shareholder' s equity impact	-31,568,397	-9,922,714	-12,668,755
Income tax impact	-90,577,182	-59,244,729	-221,914,133
Total	426,821,571	281,804,408	1,155,124,256

11. Items calculated by fair value

Unit:Yuan Currency:RMB

Item name	Beginning Balance (reclassified)	Closing Balance	Current movement	Impact on Current Profit
Forward foreign exchange contract-Fair Value appraisal income	25,735,001	676,082	-25,058,919	-25,058,919
Forward foreign exchange contract-Fair Value appraisal income loss	-28,752,000	-24,918,115	3,833,885	3,833,885
Equity Instrument available for sale-Jiangxi Huawu	159,932,631	337,650,826	177,718,195	34,083,478
Equity Instrument available for	273,247,822	298,821,560	25,573,738	0

sale-Qingdao port				
Equity Instrument available for sale-CRSC	0	530,976,235	530,976,235	0
Equity Instrument available for sale-Shenwan Hongyuan	200,000	1,734,399	1,534,399	0
Equity Instrument available for sale-financial products	5,686,257,756	46,000,000	-5,640,257,756	393,033,507
Total	6,116,621,210	1,190,940,987	-4,925,680,223	405,891,951

Chapter III Business Profile

- The Company engaged in the main business, operation model and industry profile of the Company during the reporting period

The company is a well-known enterprise of heavy equipment manufacturing industry, and state-owned listed company holding A, B shares, headquartered in Shanghai. There are eight production bases in Shanghai, Nantong, Jiangyin, Zhangjiagang and other cities. Since 1998, it has been in the first place in global container crane order ranking. To seek for further development, the company actively explored the large steel structure and offshore heavy equipment market while consolidated the port machinery market. The company business scope includes: design, construction, installation and contracting of large port loading system and equipment, offshore heavy equipment, engineering machinery, engineering ships and large metal structural parts and their components and spare parts, ship repair; self-produced crane rental business, sales of the company products; international shipment by available machine special transportation ships, steel structure engineering professional contracting (operate the business if the related license is required).
- Analysis on the core competence during the reporting period

There is no significant change in core competitiveness of the Company during the reporting period.

Chapter IV Discussion and Analysis of the Board of Directors

1. Discussion and analysis of the Board

During the reporting period, facing the complicated situation both at home and abroad, the Company Board of Director and the management led all the employees to deeply implement “4321” and “1521” strategy and fully apply the 24 letters principle: “firm foundations, always innovate, adjust structure, change mode, integrate resources, reinforce management, develop culture and increase quality”. With focus on the enhancement of operation quality and core

competitiveness, the Company aim to build a world-class company with international competition strength base on the assurance of the company' s stable and healthy continuous development in new state, reform and development.

During the reporting period, the market structure was effectively adjusted, and the reform as deepened, the layout was gradually optimized and the ability to allocate the global resources was improved. Various business sectors achieved remarkable results while the profit increased steadily. The company took the outstanding advantages in the port machinery market, leading the trend of building automation ports and continued to maintain the absolute leading position in the global market. The products were sold in 90 countries and regions in the world; severely affected by the falling international crude oil price, the global marine industry developed slowly and the new contract amounts signed decreased on yearly basis in the market. However, the high-end marine vessels had many highlights, undertaking a number of projects with strategic significance. The big heavy special steel structure projects had more expansion and layout. There were highlights in the system integration and general contracting market. Our investment portfolio benefit from the early attention on profitable project ,the shipping, installation and offshore wind power market have a high level of potential and the electrical market undergoing a steady development . The layout of the integrated services market was improved further.

2. Operation Performance during reporting period

In period of report, the Company realized operation revenue 23.272 billion RMB, decreased 8.65%; realized net profits 212 million RMB which belongs to parent company, increased by 5.04%.

(1) Major business analysis

P&L and Cash Flow Statement related item movement analysis

Unit: Yuan Currency: RMB

Item	Report Year	Prior Year	Growth (%)
Operating Income	23,272,394,677	25,477,011,081	-8.65
Operating Cost	19,717,314,855	22,028,685,642	-10.49
Selling expense	79,388,743	73,363,873	8.21
Management expense	1,551,222,564	1,507,675,531	2.89
Financial expenses	1,532,851,096	1,307,738,538	17.21
Net cash flow from operating activities	-1,831,961,473	-863,628,925	112.12
Net cash flow from investment activities	2,565,598,510	-1,856,470,193	-238.20
Net cash flow from financing activities	-318,811,177	1,144,491,991	-127.86
R&D expenses	717,412,492	780,894,035	-8.13
Operation taxes and surcharges	24,550,179	136,632,500	-82.03
Changes in fair value gains and losses - net	-21,225,034	-123,542,084	-82.82
Gain on investment	498,236,958	370,922,986	34.32
Operating profit	206,687,965	121,854,057	69.62
Total profit	271,735,564	177,791,974	52.84
Income tax expense	77,529,876	21,205,926	265.60
Net profit achieved before the	42,357,907	8,537,647	396.13

merging by the consolidated under the same control			
Minority interest	-18,206,279	-45,637,225	-60.11
Net amount after tax of other comprehensive income	-106,570,702	70,602,113	-250.95
Total comprehensive income	87,634,986	227,188,161	-61.43

Analysis:

- 1、The operation revenues and costs are decreased because NanjingNing High-tech “construction-transfer” project was completed at the end of last year and the amount of orders on offshore heavy equipment are decreased.
- 2、The sales expense is increased due to the expansion on global market.
- 3、The management expenses are increased because the tax and the agency fee are increased this year.
- 4、The financial expenses are increased because of the exchange loss caused by depreciation of the RMB against the USD.
- 5、The cash flow net amount in operation changes because the raw materials purchasing expenses and payment of engineering expense are increased.
- 6、The cash flow net amount in investment changes because bank financial product purchased by the company becomes due and the profit is increased.
- 7、The cash flow net amount in financing changes because the repayment of bank loan is increased this year.
- 8、The R&D expenses are decreased because the R&D projects are decreased this year.
- 9、The operation taxes and surcharges the R&D projects are dNanjingNing High-tech “construction-transfer” project was completed.
- 10、The fair value gains and losses – net amount is increased because the forward foreign exchange contracts are overdue.
- 11、The gain on investment is increased because the bank financial product purchase by the company becomes due and the profit is increased.
- 12、The operating profit is increased because the bank financial product purchase by the co
- 13、The total profit is increased because the gross profit of the product is increased.
- 14、The income tax expense is increased because the total profit this year is increased.
- 15、The net profit achieved before the merging by the consolidated day under the same control is increased because the net profit of the acquisition of CCCC Tianhe before the consolidated day is increased.
- 16、The minority interest changes because the total net profit of the non-wholly owned subsidiaries of the Company is increased.

17. The net amount after tax of other comprehensive income is decreased because the bank financial product purchase by the company becomes due and turned into the investment gain.

18. The total comprehensive income is decreased because the bank financial product purchase by the company becomes due and turned into the investment gain.

1 Revenue and cost analysis

(1) Major business by industry, product and region

Major business by products						
By product	Operation revenue	Operation cost	Gross margin (%)	Operation revenue increase over prior year (%)	Operating cost increase over prior year (%)	Gross margin increase over prior year (%)
Container cranes	14,994,515,929	12,039,998,425	19.70	21.96	17.21	Increased by 3.24 percentage points
Heavy equipment	3,985,411,881	3,950,151,042	0.88	-20.04	-9.97	Decreased by 11.09 percentage points
Bulk-cargo machinery parts	2,013,370,826	1,862,388,384	7.50	-44.03	-45.48	Increased by 2.46 percentage points
Construction-transfer project	514,064,790	447,701,799	12.91	-82.18	-81.66	Decreased by 2.49 percentage points
Steel structure and related income	826,175,120	796,465,278	3.60	-21.98	-21.86	Decreased by 0.15 percentage points
Vessel shipping and others	680,776,778	376,525,357	44.69	45.70	15.16	Increased by 14.67 percentage points
Total	23,014,315,324	19,473,230,285	15.39	-8.99	-10.93	Increased by 1.84 percentage points
Major business by region						
By region	Operation revenue	Operation cost	Gross margin (%)	Operation revenue increase over prior year (%)	Operating cost increase over prior year (%)	Gross margin increase over prior year (%)
Mainland, China	8,270,356,698	6,727,867,350	18.65	-14.44	-21.26	Increased by 7.05 percentage points
Asia (Excluding Mainland, China)	5,854,518,426	4,778,826,831	18.37	-20.86	-23.75	Increased by 3.09 percentage points
America	4,555,300,460	4,118,589,876	9.59	33.45	53.41	Decreased by 11.76 percentage points
Europe	2,264,289,477	2,203,795,267	2.67	-5.62	-7.20	Increased by 1.65 percentage points

Mainland, China (export)	1,072,367,341	858,011,937	19.99	-24.78	-30.92	Increased by 7.11 percentage points
Africa	835,520,769	655,801,848	21.51	6.49	11.63	Decreased by 3.61 percentage points
Oceania	161,962,153	130,337,176	19.53	-19.82	-19.62	Decreased by 0.21 percentage points
Total	23,014,315,324	19,473,230,285	15.39	-8.99	-10.93	Increased by 1.84 percentage points

Description of main business by industry, product, and region

Note: the amounts in the "Mainland, China (export)" in 2014 and 2015 mean the main operation income and cost exported to the overseas subsidiaries or affiliates, and then sold to the domestic customers.

(2) **Production volume and sales volume analysis**

The Company mainly manufactures and sells the large port equipment, heavy equipment and steel structure, the "Accounting Standards - Construction Contract" is applicable. The income shall be confirmed according to the completion percentage, so this table is not applicable.

(3) **Cost analysis statement**

Unit: Yuan

Product category						
Product	Cost composition	Report period amount	Report period rate in total cost(%)	Amount in the same period last year	Total cost in the same period last year (%)	Report period amount compared with same period last year ratio (%)
Container cranes	Raw material, labor ,production cost	12,039,998,425	61.83	10,271,871,264	46.98	17.21
Offshore heavy equipment	Raw material, labor production cost	3,950,151,042	20.29	4,387,726,757	20.07	-9.97
Bulk-cargo machinery parts	Raw material, labor production cost	1,862,388,384	9.56	3,415,989,051	15.62	-45.48
Nanjing Ninggao BT project	Subcontracting expenses, raw materials	447,701,799	2.30	2,441,043,673	11.17	-81.66
Steel structures	Raw material, labor, production cost	796,465,278	4.09	1,019,229,739	4.66	-21.86

Vessel shipping and others	Labor, fuel consumption, depreciation etc.	376,525,357	1.93	326,965,634	1.50	15.16
Total	-	19,473,230,285	100.00	21,862,826,118	100.00	-10.93

Other description of cost analysis

2 R&D expenses

R&D expenses breakdown

	Unit: RMB
R&D into cost expenses	717,412,492
R&D into capital expenses	0
R&D expenses total	717,412,492
Total R&D expenses ratio in operation revenue (%)	3.08
R&D employees quantity	1,650
R&D employees ratio in the total employees (%)	21.79
R&D expenses ratio in capital (%)	0

(1) Deliberation

During the reporting period, the company technology level was improved completely. Lots of creative technologies were adopted in port machinery products; The port automation technology was recognized and trusted by the market. The national science and technology support project with the topic of " key technology development and application of high-power port crane special inverter " was approved formally by the national Ministry of Science and Technology and was successfully selected as one of "National Torch Plan Key High-tech Enterprises" organized by Ministry of Science and Technology. The " key technology research and application of large self-elevating platform lifting system " won the first prize of Shanghai Scientific and Technological Progress.

3 Cash flow

The net cash flow from operating activities is 1.832 billion Yuan, mainly due to increasing order and payment for the purchase of raw materials and engineering costs. The net cash flows from the investment activities is 2.566 billion Yuan, mainly due to increasing payment of the bank financial product due. The net cash flow from the financing activities is -319 million Yuan, mainly due to the increasing repayment of bank loan.

(2) Description of non-major business causing significant change to profit

Applicable Not applicable

(III) Assets and liabilities analysis

Assets/liabilities statements

	Unit: Yuan				
Item	Closing balance at report period	Report period end over total	Closing balance at prior period end	Prior period end over	Report period end amount

	end	assets (%)		total assets (%)	over prior period end amount change ratio (%)
At fair value through profit or loss of financial assets	676,082	0.001	25,735,001	0.04	-97.37
Interest receivable	0	0	51,859,503	0.09	-100
Completed but not settled payment	11,217,591,856	19.01	8,052,408,424	13.88	39.31
Non-current assets due within one year	2,625,135,212	4.45	2,302,500	0.004	113,912.39
Other current assets	553,205,272	0.94	5,976,300,841	10.3	-90.74
Available-for-sale financial assets	1,212,177,180	2.05	455,820,453	0.79	165.93
Long-term receivables	3,558,501,537	6.03	5,339,170,148	9.2	-33.35
Long-term equity investment	1,597,134,817	2.71	925,350,083	1.59	72.6
Advance payment	423,603,129	0.72	318,636,126	0.55	32.94
Interest payable	289,590,733	0.49	602,520,456	1.04	-51.94
Dividend payable	32,237,912	0.05	854,881	0.001	3,671.04
Other payable	1,604,523,386	2.72	451,394,650	0.78	255.46
Non-current liabilities due within one year	6,837,115,692	11.58	2,636,660,000	4.54	159.31
Long term loans	1,761,904,000	2.99	2,550,090,000	4.39	-30.91
Bond payable	0	0	3,799,615,401	6.55	-100
Total non-current liabilities	3,177,376,053	5.38	6,965,094,683	12	-54.38
Other comprehensive income	207,660,237	0.35	319,540,042	0.55	-35.01
Minority equity	917,076,421	1.55	618,105,524	1.07	48.37

Analysis:

1. The financial assets counting at fair value and its change contained in current financial loss decreased mainly because the long-term foreign exchange contract at fair value is reduced this year.
2. The interest receivable is decreased mainly because the time deposit is due this year.
3. Completed but not settled payment is increased mainly because the construction progress is increased of the new projects this year.

4. The non-current assets due within one year is increased mainly because the receivable of the long-term receivables of the NanjingNing High-tech “construction-transfer” project is due
5. Other current assets are decreased mainly because the financing products purchased by the Company are due this year.
6. The financial assets for sale are increased mainly because the Company has purchased equity tools for sale this year.
7. The long-term receivables are decreased mainly because the receivable from the Nanjing “construct-transfer” project is due and listed in the non-current assets due within one year.
8. The long-term equity investment is increased mainly because the Company had more investment in overseas corporate and gains from associates and joint ventures adjusted on equity basis.
9. The advance payment is increased mainly because the spare parts sales and the advancement contractual payment are increased this year.
10. The interest payable is decreased mainly because the Company paid the loan interest this year.
11. The dividend payable is increased because the dividend of CCCC Tianhe Co., Ltd under the same control is increased this year.
12. The other payables are increased because the Company receives the more capital from affiliated party this year.
13. Non-current liabilities due within one year is increased because the long-term loans and bond that would be due within one year are reclassified into non-current liabilities due within one year.
14. The long-term loan is decreased because the long-term loan of the Company is due within one year and reclassified into non-current liabilities due within one year.
15. The dividend payable decreases because the dividend payable is due within one year and reclassified into non-current liabilities due within one year.
16. The other comprehensive income is decreased because the financing products purchased by the Company are due this year and turned into investment gain.
17. The minority equity is increased because the capital investment of the minority shareholders is increased this year.

(4)Industry Competitiveness analysis

In 2015, the Company signed the new contract of port machinery with amount of 3.29 billion USD, increased by 19.46% on yearly basis. The port machinery products continue to remain the leading position in the world. The Company signed new contracts of marine engineering products and steel structure with amount of 827 million USD, decreased by 55% on yearly basis. The products were sold in 90 countries and regions in the world.

The domestic economic grew slowly in 2015 while the international market is readjusted, but the port machinery market made a breakthrough in the stable situation, mainly relying on the port automation projects in Qingdao and Yangshan and orders from several important customers , such as PSA, DPW and Maersk.

The recent years witnessed the weak trade growth, which has direct impact on the investment of the port. Looking into 2016, the economy of the developed countries will continue to rise, with slow recovery. The emerging markets and the economic entities in developing will continue to decline, with expanded scope. Although speed of the economy in China is in the "shift period" and " adjustment period", fundamentals of growing China's economic development has not changed, with the basic characteristics of good economic toughness, high potential and large room for maneuver remained. The good support and conditions for a sustained economic growth does not change, and the economic structure adjustment and optimization remains.

The general international and domestic economic situation didn't provide good support to the port investment, and the domestic ports capacity tends to saturation, with excessive local capacity. Meanwhile, the industry situation is impacted by the decreasing price of ore and oil, the shipping industry has excessive capacity while the trade in many ports keeps declining, so the purchase demand of port machinery is restrained. It is predicted that the general domestic orders may be less than that of 2015.

The decreasing oil price caused pressure on the entire marine industry chain since 2015. In 2016, the company will face greater challenges in the marine industry market exploration. Looking into the future, the upstream market capacity will be decreased significantly with the dropping oil prices. The reduction of total investment in oil and gas development has led to declining situation in exploration, drilling, production, oil services and other market segments. Each segment will involve the changes of the orders of the equipment. In 2015, the order and the amount of all kinds of marine equipment are decreased respectively by nearly 65% and 70%. Among them, the performance of the drilling platform, OSV (ocean support vessel), OCV (ocean working vessel) is the most declining. The shrinking of the drilling market made the owner of the ship give up the right to increase the order and to withdraw most of the investment plan in order to cope with the declining market. The oil production platform EPCI and a number of high-cost oil field development projects are delayed, and the total contract is decreased dramatically. The oil service market has suspended a large number of PSV, OSV, and the market for piping vessel is also affected. The fleet utilization rate is declined, with lower rent and decreasing the value of marine ships, which will confuse the owner. The marine market declining may continue to 2017.

As for the steel structure, although the large investment projects in Europe and other developed countries slowed down, the domestic market provided a significant opportunity for the large heavy and special steel structure since the government investment boosts the economy, and "The Belt and Road" policy supports the neighboring countries economic

development, to some extent which relieved the declining international market impact on steel structure business.

(5) Investment analysis

1、 External equity investment overall analysis

Unit: Yuan

Investment amount as of period end	2,809,311,997
Investment amount movement	1,428,141,461
Investment amount same period prior year	1,381,170,536
Investment amount movement ratio (%)	103

Invested companies

Name of invested company	Operational activities	Equity ratio in invested company (%)
Cranetech Global Sdn. Bhd.	Engaged in port equipment sales and maintenance service	49.99
China Communications Construction USA Inc.	Engaged in project construction of port, waterway, highway and bridge	24
Hunan Fengri Power Electric Co., Ltd	Engaged in electric power industry, high-tech industry, electric automobile manufacturing industry, culture and education industry, real estate, hotel and tourism investment; R&D of new materials, biotechnology; information consulting service	6.38
CRSC	Engaged in design and R&D of rail transit control system	1.4

(6) Key subsidiaries and share-participating companies

Unit: Yuan Currency: RMB

Company	Major product or service	Registered capital	Asset scale	Net profit/(loss)
Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd	Design, manufacturing and sales of port machinery, engineering vessel, steel structure and other parts	HKD 50,000,000	5,177,464,174	102,570,480
Shanghai Zhenhua Shipping Co., Ltd	Operation of sea transportation in coastal waters; ordinary transportation in the middle and lower reaches of Yangtze River; transportation of port machinery.	120,000,000	1,846,650,412	39,085,629
Nantong Zhenghua Heavy Equipment Manufacturing Co., Ltd	Installation of heavy port equipment, engineering vessels, heavy metal structure and its parts; Gear box, container yard crane, super heavy-duty bridge steel structure, heavy marine machinery equipment, weaving, installation; lease of cranes; contracting of steel structures etc.	854,936,900	1,606,841,262	-49,903,649
Shanghai Zhenhua Heavy Industries Group (Nantong) Transmitter Co.,	Construction and installation of large-scale port equipment, engineering vessels, offshore heavy equipment, machinery and equipment, wind power generation	300,000,000	2,513,721,844	24,325,654

Ltd	equipment to use gear box; large slewing bearings, transmission, dynamic positioning, large anchor cutter, offshore oil platform lifting device and components, accessories related weaving.			
Shanghai Zhenhua Heavy Industries Vessel Transport Co., Ltd	International land, air, maritime freight forwarding, business, domestic freight forwarding, undertaking large-scale port equipment, marine equipment, marine engineering materials sales, marine construction and engineering and ship leasing, engaged in import and export of goods and technologies, transit trade, trade between enterprises and trade agents within the free trade zone	100,000,000	311,936,423	-19,606,737
Shanghai Zhenhua Heavy Industries Group (Nantong) Co., Ltd	Design, construction, installation and contracting large port handling systems and equipment, engineering vessels and large metal structure very parts, accessories; special heavy-duty Steel, Bridge structure, the waving of heavy machinery and equipment by sea, the installation; engineering ship, lifting machinery leasing; engineering consulting service, Steel structure engineering contractor; cargo storage and handling, loading and unloading containers.	300,000,000	258,324,501	-30,261,590
Zhenhua Pufeng Wind Energy (Hong Kong) Co., Ltd	Offshore wind turbine installation	USD 16,326,531	7,102,170	-35,858,936
CCCC Tianhe Mechanical Equipment Manufacturing Co., Ltd	Integration design, R&D and manufacturing of shield machine system with diameter of over 6m; integration design, R&D and manufacturing of tunnel boring machine (TBM) system with diameter of over 5m; design, R&D and manufacturing of marine machinery and parts, cranes and parts, bridges and high damping bracket for buildings; sales of self-produced products; wholesales and import & export business of marine machinery and parts, cranes and parts, bridges and high damping bracket for buildings (if the state-operated trade commodities, design quota and license management is not involved, the related national rules will prevail); installation, maintenance, leasing, consulting, technical services for our products. (foreign capital proportion is less than 25%) (as for the items requiring the approval, carry out the business activities after obtaining the approval from the authorities)	681,627,100	2,252,666,444	42,357,907
Shanghai Zhenhua Heavy Port Machinery General Equipment Co. Ltd.	Sales of port loading machine, bulk cargo and container machine, port engineering vessels (including floating engineering crane), material handling mechanical products and parts, sales and technical services, installation	2,184,730,000	2,262,598,988	-70,908,737

	and maintenance, technical consultation of all types of machine and equipment, key parts of the raw materials and accessories equipment			
Nanjing Ninggao New Channel Construction Co., Ltd	Engaged in construction, investment and management of Ninggao New Channel project	100,000,000	5,692,624,960	87,276,916
ZPMC Heavy Industries Qidong Marine Co., Ltd	Machinery manufacturing	303,000,000	1,769,639,742	-178,008,700
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd	Steel structure fabrication and installation, Foundation construction of offshore wind power facilities, equipment installation and maintenance, submarine cable system construction, maintenance, marine construction, equipment installation and maintenance, and installation of equipment leasing	260,000,000	694,048,120	17,309,696
CCCC Properties Yixing Co., Ltd	Engaged in real estate development	900,000,000	1,049,106,720	54,873
CCCC Financial Leasing Co., Ltd.	Financing lease	3,600,000,000	11,763,360,284	167,967,410
China Communications Construction USA Inc.	Construction of port, waterway, highway and bridge	USD 50,000,000	314,875,262	-8,535,897

III. Board of Director' s discussion and analysis of the Company' s future development

(I) Sector competition pattern and development trend

The world economic development is still in the deep adjustment period after the financial crisis, and the recovery weak state will continue for a long time, with uncertainty. As the beginning of "13th Five-year Plan", the macroscopic tone will increase with stable development in 2016 in China.

Sector and market analysis

1. The rapid development trends in the field of transportation infrastructure provide good chance to explore and develop the investment, shipping, general contracting, steel structure, rail transportation equipment market.

2. The equipment manufacturing industry is in the restructuring and transformation stage of the industry, and the market, product and industry chain distribution will change dramatically. Although the manufacturing industry in China is facing many challenges, China has the most improved industrial system and supporting capacity worldwide, this is the solid foundation for China to transform to powerful player from a large player.

3. The energy field is in the industry adjustment period. The oil energy continues to suppress the new energy represented by shale oil, wind power with the high yield and low price. This adjustment will continue to the middle of "13th Five-year Plan", when the oil production and prices will return to a rational balance.

4. The economic cyclical fluctuation in the shipping filed is in a slow recovery stage, but the foundation of recovery is not strong since it is affected by the international economic balance and the local political factors.

5. The financial sector is still in the adjustment period after the international financial crisis, and the strict control is the common state of the financial sector. There are many variables between the dollar, euro, yen and Yuan.

(II) The Company's development strategy

The Board systematically and scientifically studied the basic situation both at home and abroad, analyzed domestic reform status, analyzed major competitions and self-owned advantages and disadvantages. The Board clearly set the overall development concept, key tasks and guarantee measures in 2016, **focusing on innovating drive, transformation and upgrade, improving the quality and efficiency, which ensures the stable development of the Company in new common state, reform and development.**

1、 To build the Company into an excellent international company, and build the industry layout of vertical integration, horizontal correlation limited diversification and internationalization; build No. 1 general contractor of port machinery manufacturing and automated port system; world-famous and domestic leading marine engineering equipment integrator; world-famous and Asia No. 1 marine engineering services and new energy engineering general contractor; world-famous and domestic leading electrical system general contractor; world-famous special overseas developer and industry well-known equipment manufacturer and transit infrastructure investment operator.

2、 The overall working concept for 2016: Establish innovative, coordinative, green, open and sharing development concept, surrounding "one center", promote "three industrialization" target, emphasize the "4 main lines", establish "6 driving forces" and improve "6 capacities", insist on "24 word' s principle", continue to act as a powerful player, lay foundation to become the world excellent company with international competition.

3、 2016 major tasks:

(1) Continuously center on reform and innovation principle and focus on organization construction and structure adjustment.

(2) Continuously center on overall cost efficiency and focus on basis management and benefit increasing.

(3) Continuously center on solid foundation and improve the operation quality

(4) Continuously strengthen team building and improve the human resources management ability.

(III) Business planning

In 2016, the Company plans to achieve steady growth in revenue, and signs more new orders, implements "insist on the innovation and development, the coordinated development, the green development, open development and sharing development" ; insist on five development concepts to accelerate the innovation, mergers and acquisitions, digitalization and internationalization development r, focus on reform and innovation, deepen the organizational structure adjustment, reduce the cost and improve the efficiency, consolidate the foundation, enhance the operation quality, accelerate the integration of resources, increase the gross profit margin, to ensure the stable development of the company in new common state, reform and development.

(IV) Possible risks

Daily operating expenses and capital expenditure are mainly the Company's own funds, as well as through a variety of means of financing; capital expenditure is mainly used for items such as capital construction of the production base of the Company.

Market risk: the international economy is still in the declining state with limited growth, the slow economic development may become the "new ordinary state" in the domestic market. The industry trend is impacted by the decreasing ore and oil prices. The shipping capacity is excessive and the port machinery market increased a little. The marine heavy industry is in the low position in the market. As for the offshore oil and gas service, the large piece handing and movement transportation market decreases with excessive capacity. The port machinery market is still in main position in scale and profit contribution, but other markets are still being cultivated.

Solution: facing the market challenges at home and abroad, the Company will deepen the reform, consolidate the basic management and enhance the risk resistance, focus on "1.5.2.1" for optimal adjustment of market and business structure; to promote the four transition from selling products to sell excellent products (Technology); from selling equipment to selling system; from selling hardware to selling software (service); from the production mode, management mode, the business model in Industry 2.0 change to new model, profit model innovation in Industry 4.0, promote structure adjustment and resources integration, drive structure adjustment and resource integration; drive enterprise sustainable development by transformation and upgrade.

Financial risks: credit risk and exchange rate risk, increased volatility of the RMB bidirectional fluctuation of exchange rate and large load capacity.

Solution: As for credit risk, by reducing raw material reserves, compression of infrastructure spending, adjusting the company's debt structure through a variety of ways (such as medium-term notes, short-term bonds), reducing financing costs, strengthening the collection of accounts receivable, gradually reducing the amount of bank debt, reduce business risks.

develop rational planning for forward rate look, control exchange rate risk, emphasis on research on policies and strategies of foreign exchange risk management, pay close attention to change in exchange rates, regularly complete analysis of exchange rate movements, conduct strict implementation of financial derivatives related to the approval process, produce good statistics on product current exchange rate, further reinforce the basic work of foreign exchange management, and reduce the company's exchange rate risk. By arranging favorable settlement terms in the contract (such as the signing of a contract with the RMB exchange rate pegged, increase the prepayments proportion plus early settlement, etc.), or within the range permitted by the country's financial foreign exchange policy, make use of hedging, foreign exchange factoring and other appropriate financial instruments or means to control and lock the exchange rate risk.

III. Explanation of the case and reasons that company does not disclose due to rules not applicable or special reasons

Applicable Not applicable

Chapter V Substantial Events

I. Pre-plan for profit distribution or capital reserve transfer to increase capital stock

(I) Cash dividend policy formulation, implementation and adjustment

According to CSRC Notification on further implementation of issues concerning listed company cash dividends sharing (Zhengjian Fa [2012]37), as proposed by the 10th meeting of the Company's fifth session of Board held on August 21, 2012, amendment would be made to the Articles of Association of the Company concerning profit distribution and cash dividends policy, and as result dividends sharing standard and proportion are clear, related decision making program and mechanism compete, with full maintenance of small shareholders' legitimate rights and interests, giving them full excess to expressing their views and demands.

(II) Profit distribution pre-plan or plan, capital reserve converted into share capital plan or preplan of the Company for last three years (including report period)

Unit: Yuan Currency: RMB					
Year	Bonus share for every 10 shares (share)	Dividend for every 10 shares (Yuan)(before tax)	Shares converted for every 10 shares (share)	Cash dividend amount (before tax)	Net profit attributable to listed company shareholders in profit-sharing year
2015	0	0	0	0	212,411,967
2014	0	0	0	0	202,223,273
2013	0	0	0	0	145,905,039

(III) The profit in the report period and the profit that can be distributed by common shareholders of parent company are positive, if the cash profit distribution plan of common stock is not proposed, the company shall disclose the reasons, purpose and use plan of the profit not distributed in details

Applicable Not applicable

Reason for profit in the report period and the profit that can be distributed by common shareholders of parent company are positive but the common stock cash profit distribution plan is not proposed	Purpose and use plan of profits not distributed
Although the company made profit in 2015, the company was in the important period of adjustment of the business structure. The bank liability with interest is still large, accounting for a higher proportion of the total liabilities. In order to effectively reduce the turnover of capital and operating risk, the profits: distribution plan in 2015 is:, not distributed or capital reserve for capital stock	For the daily operation of the company

II. Commitment performance

Applicable Not applicable

III. Capital occupied situation and clearing arrears progress in the report period

Applicable Not applicable

IV. Notes of the board of directors for "non-standard audit report" of the accounting firm

(I) Note of the board of directors and the board of supervisors for "non-standard audit report" of the accounting firm.

Applicable Not applicable

(II) Analysis of the reasons and impact of the board of directors on the changes of accounting policies, accounting estimates and accounting methods

Applicable Not applicable

(III) Analysis of the reasons and impact of the board of directors on error correction in early stage

Applicable Not applicable

V. Appointment and dismissal of accounting firm

Unit: Yuan Currency: RMB

	Current appointment
Domestic accounting firm	PricewaterhouseCoopers Zhong Tian CPAs Co. Ltd. (Special general partnership)
Domestic accounting firm payment	4,200,000
Domestic accounting firm audit period	22

	Name	Payment
Internal control audit accounting firm	PricewaterhouseCoopers Zhong Tian CPAs Co. Ltd. (Special general partnership)	500,000

Appointment and dismissal of accounting firm

Applicable Not applicable

VI. Bankruptcy reorganization related matters

Applicable Not applicable

VII. Substantial lawsuits, arbitrations

Applicable Not applicable

(I) Lawsuits, arbitrations disclosed in the provisional announcement without subsequent progress

Events overview	Index
Substantial lawsuits about Flour Company offshore wind power project	Shanghai Stock Exchange website: www.sse.com.cn and Shanghai Securities News and Hong Kong Wen Wei Po on Sep. 30, 2014.

(II) Lawsuits, arbitrations not disclosed in the provisional announcement with subsequent progress

Unit: Yuan Currency: RMB

In the report period									
Prosecutor (applicant)	Defendant	Party with joint liabilities	Type of suing or arbitration	Suit (arbitration) profiles	Suit (arbitration) amount involved	Suit (arbitration) constitutes project liabilities or not	Suit (arbitration) progress	Suit (arbitration) ruling and impact	Suit (arbitration) ruling implementation
Shanghai Zhenhua Heavy Industries (Group) Co., Ltd	Jiangsu Suzhong Construction Group Co., Ltd	No	Arbitration	Suzhong Construction Group Co., Ltd. (Hereinafter referred to as "Suzhong Construction") contracted the project construction of the industrial R&D Building in 2008, but the two sides entered into dispute after settlement upon completion. In September 2013 the Company filed a request Shanghai Arbitration Commission for Suzhong Construction to pay an overdue fine of 7,444 million Yuan due to delays of construction and so on, while in February 2014 Suzhong Construction filed a counterclaim to Shanghai Arbitration Commission requesting the Company to pay about 162 million Yuan for the project settlement and related interest costs; the arbitration case will be heard shortly	7,444 million Yuan + 162 million and related interests	0	Court to be open soon	Not yet ruled	Not yet ruled

VIII. Punishment and correction of listed company and its directors, supervisors and senior executives, the controlling shareholder, actual controller and purchasers

Applicable Not applicable

IX. Company equity incentive plan, employee ownership plan or other employee incentive situations and its influence

Applicable Not applicable

X. Magnificent related transactions

Applicable Not applicable

(I) Related transactions in connection with routine operations

1. Events disclosed in the provisional announcement and without changes or progresses of following-up implementation

Events overview	Index
The fifth meeting of sixth Board of Directors on Mar. 24 th , 2014 approved "Proposal to Invest and Establish CCCC (Qidong) Investment and Development Co., Ltd." to invest PPP project of surround port in Lvsi Port, Qidong, Jiangsu	Shanghai Stock Exchange website: www.sse.com.cn and Shanghai Securities News and Hong Kong Wen Wei Po on Aug 29, 2015.
The seventh meeting of sixth Board of Directors on October 30, 2015 approved "Proposal to Invest Jiangsu Zhongguancun Science and Technology Industrial Park Infrastructure and Public Utility Phase I".	Shanghai Stock Exchange website: www.sse.com.cn and Shanghai Securities News and Hong Kong Wen Wei Po on Oct 31, 2015.

2. Events not disclosed in the provisional announcement

Applicable Not applicable

Unit: Yuan Currency: RMB

Related party transaction	Incidence relation	Type of related transaction	Content of related transaction	Pricing principle of related transaction	Price of related transaction	Related transaction amount (%)
CHUWA BUSSAN company limited	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	331,102,486	1.42
CCCC Second Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	277,237,614	1.19
CCCC Third Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	257,912,687	1.11
Friede & Goldman, Llc.	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	140,108,319	0.6
CCCC SHEC					75,530,025	0.32

Second Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price		
CCCC Second Highway Engineering Co., Ltd	Parent company	Sell goods	Purchase port machinery from the Company	Based on market price	56,534,225	0.24
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd	Joint venture	Sell goods	Purchase port machinery from the Company	Based on market price	53,734,600	0.23
CCCC Tunnel Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	52,226,007	0.22
CCCC Fourth Harbor Engineering Co., Ltd	Parent company' s share controlled branch company	Providing service	Purchase port machinery from the Company	Based on market price	44,663,030	0.19
CCCC Third Highway Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	38,213,139	0.16
China Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	34,099,381	0.15
Second Engineering Company of CCCC Fourth Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	24,687,230	0.11
Third Engineering Company of CCCC Fourth Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Provide labor	Purchase port machinery from the Company	Based on market price	18,699,952	0.08
Hainan CCCC Fourth Harbor	Parent company' s	Sell goods	Purchase	Based on	17,202,584	0.07

Construction Co., Ltd	wholly-owned subsidiary		port machinery from the Company	market price		
Nanjing CCCC Weisanlu River Tunnel Co., Ltd	Parent company' s wholly-owned subsidiary	Provide labor	Purchase port machinery from the Company	Based on market price	15,362,383	0.07
China Communications Construction Company Limited	Parent company	Sell goods	Purchase port machinery from the Company	Based on market price	14,436,561	0.06
CCCC Financial Leasing CO., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	12,020,237	0.05
CCCC Third Harbor Consultants Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	4,515,993	0.02
Second Engineering Company of CCCC Second Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	3,678,378	0.02
First Engineering Company of CCCC First Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	3,173,735	0.01
CCCC Shanghai Equipment Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Entrusted processing for the Company	Based on market price	1,222,449	0.01
China Road and Bridge Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	1,089,606	0
Second Engineering Company of CCCC First Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Sell goods	Purchase port machinery from the Company	Based on market price	643,333	0

Zhenhua Marine Energy (Hong Kong) Co., Ltd	Joint venture	Other	Lease the ships from the Company	Based on market price	67,924,038	0.29
Third Engineering Company of CCCC Second Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Other	Lease the shield from the Company	Based on market price	19,671,628	0.08
CCCC Tunnel Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Other	Lease the shield from the Company	Based on market price	14,365,684	0.06
China Communications Construction Company Limited	Parent company	Other	Lease the ships from the Company	Based on market price	3,384,615	0.01
CCCC Tianjin Dredging Co., Ltd	Parent company' s wholly-owned subsidiary	Receiving labor	Entrusting company for processing	Based on market price	202,023,996	1.02
CCCC East China Investment Co., Ltd	Parent company' s wholly-owned subsidiary	Receiving labor	Entrusting company for processing	Based on market price	30,900,000	0.16
China Communications Construction Company Limited	Parent company' s wholly-owned subsidiary	Receiving labor	Entrusting company for processing	Based on market price	15,608,642	0.08
CCCC Second Highway Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Receiving labor	Entrusting company for processing	Based on market price	10,713,240	0.05
CHUWA BUSSAN company limited	Parent company' s wholly-owned subsidiary	Purchase goods	Supply materials to Company	Based on market price	291,769,656	1.48
CCCC Shanghai Equipment Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	Purchase goods	Supply materials to Company	Based on market price	137,622,776	0.7
Shanghai Zhenhua Heavy Industry Changzhou Painting Co., Ltd	Joint venture	Purchase goods	Supply materials to Company	Based on market price	104,139,666	0.53
China Communication Materials & Shipment Co., Ltd	Parent company' s wholly-owned subsidiary	Purchase goods	Supply materials to Company	Based on market price	16,721,301	0.08
Total				/	2,392,939,196	5.57

Details about the returned sales with high amount	
Explanation of related trade	Note: May 8, 2013, the Company 2012 Annual General Meeting approved "Motion on the Company Signing Framework Agreement with CHINA COMMUNICATIONS CONSTRUCTION CO., LTD on Routine Related Transactions." From 2013 to 2015, our company and its subordinate units and the China Communications Corporation and its subsidiary bodies could undertake related party transactions in the daily operation on annual basis with transaction amount not exceeding 8 billion Yuan from 2013~2015. The Annual General Meeting has authorized the Company's management to handle relevant specific matters.

(II) Associated transactions of asset or equity acquisition, sales

1、 Events disclosed in the provisional announcement and without changes or progresses of follow-up implementation.

Events overview	Index
The eighth meeting of sixth Board of Directors on December 30, 2015 approved the "Proposal to Increase Capital and Substitute Equity of CCCC Tianhe Equipment Manufacturing Co., Ltd".	Shanghai Stock Exchange website: www.sse.com.cn and Shanghai Securities News and Hong Kong Wen Wei Po on Jan 4, 2016.

2、 Events not disclosed in the provisional announcement

Applicable Not applicable

(III) Current accounts of credits and liabilities with related parties

1、 Events disclosed in the provisional announcement and without changes or progresses of follow-up implementation

Events overview	Index
The twenty-fifth meeting of fifth Board of Directors meeting on Mar. 24 th , 2014, approved the "Proposal on Company signing Deposit Services Framework Agreement and Loan Services Framework Agreement with CCCC Financial Co., Ltd" and discussed and passed by 2013 general meeting of shareholders.	Shanghai Stock Exchange website: www.sse.com.cn and Shanghai Securities News and Hong Kong Wen Wei Po on Mar. 26, 2014

2、 Events not disclosed in the provisional announcement

Unit: Yuan Currency: RMB

Related party	Incidence relation	The Company providing fund to related party			Related party providing fund to the Company		
		Beginning balances	Current amount	Ending balance	Beginning balances	Current amount	Ending balance
CCCC Financial Leasing Co., Ltd	Parent company's wholly-owned subsidiary	120,420,504	14,114,145	134,534,649	0	0	0
CCCC Jianrong Leasing Co., Ltd	Joint venture	0	0	0	100,000,000	1,018,000,000	1,118,000,000

CCCC Leasing Jiahuayi Co., Ltd	Parent company' s wholly-owned subsidiary	0	0	0	0	383,838,000	383,838,000
CCCC Leasing Jiahuayi Co., Ltd	Parent company' s wholly-owned subsidiary	0	0	0	0	383,838,000	383,838,000
China Communication Construction Company	Parent company	0	0	0	31,599,363	72,840,872	104,440,235
Shanghai Jiang Tian Industrial Co., Ltd	Parent company' s wholly-owned subsidiary	0	0	0	17,586,085	0	17,586,085
CHUWA BUSSAN COMPANY LIMITED	Parent company' s wholly-owned subsidiary	0	0	0	0	6,269,873	6,269,873
Tianjin Waterway Co., Ltd	Parent company' s wholly-owned subsidiary	0	0	0	0	25,079,494	25,079,494
Hong Kong Zhenhua Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	0	0	0	346,005	0	346,005
Macau Zhenhua Harbor Engineering Co., Ltd	Parent company' s wholly-owned subsidiary	0	0	0	6,593	0	6,593
Total		120,420,504	14,114,145	134,534,649	149,538,046	1,889,866,239	2,039,404,285
Reasons of related credits and liabilities	Dividends payable by the Company to related parties, investment of the cancellation of s subsidiary and current amount loan.						
Impact of related credits and liabilities on company							

XI. Major contracts and their implantation

(1) Entrusting, contracting and leasing

Applicable Not applicable

1. Entrusting

Applicable Not applicable

The Company had no entrusting this year.

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

Unit: Yuan Currency: RMB

Lessor	Lessee	Leased assets	Amount involving leased assets	Lease start date	Lease termination date	Rental income	Rental income determined by Protocol	Rental revenue impact on the company	Whether related party transactions
Company	Shanghai Zhenlong Asset Management Co., Ltd. And other companies	Housing rental	183,024,841	2012.08.10	2025.07.09	43,047,966	Protocol agreed	43,047,966	No

(2) Guaranty

 ✓ Applicable Not applicable

Unit: Yuan Currency: RMB

Guaranty party	Relationship between guaranty party and listed corporation	Guaranteed party	Guaranty amount	Guaranty current date (agreement sign date)	Guaranty start date	Guaranty terminal date	Guaranty classification	Whether guaranty is finished	Whether guaranty overdue	Whether there is counter guaranty	Whether guaratee to related party	Related relationship
Company	Home office	Jiangsu Yanwei Port Co., Ltd	19,184,000	11, Nov. 2014	11, Nov. 2014	11, Nov. 2017	With joint responsibility	No	No	No	No	
Company	Home office	Zhenhua Marine Energy (Hong Kong) Co., Ltd	165,917,974	14 Sep 2014	14 Sep 2015	14 Mar. 2017	General guaranty	No	No	Yes	Yes	Joint corporation
Total guaranties for subsidiaries incurred in report period (excluding those for held subsidiaries)							165,917,974					
Total Guarantee balance at the end of report period (A)							185,101,974					
Guaranty of the company and subsidiaries												
Total guaranties for subsidiaries incurred in report period							2,842,115,536					
Total guaranties for subsidiary balance at the end of report period (B)							2,842,115,536					
Company guaranty total amount (guaranty for subsidiaries)												
Total guarantee amount (A+B)							3,027,217,510					

Proportion of net assets of the Company (%)	19.18
In which	
Amount guaranties to shareholders, effective controller and its related parties (C)	0
Direct or indirect guarantees for the guaranteed parties with an assets-liabilities ration over 70% (D)	3,008,033,510
Amount of guaranties exceeding 50% of net assets (E)	0
Total of the above 3 kinds of guarantee (C+D+E)	3,008,033,510
Guarantee status explanation	Note: the first interim general meeting of stockholders held on September 22, 2008 approved "Proposal of Company Providing Financing Guarantee to Subsidiary Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd. ", and agreed to provide financing support to Hong Kong subsidiary. The bank will issue guarantee for the loan with the upper limit of 500 million USD. The Company will provide the guarantee to Hong Kong subsidiary in the report period. The twenty-ninth and thirtieth meeting of fifth Board of Directors meeting approved other guarantees.

Non-financial companies entrusted investment financing and derivatives

(1) Entrusted financing

Unit: Yuan Currency: RMB

Partner	Financing product type	Amount	Starting day	Ending day	Reward	Expected profit	Principal actually covered	The amount of provision for impairment	Related trade or not	Suit involved or not	Source of funds and whether it is fund-raising
A Bank	Bank Financial Product	500,000,000	2014/2/14	2015/2/10	Interest upon maturity	500,000,000	32,638,356	Yes	0	No	No
F Bank	Bank Financial Product	770,000,000	2014/2/13	2015/2/12	Interest upon maturity	770,000,000	42,233,973	Yes	0	No	No
F Bank	Bank Financial Product	790,000,000	2014/2/25	2015/2/25	Interest upon maturity	790,000,000	45,030,000	Yes	0	No	No
A Bank	Bank Financial	750,000,000	2014/2/28	2015/2/12	Interest	750,000,000	45,537,329	Yes	0	No	No

	Product	0			upon maturity						
A Bank	Bank Financial Product	620,000,000	2014/3/20	2015/3/13	Interest upon maturity	620,000,000	38,675,770	Yes	0	No	No
B Bank	Bank Financial Product	991,040,000	2014/3/28	2015/3/26	Interest upon maturity	991,040,000	53,222,921	Yes	0	No	No
A Bank	Bank Financial Product	1,000,000,000	2014/4/10	2015/4/2	Interest upon maturity	1,000,000,000	65,971,644	Yes	0	No	No
C Bank	Bank Financial Product	350,000,000	2015/1/16	2015/7/10	Interest upon maturity	350,000,000	9,397,260	Yes	0	No	No
A Bank	Bank Financial Product	500,000,000	2015/1/29	2015/7/21	Interest upon maturity	500,000,000	14,456,164	Yes	0	No	No
E Bank	Bank Financial Product	200,000,000	2015/3/24	2015/12/30	Interest upon maturity	200,000,000	8,344,200	Yes	0	No	No
A Bank	Bank Financial Product	400,000,000	2015/5/6	2015/11/4	Interest upon maturity	400,000,000	11,967,123	Yes	0	No	No
D Bank	Bank Financial Product	420,000,000	2015/5/22	2015/11/18	Interest upon maturity	420,000,000	11,391,781	Yes	0	No	No
D Bank	Bank Financial Product	80,000,000	2015/5/22	2015/11/18	Interest upon maturity	80,000,000	1,893,699	Yes	0	No	No

					ur y						
D Bank	Bank Financial Product	450,0 00,00 0	2015/ 6/9	2015/12 /6	Inte rest upo n mat urit y	450,000 ,000	12,273,287	Yes	0	No	No
G Bank	Bank Financial Product	44,00 0,000	2015/ 12/31	2016/1/ 12	Inte rest upo n mat urit y	0	0	Yes	0	No	No
G Bank	Bank Financial Product	2,000 ,000	2015/ 12/31	2016/3/ 21	Inte rest upo n mat urit y	0	0	Yes	0	No	No
Total	/	7,867 ,040, 000	/	/	/	7,821,0 40,000	393,033,507	/	0	/	/
Principal not withdrew overdue and accumulated income amount (Yuan)						0					
Description of the entrusted financing						Note: the twenty- third, the twenty-sixth session, the thirty-fourth meeting of fifth Board of Directors meeting and 2013 general meeting of shareholders, 2014 general meeting of shareholders approved the relevant amount of the entrusted financing issues in the table above by the report day.					

a) Entrusted loans

Applicable Not applicable

3. Investment in other financing investments and derivatives

Applicable Not applicable

(4) Other substantial contracts

- 1、 On June 30, 2015, the Company published announcement signed general contracting contract of automation loading system with Qingdao Qianwan Smart Container Port Co., Ltd, details see Shanghai Securities News and Hong Kong Wen Wei Po.
- 2、 On July 14, 2015, the Company published announcement signed sales contract of automation container crane with DP World, details see Shanghai Securities News and Hong Kong Wen Wei Po.
- 3、 On August 11, 2015, the Company published announcement signed sales contract of automation port loading contract about Phase 4 of Yangshan Port of Shanghai International Shipping Center with Shanghai Dual-Port International Trade Co.,Ltd, details see Shanghai Securities News and Hong Kong Wen Wei Po.
- 4、 On September 1, 2015, the Company published announcement winning the bid of PPP project of surrounding port of Lvsi Port of Qidong, Jiangsu, details see Shanghai Securities News and Hong Kong Wen Wei Po.

XII. Other substantial issues

Applicable Not applicable

The Company received the announcement of a contract termination letter from Petrofac JSD6000 Limited (hereinafter referred to as "Petrofac") on October 13, 2015, refer to the "Shanghai Securities News", "Hong Kong Wen Wei Po" for details. Fraprete honored the demand guarantee issued related to the project from the guarantee open bank on December 29, 2015, with a total amount of 44720000 USD.

The Company attaches great importance to this case and sets up a special working group and hired domestic and foreign lawyers team, to actively advocate the company's rights, protect the company's legitimate rights and interests. The Company applied for arbitration to the London international arbitration court filed in January 2016, requesting Fraprete to return the guarantee money, and compensating for the corresponding losses. At present, the case is in the process of preparation, was not in session yet.

XIII. Active fulfillment of social responsibilities

(I) Social responsibility work

The Company actively fulfills its social responsibilities, effectively adjusts industrial structure and business arrangement, optimizes development strategy, forms 8 business sectors arrangements; increases investment in R&D; enhances the innovation capacity; promote technological progress; actively promote the overseas center construction, improve the service response speed to the global customers and provide customers with high quality and rapid services.

The Company actively creates development platform for employees, encourages employees to innovate, build innovation pattern and forms good enterprise atmosphere; strengthens employee's humanistic care, builds workers' sports and leisure center to enrich leisure life for workers and strives to create a culture of safety production, working and living environment; in hot season, sending cooling gifts to workers to ease the high temperature, showing car for the health of the employees.

XIV. Negotiable company bond

Applicable Not applicable

Chapter VI Equity Movement and Shareholder' s Profile

I . Particular about equity movement:

(I) Particular about capital stock change

(1) Particular about capital

In report period, Company share numbers and equity structure do not change.

(II) Stock with sales limit change

Applicable Not applicable

II. Particulars about shareholder and effective controller of the Company

(I) Number of shareholders

Number of shareholders at period end	281,106
Total shareholders end of 5 th trading day prior to release day of current annual report	280,954

(II) End to report period, shareholding profile of top 10 shareholders and top 10 current shareholders (or Tradable shareholders)

Unit: share

Shareholding profile of top 10 shareholders							
Shareholder' s Name	Movement During the Year	Total shares held	Ratio(%)	Share s held subject to conditional sales	Share pledged or frozen		Shareholder' s Nature
					Share status	Amount	
China Communications Construction Co., Ltd.	0	1,265,637,849	28.83	0	None	0	State legal
ZHEN HUA ENGINEERING COMPANY LIMITED	0	749,677,500	17.08	0	None	0	Overseas institution
Central Huijin Assets Management Co., Ltd	74,482,200	74,482,200	1.70		Unknown		Unknown
China Securities Finance Co., Ltd	56,788,474	56,788,474	1.29		Unknown		Unknown
BOSARE FUNDS— agricultural bank— BOSARE China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38	0	None	0	Overseas institution
Dacheng Funds— agricultural bank— Dacheng China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unknown		Unknown

ICBC Credit Suisse Fund—agricultural bank—ICBC Credit Suisse China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
GF Fund—agricultural bank—GF China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
China Asset Management—agricultural bank—China Asset Management China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
Harvest Fund—agricultural bank—Harvest Fund China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
Southern Fund—agricultural bank—Southern Fund China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
E fund management—agricultural bank—E fund management China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
Yinhua Fund—agricultural bank—Yinhua Fund China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
Lombarda China Fund Management—agricultural bank—Lombarda China Fund Management China Securities Financial Assets Management Plan	16,546,600	16,546,600	0.38		Unkn own	Unknown
Particulars about top 10 shareholders of shares not subject to conditional sales						
Shareholder's Name	Shares not subject to		Type and quantity of shares			

	conditional sales held at period end	Type	Quantity
China Communications Construction Co., Ltd	1,265,637,849	RMB common shares	
ZHEN HUA ENGINEERING COMPANY LIMITED	749,677,500	Shares with foreign investment listed on domestic market	
Central Huijin Assets Management Co., Ltd	74,482,200	RMB common shares	
China Securities Finance Co., Ltd	56,788,474	RMB common shares	
BOSARE FUNDS— agricultural bank — BOSARE China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
Dacheng Fund— agricultural bank — Dacheng China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
ICBC Credit Suisse Fund— agricultural bank — ICBC Credit Suisse China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
GF Fund— agricultural bank — GF China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
China Asset Management— agricultural bank — China Asset Management China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
Harvest Fund— agricultural bank — Harvest Fund China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
Southern Fund— agricultural bank — Southern Fund China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
E fund management— agricultural bank — E fund management China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
Yinhua Fund— agricultural bank — Yinhua Fund China Securities Financial Assets Management Plan	16,546,600	RMB common shares	
Lombarda China Fund Management— agricultural bank — Lombarda China Fund Management China Securities Financial Assets Management Plan	16,546,600	RMB common shares	

Explanation on the above related relationship or consistent action	<p>1、.Among above top 10 shareholders, CHINA COMMUNICATIONS CONSTRUCTION CO.,LTD. Constitutes related party relationship with ZHEN HUA ENGINEERING COMPANY LIMITED、 ZHEN HWA HARBOUR CONSTRUCTION COMPANY LIMITED, with ultimate controller being China Communications Group Corporation. The Company is not aware of whether they have associated relationship among them or belong to the consistent actionists as defined in Administrative Rules on Disclosure of Information on Stock Change of Listed Company' s Shareholders.</p> <p>2、. On January 8, 2014, the Company disclosed the "Announcement on Changes in Shareholders' Equity" , according to which Hong Kong (ZHEN HUA ENGINEERING COMPANY LIMITED) was to transfer all the shares it held to CCCC International (Hong Kong) Holdings Limited. After the transfer of shares, the controlling shareholder of the Company and the actual controller remain unchanged. The share transfer is required to obtain the SAC of the State Council and other department for approval.</p>
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III. Controlling shareholders and actual controllers

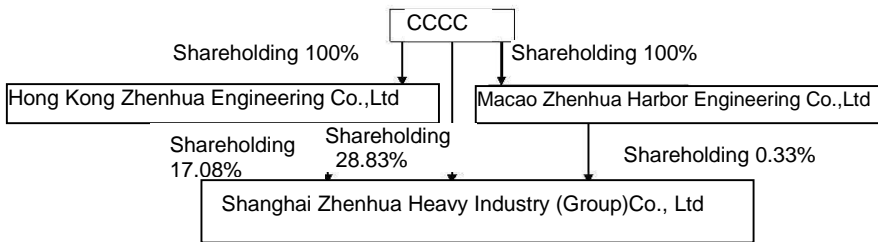
(I) Particulars about the corporate controlling shareholder

1 Legal Person

Unit: Yuan Currency: RMB

Name	China Communications Construction Co., Ltd
The person in charge of the unit/legal representative	Liu Qitao
Date of incorporation	2006-10-8
Organizational Code	71093436-9
Registered capital	16,174,735,425
Principal business	Engaging in the general contracting of construction projects for ports, channels, highways and bridges both home and abroad, including technical and economic consultation of engineering, feasibility study, survey, construction, supervision, procurement and supply for related complete set of equipment or materials, and equipment installation; undertaking the general contracting of the construction of industrial and civil works, railway, metallurgy, petrochemical, power and water conservancy facilities, channel, mine and municipal works; import and export business; real estate development and property management, investment and management of logistics, transportation, hotel and tourist industries.

2. Block diagram of property right and control relationship between Company and controlling shareholders

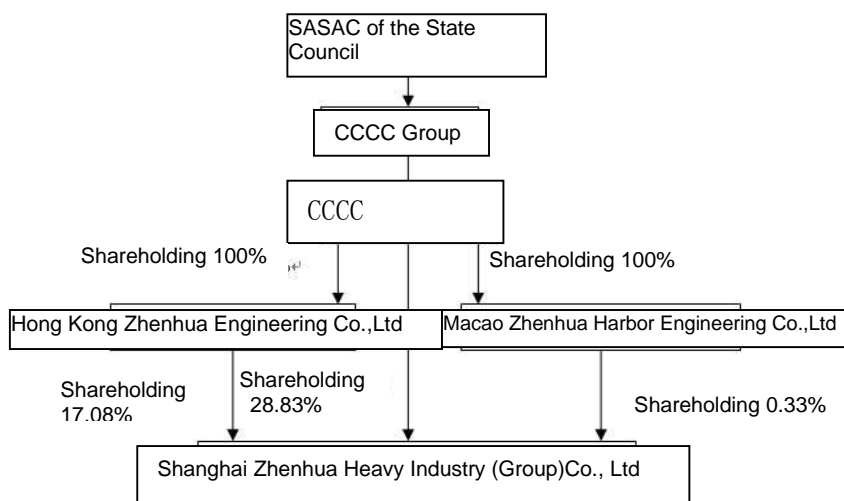


(II) Particulars about the actual controllers

1. Legal Person

Name	China Communications Construction Co., Ltd
The person in charge of the unit/legal representative	Liu Qitao
Date of incorporation	2006-10-8
Organizational Code	71093436-9
Registered capital	16,174,735,425
Principal business	Engaging in the general contracting of construction projects for ports, channels, highways and bridges both home and abroad, including technical and economic consultation of engineering, feasibility study, survey, construction, supervision, procurement and supply for related complete set of equipment or materials, and equipment installation; undertaking the general contracting of the construction of industrial and civil works, railway, metallurgy, petrochemical, power and water conservancy facilities, channel, mine and municipal works; import and export business; real estate development and property management, investment and management of logistics, transportation, hotel and tourist industries.

2. Block diagram of property right and control relationship between Company and actual controllers.



IV. Other corporate shareholders holding over 10% of the Company' s shares

Unit: Yuan Currency: RMB

Corporate shareholders	Person in charge or legal representative	Date of establishment	Organization code	Registered Capital	Main business and management activities
ZHEN HUA ENGINEERING COMPANY LIMITED	Wang Yan	1982-05-14	-	35,000,000	Marine works, roads and bridges, dredging and site formation, port machinery, survey and design.
Explanation	China Communications Construction Co., Ltd. Holds 100% stake of ZHEN HUA ENGINEERING COMPANY LIMITED, the ultimate shareholder is China Communications Construction Group Co., Ltd				

V. Share limit reduction
 Applicable Not applicable

Chapter VII Preferred stock information
 Applicable Not applicable

Chapter VIII Directors, Supervisors, Senior Executives and Employees

I. Change of holdings and remuneration

(I) Shareholding changes and remuneration of directors, supervisors and senior executives under employment or retired during report period.

√ Applicable □ Not applicable

											Unit: share
Name	Title (note)	Sex	Age	Start of Tenure	End of Tenure	Shares held at the beginning of year	Shares at end of year	Change in report period	Total paid by the Company during report period (RMB 10,000)(before tax)	Remuneration calculation period remark	Whether paid by related parties of the Company
Song Hailiang	Chairman of the Board	M	51	2015-4-21	2018-4-20	0	0	0	49.8	Jan-Dec	Yes
Zhu Lianyu	Vice Chairman of the Board, Party Secretary	M	46	2015-4-21	2018-4-20	0	0	0	38.5	May-Dec	Yes
Huang Qingfeng	Director, President	M	41	2015-4-21	2018-4-20	0	0	0	89.4	Jan-Dec	No
Chen Qi	Director	F	54	2015-4-21	2018-4-20	0	0	0	0	Jan-Dec	Yes
Yan Yunfu	Director, Chief Engineer	M	57	2015-4-21	2018-4-20	0	0	0	84.5	Jan-Dec	No
Liu Qizhong	Director, Vice President	M	52	2015-4-21	2018-4-20	0	0	0	87.5	Jan-Dec	No
Dai Wenkai	Director, Vice President	M	49	2015-4-21	2018-4-20	0	0	0	84.5	Jan-Dec	No
Wang Jue	Director, CFO, Board Secretary	M	52	2015-4-21	2018-4-20	0	0	0	87.5	Jan-Dec	No

She Lian	Independent Director	M	57	2015-4-21	2018-4-20	0	0	0	12	Jan-Dec	No
Gu Wei	Independent director	M	59	2015-4-21	2018-4-20	0	0	0	12	Jan-Dec	No
Ge Ming	Independent director	M	65	2015-4-21	2018-4-20	0	0	0	8	May-Dec	No
Ling He	Independent director	M	64	2015-4-21	2018-4-20	0	0	0	8	May-Dec	No
Yang Jun	Independent director	M	59	2015-4-21	2018-4-20	0	0	0	8	May-Dec	No
Cui Wei	Supervisor, deputy secretary of the Party committee, commission for Discipline Inspection, trade union chairman	M	40	2015-4-21	2018-4-20	0	0	0	32.4	May-Dec	No
Zhang Minghai	Supervisor	M	54	2015-4-21	2018-4-20	20,259	20,259	0	72.9	Jan-Dec	No
Xiang Xudong	Supervisor	M	40	2015-4-21	2018-4-20	0	0	0	26.8	May-Dec	No
Liu Jianbo	Vice president	M	53	2015-4-21	2018-4-20	0	0	0	84.5	Jan-Dec	No
Zhou Qi	Vice president	M	44	2015-4-21	2018-4-20	0	0	0	84.5	Jan-Dec	No
Chen Bin	Vice president	M	42	2015-4-21	2018-4-20	89,440	89,440	0	77.9	Jan-Dec	No
Shan Jianguo	Vice president	M	52	2015-4-21	2018-4-20	0	0	0	33.84	May-Dec	No
Zhang Jian	Vice president	M	47	2015-4-21	2018-4-20	0	0	0	32.8	May-Dec	No
Fei Guo	Chief engineer	M	54	2015-4-21	2018-4-20	0	0	0	79.5	Jan-Dec	No
Li Ruixiang	Chief economist	M	41	2015-4-21	2018-4-20	0	0	0	33.1	May-Dec	No
Sun Li	General counsel	M	44	2015-4-21	2018-4-20	0	0	0	77.5	Jan-Dec	No
Bao Qifan	Former independent director	M	65	2011-5-20	2015-4-20	0	0	0	0	Jan-Apr	No
Liu Ningyuan	Former independent director	M	58	2011-5-20	2015-4-20	0	0	0	4	Jan-Apr	No
Zhao Guangjing	Former	M	55	2011-5-20	2015-4-20	0	0	0	22.7	Jan-Apr	No

	supervisor										
Cao Weizhong	Former president	viceM	60	2011-5-20	2015-4-20	0	0	0	14.8	Jan-Apr	No
Chen Gang	Former president	viceM	49	2011-5-20	2015-3-30	0	0	0	7.5	Jan-Mar	No
Total	/	/	/	/	/	109,699	109,699	0	1,254.44	/	/

1. Song Hailiang, born in 1965, male, Ph.D., professor-level senior engineer, began his career in July 1987, served as engineer, Design Office director, Vice President, President, member of Party Committee, Vice Secretary of the Party Committee, Chairman of the Board and simultaneously General Manager with CCCC Water Transportation Planning and Design Institute Co., Ltd.; current vice President of China Communications Construction Co., Ltd. and simultaneously General Manager of Equipment Manufacturing Marine Heavy Industry Department and Chairman of the Board of Zhenhua Heavy Industries.
2. Zhu Lianyu, born in 1970, male, Ph.D., professor-level senior engineer; began his career in September 1992, served as engineer, equipment leader of overseas project, vice chief of Marine Machine Department, manager of Enterprise Development Department of CCCC First Harbor Engineering Co., Ltd; general manager of CCCC International Shipping Co., Ltd, general manager of Equipment Manufacturing Marine Heavy Industry Department of China Communications Construction Co., Ltd.; current vice Chairman of the Board and secretary of Party Committee.
3. Huang Qingfeng, born in 1975, male, EMBA, senior engineer; began his career in August 1996, used to be quality project chief, director of field bridge office of quality management department; deputy manager of after-sales department, general manager of Quality Inspection Company; vice director of off-shore office, director of Quality Safety Department, director of Product Service Center and assistant president of the Group; from Jan. 2005 on is VP of the Company and executive vice president and director of Production and Project Management Center since 2014, current director and president of the Company.
4. Chen Qi, born in 1962, female, master degree, senior engineer, was project manager of China Harbor Engineering Co., Ltd. Import and Export Port Machinery Division, China Harbor (Group) Co., Ltd. Industry and Trade Business Unit deputy general manager, General manager; China Communications Construction Co., Ltd Industry and Trade Business Unit general manager; has been director of the Company since 2011, current executive general manager of Equipment Manufacturing Marine Heavy Industry Department of China Communications Construction Co., Ltd.
5. Yan Yunfu, born in 1959, male, EMBA, professor-level senior engineer, served as Vice Chief of Technical Department, Manager of Mechanical Design Department, Vice General Engineer, General Engineer and VP of the Company, President of Land Heavy Industry Equipment Design Institute, is director of board of the Company since 2004, current director and general engineer.
6. Liu Qizhong, born in 1964, male, bachelor degree, senior economist; was Vice Manager, Manager of Operating Department, was director of the Company since 1997, current director and VP of Company.
7. Dai Wenkai, born in 1967, male, master of physics, EMBA, senior engineer. Began his career in 1993, was Vice Manger and Manager of Operating Department, Vice Chief Economist, Chief Economist; current director and VP of the Company
8. Wang Jue, born in 1964, male, MBA, CPA and senior accountant, successively held the posts of director and General Accountant of the Financial Office of No.3 Engineering Co., Ltd. Of CCCC Third Harbor Engineering Co., Ltd., Chief of Audit Department, Chief of Financial Department and Vice

General Accountant; is the Chief Financial Executive and Secretary of the Board of Directors of the Company since November of 2005; director of Company from 2006 to 2011, current director, CFO and Secretary of the Board of Directors of the Company.

9. She Lian, born in 1959, male, professor, doctoral tutor; from 1995 on, enjoys special government allowances from the State Council since 1995; deputy director and Party Secretary of the Department of Business Administration, Wuhan University of Communications Science; chief editor of "Transportation Enterprise Management" magazine run by Ministry of Transportation; director of Early Warning Management Research Center, Wuhan University of Technology, Professor of Management, doctoral tutor; director of Early Warning Management Research Center, Huazhong University of Science and Technology, Professor of Management, doctoral tutor; Professor of CEIBS Emergency Management Institute incumbent National School of Administration, doctoral tutor, current independent director of the Company.

10. Gu Wei, born in 1957, male, Ph.D., professor and doctoral tutor; since 1982, has been teaching at Shanghai Maritime University; since the year 2000, enjoys special government allowances from the State Council, and the IEEE Society member, MTS Society member and the British Royal Physical Society member, senior member of China Electro technical Society, senior member of Chinese Society of Naval Architects, senior member of Chinese Mechanical Engineering Society; is currently director of the Key Laboratory of the Ministry of Transportation's Shipping Technology and Control Engineering; member of China Electro technical Society's Vessel Electrical Committee; member of the Committee of Experts of Shanghai Jiaotong Electronics Industry Association; procurement consulting expert of Shanghai Municipal Government; member of the Committee of Experts of Ministry of Transport East China Sea Rescue Bureau and other duties; current independent director of the Company.

11. Ge Ming: born in 1951, male, master of Western Accounting of Financial Science Research Institute of Ministry of Finance. In 1983, obtained Chinese CPA qualification, the senior accountant qualification awarded by the Ministry of Finance, chairman (special general partnership), managing partner and chief accountant of EY, Expert Advisory Committee member of Second listed company acquisitions and restructuring of China Securities Regulatory Commission, is the executive director of China Institute of Certified Public Accountants, member of CPA Examination Committee of Ministry of Finance, Vice director of Beijing Institute of Certified Public Accountants Industry Development Committee, member of China Securities Regulatory Commission third listed company acquisitions advisory committee members and chairman of board of Beijing Huaming Fulong Accounting Consultation Co., Ltd, current independent director of the Company.

12. Ling he, born in 1952, male, professor, senior editor (Senior professional title) of Liberation Daily, director of Shanghai Journalists Association, director of Shanghai Institute of Essays, served as member, assistant chief editor, director of Editing Department of the democratic and legal magazine agency, vice director and director of Comment Department of Liberation Daily, main editor of Liberation Daily, chief editor of Liberty Forum; with honor of the first National 100 Journalists, China News first prize for three times, Shanghai News first prize for 15 times, current independent director of the Company.

13. Yang Jun, born in 1957, male, master degree, served as intermediate and Senior court judge of Shanghai Court, president and members of the judicial committee member, Property Trade Operation Director of Shanghai United Property Rights Exchange, now is the assistant president of Shanghai United Property Rights Exchange, general manager of Beijing HQ, director of Financial Property Rights Trade Center, arbitrator of China International Economic and Trade Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission, arbitrator of Shanghai Arbitration Commission, Shanghai Financial Arbitration Court, expert of China domain name dispute resolution center, director of Intellectual Property Association of China Law Society, director of Company Law Research Society of Shanghai Law Society, director of Shanghai Patent / Trademark / Copyright Association, current independent director of the Company.

14. Cui Wei: born in 1976, male, bachelor degree, began his career in 2000, served as deputy director (hosting) of general manager office, legal consultant office of CCC First Harbor Co., Ltd, director and minister of Party Work Department and President Affair Office of Zhenhua Heavy Industry Co., Ltd, current chief supervisors, deputy secretary of the Party committee, secretary of Commission for Discipline Inspection, chairman of Trade Union
15. Zhang Minghai, born in 1962, male, master degree, professor-level senior engineer; formerly Shanghai Port Machinery Plant Technology Division engineer; mechanical office deputy manager, deputy chief engineer, general manager of Mechanical Office Shore Bridge First Company, of the machinery to do the shore bridge, general manager of Land-based Heavy Industry Co., Ltd. with Shanghai Zhenhua Heavy Industries (Group) Co., Ltd.; currently Land-based Heavy Industry Research Design vice president and also Shore Bridge Design Institute director; chief supervisor of the Company since 2011.
16. Xiang Xudong: born in 1976, male, bachelor degree, senior engineer; served as Vice Director and Vice Manager of Quality Department, General manager of Zhenhua Heavy Industry Inspection Co., Ltd, current employee representative supervisor, Party Secretary and Vice General Manager of Zhenhua Heavy Industry Changxin branch.
17. Liu Jianbo, born in 1963, male, master degree, senior engineer; was engineer at technological office of Shanghai Port Machinery Plant; assistant director in engineering with Technology Office of Shanghai Container Dock Co. Ltd., deputy general manager and general manager of ZPMC Changxing Base; current VP of the Company and chairman of board of Shanghai Zhenhua Marine Engineering Service Co., Ltd.
18. Zhou Qi, born in 1972, male, EMBA, senior engineer; was manager and deputy general engineer, general manager and chief engineer of the Electric Appliance Office of the Company; current VP of the Company and chairman of Company Electric Group.
19. Chen Bin, born in 1974, male, EMBA, senior engineer; project quality leader of Quality Control office, deputy manager of tire crane office of quality control office, manager of quality control office, deputy general manager and general manager of quality control company, vice director of quality and safety office, manager of Quality Safety Office; supervisor of the Company, general manager of Shanghai Zhenhua Shipment Co., Ltd, president assistant of the Company, current VP of Company and general manager of Shanghai Zhenhua Marine Engineering Service Co., Ltd.
20. Shan Jianguo: born in 1964, male, bachelor degree, served in Shanghai Port Machinery Manufacturing Plant, started to work in Shanghai Zhenhua Port Machinery Co., Ltd from 1992, served as engineer, chief engineer of Machinery Office, general manager of Design company, deputy director and director of Machinery Office, manager of budget assessment department, is now the VP and president of Land Heavy Industry Institute.
21. Zhang Jian, born in 1969, male, MBA, served as technician, production planner and assistant of director of No. 2 Panel beater of Shanghai Port Machinery Manufacturing Plant, chief of Changzhou Plant of Shanghai Port Machinery Manufacturing Plant, vice general manager of Shanghai Port Machinery Co., Ltd, vice general manager of Shanghai Port Machinery Heavy Industry Co., Ltd, general manager, assistant of president of Port Machinery Co., Ltd, current VP.
22. Fei Guo, born in 1962, male, EMBA, professor level senior engineer, served as engineer of Shanghai Port Machinery Plant, director of No. 5 electrical office, vice chief engineer, director of Development Office of Shanghai Zhenhua Port Machinery Co., Ltd, VP and executive director of Shanghai Zhenhua Heavy Industry Electric Co., Ltd, current chief engineer of Company.
23. Li Ruixiang: born in 1975, male, bachelor degree, served as vice manager of Manufacturing Department, vice director of Quality Safety Office of Zhangjiagang Base of Shanghai Machinery Plant; manager of Quality Inspection Company, vice director of Quality and Safety Office, vice general manager, generally manager, of machinery supporting base, Party branch secretary and president assistant, current chief economist and general manager of budget assessment department

24. Sun Li, born in 1972, male, EMBA, senior engineer; was project supervisor of Operating Department, vice manager and assistant of General Manager of the Company, Vice President and director of the Company, current Chief Legal Counsel of Company

Other description

The remuneration of the added new staff and resigned staff in this session are paid according to the term of service, the remuneration of other staff are calculated on annual basis.

(II). Stock ownership incentive awarded for the directors, supervisors and senior executives during the reporting period

Applicable Not applicable

II. Office holding profile of directors, supervisors and senior executives in office or retired during report period

(I) Particulars about office-holding with shareholding companies

Applicable Not applicable

Name	Name of shareholder	Title in the shareholding company	Starting date of service term
Song Hailiang	China Communication Construction Co., Ltd	Vice president	2014-01-27
Chen Qi	China Communications Construction Co., Ltd.	General manager of Industry and Trade Department	2009-12-29
Description of the position held			

(II) Particulars about office-holding with other companies

Applicable Not applicable

Name	Name of companies	Title
She Lian	CEIBS Emergency Management Institute incumbent National School of Administration	Professor, doctoral tutor
Gu Wei	Shipping Technology and Engineering key Lab of Ministry of Transportation, Vessel Electrical Committee of China Electro technical Society, Control Committee of Experts of Shanghai Jiaotong Electronics Industry	Director, professor, doctoral tutor, council member, committee member

	Association; procurement consulting expert of Shanghai Municipal Government; Committee of Experts of Ministry of Transport East China Sea Rescue Bureau and other duties	
Ge Ming	China Institute of Certified Public Accountants , CPA Examination Committee of Ministry of Finance, Beijing Institute of Certified Public Accountants Industry Development Committee, Expert Advisory Committee member of third listed company acquisitions and restructuring of China Securities Regulatory Commission, Beijing Huaming Fulong Accounting Consultation Co., Ltd	Executive director, committee member, deputy director, committee member, chairman of the board, etc.
Ling He	Liberation Daily, Shanghai Journalists Association, Shanghai Institute of Essays.	Senior editor (Senior professional title), director
Yang Jun	Shanghai United Property Rights Exchange, Financial Property Rights Trade Center, China International Economic and Trade Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission, Shanghai Arbitration Commission, Shanghai Arbitration Institute of finance, the Chinese domain name dispute solution center, jurisprudence of China Intellectual Property Association, Company Law Association of Shanghai Law Society, Shanghai Patent / Trademark / Copyright Association.	Assistant president, general manager, director, arbitrator, expert, director
Description of position held in other companies and institutions		

III. Remuneration of Directors, Supervisors and senior executives

Decision-making procedures for remuneration of Directors, Supervisors and senior executives	In accordance with the Articles of Association, the remuneration of Directors and Supervisors are subject to the Annual Shareholder' s General Meeting and the remuneration of the management are assessed and approved by the President.
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Calculation basis for remuneration of Directors, Supervisors and senior executives	Basic salary plus performance bonus, combined with assessment utilizing quantizing index of production and operation.
Total remuneration received by all directors, supervisors and senior executives	Chairman Song Hailiang, vice chairman Zhu Lianyu and director Chen Qi are not paid by the Company, whereas all other director, supervisor and senior executives are paid by the Company
Total remuneration received by all directors, supervisors and senior executives at period end	12544400 Yuan

V. Particulars about changes of directors, supervisors and senior executives

Name	Title	Change	Reason
Zhu Lianyu	Director	Appointment	Election
Huang Qingfeng	Director	Appointment	Election
Wang Jue	Director	Appointment	Election
Ge Ming	Independent director	Appointment	Election
Ling He	Independent director	Appointment	Election
Yang Jun	Independent director	Appointment	Election
Liu Wensheng	Director	Leaving post	Election
Bao Qifan	Independent director	Leaving post	Election
Liu Ningyuan	Independent director	Leaving post	Election
Chen Bin	Supervisor	Leaving post	Election
Zhao Guangjing	Supervisor	Leaving post	Election
Cao Weizhong	Vice president	Leaving post	Election
Chen Gang	Vice president	Leaving post	Post change
Chen Bin	Senior executives	Appointment	New appointment
Shan Jianguo	Senior executives	Appointment	New appointment
Zhang Jian	Senior executives	Appointment	New appointment
Li Ruixiang	Senior executives	Appointment	New appointment

- 1、 On March 2015, Mr. Chen Gang didn't serve as vice president of the Company due to the position change.
- 2、 The Company has completed the election of new Board of Directors and Board of Supervisors on April 20, 2015, appointing Song Hailiang, Huang Qing Feng, Zhu Lianyu, Chen Qi, Yan Yunfu, Liu Qizhong, Dai Wenkai, Wang Jue, She Lian, Gu Wei, Ge Ming, Ling He, Yang Jun as the sixth session of the board of directors of the Company, Cui Wei, Zhang Minghai, Xiang Xudong as the supervisors of the sixth Board of Supervisors, hired Huang

Qingfeng as the president of the Company, Zhu Lianyu, Liu Qizhong, Dai Wenkai, Liu Jianbo, Zhou Qi, Chen Bin, Shan Jianguo, and Zhang Jian as the vice presidents, Wang Jue as CFO, Yan Yunfu and Fei Guo as chief engineers, Li Ruixiang as the chief economist, Sun Li as chief legal counsel.

V. Punishment in the recent three years by securities regulatory agencies

Applicable Not applicable

VI. Employee status of the Parent Company and its key subsidiaries

(1) Particulars about employees

Number of employees of Parent Company in service	3,161
Number of employees of key subsidiaries in service	4,412
Total headcount in employment	7,573
Number of retired employees with the cost borne by the parent company and subsidiaries	0
In specialties	
Classification	Number
Production staff	2,273
Sales staff	161
Technical staff	4,359
Financial staff	119
Administrative staff	661
Total	7,573
Educational level	
Education	Number (person)
Technical secondary school	2,032
Junior College	2,075
Undergraduate	3,013
Master	429
Doctor	24
Total	7,573

(II) Remuneration policies

In line with the Company's development strategy, continuously perfect distribution incentive system, perfect performance assessment system, establish a system linking performance distribution and unit or office performance, staff performance, industrial characters and post value; establish a salary incentive system linking staff achievement, position duty and value contribution and establish a distribution mode integrating with market.

(III) Training program

At each year start, the Company sets up all-staff annual educational and training plan and implements according to the plan to improve the competence level and professional quality of

staff at various levels. In line with the Company's development strategy, gradually establish a rigid staff training system with systematic, directional and continuous features.

(IV) Labor outsourcing situation

Labor outsourcing hours	13,768,667 hour
Total Labor outsourcing remuneration	413,060,000 Yuan

Chapter IX Company Governance

I. Company governance profile

The Company strictly followed the regulations specified in "Company law", "Securities Law", "Stock Listing Rules", Company Articles of Association" and the legal requirements of China Securities Regulatory Commission in the report period, to standardize the company's daily operation, further establish and improve the internal control system, improve the internal control management and corporate governance structure, strengthen the insider information management, strengthen the information disclosure, continuously improve the company governance, making efforts to improve the construction of legal person governance structure, and gradually establish a modern enterprise system, earnestly protect the legal rights and interests of the company and all the shareholders, ensuring the sustainable and stable development.

In order to standardize the insider information management and enhance the confidentiality, the Company developed Shanghai Zhenhua Heavy Industry Co., Ltd Insider Information Management System. After the inspection, the staffs who know the insider information didn't trade the stocks of the company before significant price information is disclosed.

There is no difference between the company governance and the regulation of the China Securities Regulatory Commission

II. Shareholders conference

Session	Date	Query index of the specified website with resolution published	Disclosure date of resolution publication
2014 shareholders conference	April 20, 2015	www.sse.com.cn , enter the stock code	April 21, 2015

III. Directors duties performance

(1) Participation of directors in the Board of Directors and the shareholders conference

Name	Independent director or not	Participation in the Board of Directors						Participation in the shareholders conference
		Desired participation time in the Board of Directors	Participation time in person	Participation numbers in communication way	Entrusted participation numbers	Absence times	Not participated in the meeting in person for continuous two times?	Participation time in shareholders conference
Song Hailiang	No	9	2	7	0	0	No	1
Zhu Lianyu	No	8	0	7	1	0	No	1
Huang Qingfeng	No	8	1	7	0	0	No	1
Chen Qi	No	9	2	7	0	0	No	1
Yan Yunfu	No	9	2	7	0	0	No	1
Liu Qizong	No	9	2	7	0	0	No	1
Dai Wenkai	No	9	2	7	0	0	No	1
Wang Jue	No	8	1	7	0	0	No	1
She Lian	Yes	9	1	7	1	0	No	1
Gu Wei	Yes	9	2	7	0	0	No	1
Ge Ming	Yes	8	0	7	1	0	No	0
Ling He	Yes	8	1	7	0	0	No	1
Yang Jun	Yes	8	0	7	1	0	No	0
Liu Wensheng	No	1	0	0	1	0	No	0
Bao Qifan	Yes	1	1	0	0	0	No	0
Liu Ningyuan	Yes	1	0	0	1	0	No	0

Number of directors meeting held in the year	9
In which: onsite meeting	2
meetings held in communication method	7

(2) Objection proposed by independent director to the company issues

During the report period, the independent directors didn't propose any objection to the proposals of from the board of directors of the year and other proposals not from the board of directors meeting.

IV. Evaluation system of senior executives, the establishment and implementation of incentive system in the report period

The Company appoints the directors, supervisors and senior executives in accordance with the provisions of Company Law and the Articles of Association, has built up a preliminary the cultivation, selection, supervision, assessment, reward and punishment, constraint system for the company's senior executives suitable for the actual situation. The Company formulated the administrative methods for relevant senior executives. According to the production and development need of the Company, the senior executives are appointed, resigned and assessed following the principles of "from top to bottom integrating the virtue and talent". The Company assessed the senior executives according to the due diligence and job performance, the company will gradually improve the existing performance evaluation system and salary system, promote medium- and long term incentive system for all senior executives and the core technical personnel of the company, to continue to stimulate the enthusiasm of the senior executives, to create new performance, and ensure the benefit maximization and standardize the operation of the company.

V. Disclose the internal control self-assessment report

Applicable Not applicable

2015 Company Annual Internal Control Evaluation Report" is published in the Shanghai Stock Exchange website <http://www.sse.com.cn>.

Significant defect of internal control in the report period

Applicable Not applicable

VI. Internal control audit report description

The Company hired PricewaterhouseCoopers Zhong Tian CPA firm (special general partnership) to audit the effectiveness of the internal control of the financial report on December 31, 2015, issued a standard internal control audit report without advice (see Appendix).

Disclose the internal control audit report or not: Yes

Chapter XII Documents for reference

Documents for reference contents	Accounting statements with the signatures and seals of the legal representative, the person in charge of the accounting and the person in charge of the accounting firm
Documents for reference contents	The original audit report with the seal of the accounting firm, the signature and seal of the certified public accountant
Documents for reference contents	All the original documents and the original announcement of the Company disclosed by newspaper designated by China Securities Regulatory Commission in the report period.

Chairman of Board: Song Hailiang

Report Date: 2016-3-29

Shanghai Zhenhua Heavy Industries Co., Ltd.

Dec 31, 2015 consolidated and company assets balance sheet
(Unless otherwise specified, the amount units is RMB)

Assets	Note	Dec 31, 2015 consolidated	Dec 31, 2014 consolidated (iterated)	Dec 31, 2015 company	Dec 31, 2014 company
Current assets					
Monetary capital	IV (1)	2,458,333,716	3,490,967,443	1,905,662,392	2,597,001,684
Financial assets measured at fair value with the change	IV (2)	676,082	25,735,001	192,133	25,735,001
Notes receivable	IV (3)	243,159,622	291,899,440	226,205,622	283,662,738
Receivables	IV (5)、+IV (1)	3,894,762,468	3,690,107,952	6,782,715,639	6,005,595,333
Prepayment	IV (7)	1,226,345,632	1,273,042,238	2,237,777,316	1,881,878,541
Interest receivable	IV (4)	-	51,859,503	-	45,655,159
Other receivables	IV (6), XIV (2)	667,660,167	727,758,519	11,305,096,974	8,721,426,218
Stock	IV (8)	5,785,699,346	4,467,214,018	6,093,661,038	4,768,572,615
Construction completed account n	IV (9)	11,217,591,856	8,052,408,424	8,529,348,226	6,846,110,101
Non-current assets due within o	IV (12)	2,625,135,212	2,302,500	-	-
Other current assets	IV (10)	553,205,272	5,976,300,841	170,144,226	5,847,224,344
Total current assets		<u>28,672,569,373</u>	<u>28,049,595,879</u>	<u>37,250,803,566</u>	<u>37,022,861,734</u>
Non-current assets					
Financial assets available-for -sale	IV (11)	1,212,177,180	455,820,453	380,644,986	182,372,631
Long-term receivables	IV (12)	3,558,501,537	5,339,170,148	-	-
Long-term stock ownership invest	IV (13), XIV (3)	1,597,134,817	925,350,083	7,390,184,826	6,205,231,635
Real estate as investment	IV (14)	361,172,808	374,881,869	361,172,808	374,881,869
Fixed assets	IV (15)	15,655,536,876	16,070,559,169	6,084,245,840	6,532,874,684
Projects in process	IV (16)	3,577,371,504	2,808,786,716	759,763,993	921,306,519
Intangible assets	IV (17)	3,819,437,866	3,440,342,040	1,691,754,895	1,264,092,505
Long-term prepaid expenses		4,592,043	-	-	-
Deferred corporate tax	IV (19)	413,045,299	411,149,871	398,842,987	399,100,325
Goodwill	IV (18)	149,212,956	149,212,956	-	-
Total non-current assets		<u>30,348,182,886</u>	<u>29,975,273,305</u>	<u>17,066,610,335</u>	<u>15,879,860,168</u>
Total assets		<u>59,020,752,259</u>	<u>58,024,869,184</u>	<u>54,317,413,901</u>	<u>52,902,721,902</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Dec 31, 2015 consolidated and company assets balance sheet
(Unless otherwise specified, the amount units is RMB)

Liabilities and stockholders' equity	Note	Dec 31, 2015 consolidated	Dec 31, 2014 consolidated	Dec 31, 2015 company	Dec 31, 2014 company
Current liabilities					
Short term loans	IV (21)	18,216,928,490	21,267,073,940	14,899,812,954	17,265,833,765
Financial liabilities measured at fair value with its change	IV (2)	24,918,115	28,752,000	22,611,400	28,752,000
Notes payable	IV (22)	1,785,201,236	1,989,118,156	1,804,985,262	1,925,331,179
Payables	IV (23)	5,471,141,022	4,969,164,694	7,717,863,159	5,915,107,284
Pre-received payment	IV (24)	423,603,129	318,636,126	221,831,681	174,334,030
Construction not completed accrued	IV (9)	2,866,437,832	2,719,392,340	3,564,886,225	3,288,089,572
Employee remuneration payable	IV (25)	257,822,610	245,562,935	247,867,168	236,198,026
Tax payables	IV (26)	251,551,006	222,043,288	33,357,053	6,577,373
Interest payable	IV (27)	289,590,733	602,520,456	274,442,941	578,367,210
Dividend payable	IV (28)	32,237,912	854,881	352,598	352,598
Other payables	IV (29)	1,604,523,386	451,394,650	1,623,119,170	1,360,934,528
Non-current liabilities due within one year	IV (30)	6,837,115,692	2,636,660,000	5,514,245,635	1,139,520,000
Other current liabilities	IV (31)	1,995,655,739	-	1,995,655,739	-
Total current liabilities		40,056,726,902	35,451,173,466	37,921,030,985	31,919,397,565
Non-current liabilities					
Long-term loans	IV (32)	1,761,904,000	2,550,090,000	778,404,000	1,773,090,000
Bond payables	IV (33)	-	3,799,615,401	-	3,799,615,401
Long-term payables	IV (34)	719,861,943	-	-	-
Predicted liabilities	IV (35)	220,141,178	212,244,416	213,158,056	191,656,260
Deferred corporate tax liabilities	IV (19)	70,042,985	62,796,958	-	-
Deferred profit	IV (36)	405,425,947	340,347,908	274,380,601	233,929,227
Total non-current liabilities		3,177,376,053	6,965,094,683	1,265,942,657	5,998,290,888
Total liabilities		43,234,102,955	42,416,268,149	39,186,973,642	37,917,688,453
Shareholders' equity					
Share capital	IV (37)	4,390,294,584	4,390,294,584	4,390,294,584	4,390,294,584
Contributed surplus	IV (38)	5,526,978,575	5,738,241,686	5,792,527,600	5,789,984,601
Other comprehensive profits	IV (39)	207,660,237	319,540,042	279,006,839	351,090,634
Surplus reserves	IV (40)	1,576,100,786	1,554,606,025	1,575,592,513	1,554,097,752
Profit not distributed	IV (41)	3,168,538,701	2,987,813,174	3,093,018,723	2,899,565,878
Total shareholders' equity attributed to parent company		14,869,572,883	14,990,495,511	15,130,440,259	14,985,033,449
Minority equity		917,076,421	618,105,524	-	-
Total shareholders' equity		15,786,649,304	15,608,601,035	15,130,440,259	14,985,033,449
Total liabilities and shareholders' equity		59,020,752,259	58,024,869,184	54,317,413,901	52,902,721,902

The notes of the financial statements are part of the financial statements.

Enterprise principal: Song Hailiang Accounting principal: Huang Qingfeng

Accounting firm principal: Wang Jue

Shanghai Zhenhua Heavy Industries Co., Ltd.

2015 consolidated and company profit sheet
(Unless otherwise specified, the amount units is RMB)

Item	Note	2015	2014	2015	2014
		consolidated	consolidated(iterated)	company	company
1. Operating revenue	IV (42), XIV (4) IV (42), IV (47),	23,272,394,677	25,477,011,081	21,869,889,813	22,795,548,087
Less: Operating cost	XIV (4)	(19,717,314,855)	(22,028,685,642)	(19,069,970,322)	(19,845,306,991)
Business tax and charges	IV (43)	(24,550,179)	(136,632,500)	(10,246,519)	(10,482,359)
Selling expenses	IV (44), IV (47)	(79,388,743)	(73,363,873)	(63,655,157)	(61,207,168)
General expenses	IV (45), IV (47)	(1,551,222,564)	(1,507,675,531)	(1,054,137,881)	(1,036,025,654)
Financial expenses - Net	IV (46)	(1,532,851,096)	(1,307,738,538)	(1,311,666,888)	(1,263,434,946)
Assets impairment loss	IV (50), IV (20)	(637,391,199)	(548,441,842)	(634,618,962)	(548,851,542)
Add: Fair value change loss -Net	IV (48)	(21,225,034)	(123,542,084)	(19,402,267)	(109,771,041)
Investment gains In which: net investment gains/(loss) to affiliated companies and joint ventures	IV (49), XIV (5)	498,236,958	370,922,986	499,257,330	383,101,264
		55,252,057	14,737,413	61,885,725	26,846,917
2. Operating profit		206,687,965	121,854,057	205,449,147	303,569,650
Add: Non-operating income	IV (51)	70,713,471	61,454,591	24,915,350	22,347,516
Less: Non-operating expense	IV (52)	(5,665,872)	(5,516,674)	(1,940,975)	(237,801)
In which: non-current assets disposal loss		(4,789,746)	(293,220)	-	-
3. Total profit		271,735,564	177,791,974	228,423,522	325,679,365
Less: Corporate income tax exper	IV (53)	(77,529,876)	(21,205,926)	(13,475,916)	18,902,271
4. Net profit		194,205,688	156,586,048	214,947,606	344,581,636
In which: net profit of consolidated party before consolidation under the	V (1)	42,357,907	8,537,647	-	-
Net profit/(loss) attributed to parent company shareholders	IV (41)	212,411,967	202,223,273	214,947,606	344,581,636
Minority profit and loss		(18,206,279)	(45,637,225)	-	-
5. Net amount of other integrated integrated profit after tax attributed to parent after re classification in the profit and loss	IV (39)	(106,570,702)	70,602,113	(72,083,795)	102,201,212
Fair value change profit or loss of financial assets available for sale		(123,536,363)	72,752,627	(73,498,300)	102,201,212
Conversion difference of foreign currency st		11,656,558	(2,140,634)	1,414,505	-
integrated profit after tax attributed to minority		5,309,103	(9,880)	-	-
6. Total integrated profit attributed to parent company shareholders		87,634,986	227,188,161	142,863,811	446,782,848
Total integrated profit attributed to minority shareholders		100,532,162	272,835,266	142,863,811	446,782,848
		(12,897,176)	(45,647,105)	-	-
7. Total profit per share					
Basic earning per share	IV (54)	0.05	0.05	—	—
Diluted earnings per share	IV (54)	0.05	0.05	—	—

The notes of the financial statements are part of the financial statements.

Enterprise principal: Song Hailiang

Accounting principal: Huang Qingfeng

Accounting firm principal: Wang Jue

Shanghai Zhenhua Heavy Industries Co., Ltd.

2015 consolidated and company cash flow
(Unless otherwise specified, the amount units is RMB)

Item	Note	2015 consolidated	2014 consolidated(itera	2015 company	2014 company
1. Cash flow from the operating activities					
Cash receipt from products sales and labor provision		19,506,900,429	18,785,538,656	17,397,816,931	17,831,248,876
Tax return received		984,630,764	585,386,816	977,076,832	553,762,828
Cash receipt related with other operational ε	IV (55)(a)	447,191,781	422,634,138	389,419,585	259,416,523
Subtotal of cash receipt from operation activities		20,938,722,974	19,793,559,610	18,764,313,348	18,644,428,227
Cash payment of purchase commodity and receiving labor		(20,174,319,424)	(18,255,857,629)	(19,747,089,361)	(16,805,992,872)
Cash payment to and for the employee		(1,753,695,004)	(1,586,749,924)	(980,395,055)	(812,328,705)
Tax payment		(269,565,520)	(327,381,713)	(47,632,264)	(42,716,867)
Cash payment related with other operationa	IV (55)(b)	(573,104,499)	(487,199,269)	(560,532,424)	(266,403,800)
Subtotal cash disburse of operating activities		(22,770,684,447)	(20,657,188,535)	(21,335,649,104)	(17,927,442,244)
Net cash flow of operating activities	IV (56)(a)、XIV (6)(a)	(1,831,961,473)	(863,628,925)	(2,571,335,756)	716,985,983
2. Cash flow of investment					
Cash receipt of investment return		8,014,070,972	5,783,534,659	7,822,070,972	5,783,534,659
Net cash receipt of disposal of fixed assets and intangible assets		51,566,366	43,341,800	39,046,255	12,452,238
Net cash receipt of disposal of subsidiaries		-	672,193,178	-	403,315,906
Cash receipt of obtaining investment gains		444,664,901	357,668,907	439,051,605	357,737,681
Net cash received by subsidiaries acquisitio	IV (56)(c)	-	57,873,562	-	-
Cash receipt related with other investment a	IV (55)(c)	93,974,040	63,740,660	98,461,064	61,174,796
Subtotal of investment cash receipt		8,604,276,279	6,978,352,766	8,398,629,896	6,618,215,280
construction of fixed assets, project in process and intangible assets		(2,068,707,329)	(828,210,297)	(462,866,404)	(241,274,254)
Net cash paid by obtaining subsidiary		(76,606,000)	-	(165,000,000)	-
Cash payment of investment		(3,893,364,440)	(8,006,612,662)	(3,301,502,230)	(8,489,702,190)
Subtotal of cash disburse of investment		(6,038,677,769)	(8,834,822,959)	(3,929,368,634)	(8,730,976,444)
Net cash flow of investment		2,565,598,510	(1,856,470,193)	4,469,261,262	(2,112,761,164)
3. Cash flow of financing activities					
Cash receipt of loans		31,419,366,773	35,240,469,949	25,288,627,079	29,379,507,992
Cash received from issuing bonds		2,000,000,000	-	2,000,000,000	-
Receipt of other cash related to financing a	IV (55)(d)	4,740,276,534	3,800,077,433	2,418,923,970	3,690,587,843
Subtotal of cash receipt of financing activities		38,159,643,307	39,040,547,382	29,707,551,049	33,070,095,835
Cash to pay the debts		(35,746,949,298)	(31,471,335,366)	(28,697,183,212)	(27,289,929,378)
Cash payment of dividend distribution or interest		(1,591,961,686)	(1,446,907,477)	(1,263,355,113)	(1,167,219,204)
Payment of other cash related to financing .	IV (55)(e)	(1,139,543,500)	(4,977,812,548)	(1,139,543,500)	(4,680,480,148)
Subtotal of cash disburse of financing activities		(38,478,454,484)	(37,896,055,391)	(31,100,081,825)	(33,137,628,730)
Net cash flow of financing activities		(318,811,177)	1,144,491,991	(1,392,530,776)	(67,532,895)
4. Influence of exchange rate change to cash					
		40,816,432	(5,533,265)	28,442,821	(941,298)
5. Cash net (decrease)/increase					
Add: starting cash balance	IV (56)(b), XIV (6)(b)	455,642,292	(1,581,140,392)	533,837,551	(1,464,249,374)
6. Closing cash balance	IV (56)(d), XIV (6)(b)	1,882,283,319	3,463,423,711	1,272,228,765	2,736,478,139
		2,337,925,611	1,882,283,319	1,806,066,316	1,272,228,765

The notes of the financial statements are part of the financial statements.

Enterprise principal: Song Hailiang Accounting principal: Huang Qingfeng

Accounting firm principal: Wang Jue

Shanghai Zhenhua Heavy Industries Co., Ltd.

2015 consolidated shareholders' equity sheet
(Unless otherwise specified, the amount units is RMB)

Item	Note	Shareholders' equity attributed to parent company					Minority equity	Total shareholders' equity
		Capital stock	Contributed surplus	Other integrated profits	Surplus reserves	Undistributed profit		
Jan 1, 2014 starting balance		4,390,294,584	5,543,176,483	248,928,049	1,520,147,861	2,808,057,854	203,105,074	14,713,709,905
Consolidated adjustment of companies under the same con		-	195,065,203	-	-	11,990,211	429,842,198	636,897,612
Jan 1, 2014 starting balance(iterated)		4,390,294,584	5,738,241,686	248,928,049	1,520,147,861	2,820,048,065	632,947,272	15,350,607,517
2014 movement								
Total integrated profits								
Net profit	IV (41)	-	-	-	-	202,223,273	(45,637,225)	156,586,048
Other integrated profits								
- Fair value change profit or loss of financial ass IV (39)		-	-	72,752,627	-	-	-	72,752,627
- Conversion difference of foreign currency statements		-	-	(2,140,634)	-	-	(9,880)	(2,150,514)
Total integrated profits		-	-	70,611,993	-	202,223,273	(45,647,105)	227,188,161
Capital increased and reduced by shareholders								
Capital increased by shareholders	VI (1)	-	-	-	-	-	30,805,357	30,805,357
Profit distributed								
Picking surplus reserves	IV (41)	-	-	-	34,458,164	(34,458,164)	-	-
Dec 31, 2014 closing balance(iterated)		4,390,294,584	5,738,241,686	319,540,042	1,554,606,025	2,987,813,174	618,105,524	15,608,601,035
Jan 1, 2015 starting balance(iterated)		4,390,294,584	5,738,241,686	319,540,042	1,554,606,025	2,987,813,174	618,105,524	15,608,601,035
2015 movement								
Total integrated profits								
Net profit	V (40)	-	-	-	-	212,411,967	(18,206,279)	194,205,688
Other integrated profits								
- Fair value change profit or loss of financial ass V (39)		-	-	(123,536,363)	-	-	-	(123,536,363)
- Conversion difference of foreign currency statements		-	-	11,656,558	-	-	5,309,103	16,965,661
Total integrated profits		-	-	(111,879,805)	-	212,411,967	(12,897,176)	87,634,986
Capital increased and reduced by shareholders								
Capital increased by shareholders	VI (1)	-	-	-	-	-	273,402,314	273,402,314
Profit distributed								
Picking surplus reserves	IV (41)	-	-	-	21,494,761	(21,494,761)	-	-
Distributed to shareholders		-	-	-	-	(10,191,679)	(21,191,352)	(31,383,031)
Consolidation impact of companies under the same contr		-	(211,263,111)	-	-	-	59,657,111	(151,606,000)
Dec 31, 2015 closing balance		4,390,294,584	5,526,978,575	207,660,237	1,576,100,786	3,168,538,701	917,076,421	15,786,649,304

The notes of the financial statements are part of the financial statements.

Enterprise principal: Song Hailiang Accounting principal: Huang Qingfeng Accounting firm principal: Wang Jue

Shanghai Zhenhua Heavy Industries Co., Ltd.

2015 company shareholders' equity change list
(Unless otherwise specified, the amount units is RMB)

Item	Note	Capital stock	Contributed surplus	Other integrated Surplus reserves	Undistributed profit	Total shareholders' equity	
Jan 1, 2014 starting balance		4,390,294,584	5,789,984,601	248,889,422	1,519,639,588	2,589,442,406	14,538,250,601
2014 movement							
Total integrated profits							
Net profit		-	-	-	-	344,581,636	344,581,636
Other integrated profits							
- Fair value change profit or loss of financial asset		-	-	102,201,212	-	-	102,201,212
<hr/>							
Total integrated profits		-	-	102,201,212	-	344,581,636	446,782,848
Profit distributed							
Picking surplus reserves		-	-	-	34,458,164	(34,458,164)	-
<hr/>							
Dec 31, 2014 closing balance		4,390,294,584	5,789,984,601	351,090,634	1,554,097,752	2,899,565,878	14,985,033,449
Jan 1, 2015 starting balance		4,390,294,584	5,789,984,601	351,090,634	1,554,097,752	2,899,565,878	14,985,033,449
2015 movement							
Total integrated profits							
Net profit		-	-	-	-	214,947,606	214,947,606
Other integrated profits							
- Fair value change profit or loss of financial asset		-	-	(73,498,300)	-	-	(73,498,300)
- Conversion difference of foreign currency statement		-	-	1,414,505	-	-	1,414,505
<hr/>							
Total integrated profits		-	-	(72,083,795)	-	214,947,606	142,863,811
Profit distributed							
Picking surplus reserves		-	-	-	21,494,761	(21,494,761)	-
Consolidation impact of companies under the same c		-	2,542,999	-	-	-	2,542,999
<hr/>							
Dec 31, 2015 closing balance		4,390,294,584	5,792,527,600	279,006,839	1,575,592,513	3,093,018,723	15,130,440,259

The notes of the financial statements are part of the financial statements.

Enterprise principal: Song Hailiang Accounting principal: Huang Qingfeng

Accounting firm principal: Wang Jue



Audit Report

PricewaterhouseCoopers Zhongtian Shenzi (2016) No. 10027
(Page 1 of 2)

To the shareholders of Shanghai Zhenhua Heavy Industries Co., Ltd,

We have audited the accompanying consolidated as well as company's financial statement of Shanghai Zhenhua Heavy Industries Co., Ltd , including the company's and the consolidated balance sheets as of 31. December 2015, 2015 's P&L and company's income statement, shareholders' equity movement statements, cash flow statements and notes to the financial statements.

I. The Management responsibilities on the statements

Preparing and fairly stating financial statements are the responsibilities of the management of Shanghai Zhenhua Heavy Industries Co., Ltd. These responsibilities include:

- (1) The preparation of financial statements in accordance with the provisions of the corporate accounting standards, and to achieve a fair reflection;
- (2) Design, implement and maintain the necessary internal controls, to material misstatement due to fraud or error in the financial statements.

II. The CPA's Responsibilities

Our responsibilities are to provide audit opinions based on our auditing. We conducted the audit on the basis of China CPA Norms, which requires us to abide by professional virtues and norms to plan and conduct audit to ensure there exist no serious reporting errors in the financial statements.

The audit includes implementing the audit procedures to acquire financial statements figures and audit evidence. Audit procedures are chose based on CPA's judgment, including the estimate of risks for possible misreports due to cheating or errors. When estimating risks, certified public accountants consider internal control related to the financial statements preparation and fair presentation, in order to design audit procedures that are appropriate, but not to provide opinions on effectiveness of the interior controls. The audit also Includes the evaluating of the appropriateness of utilization of accounting policies and accounting estimates by the management, and the evaluating of the total reporting of the financial statements.

We believe that we have acquired sufficient and appropriate audit evidences, which provide the basis for the auditor's opinions.



III. Auditor's Opinions

In our opinion, the accompanying financial statements of Zhenhua Heavy Industries has been prepared according to stipulations of the enterprise accounting norms and present fairly, in all material respects, the financial position of the Consolidation and Zhenhua Heavy Industries as of 31, December 2015 and of the results of its operations and its cash flows in 2015.

PrincewaterhouseCoopers China Limited CPA _____
The accounting firm (special general partnership) Zhao Bo

Shanghai, China
March, 28, 2016

CPA _____
Jin Wen

Shanghai Zhenhua Heavy Industries Co., Ltd.

FINANCIAL STATEMENTS & AUDITORS REPORT 2015

Shanghai Zhenhua Heavy Industries Co., Ltd.

FINANCIAL STATEMENTS & AUDITORS REPORT 2015

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Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

I The Company's basic situation

Shanghai Zhenhua Heavy Industries (Group) Co., Ltd. (hereinafter "the Company") was established in Shanghai, on 8 September 1997 as part of an exercise to reorganize its predecessor, Shanghai Zhenhua Port Machinery Company Limited. The Company is registered in P. R. China's Shanghai.

As approved by ZhengWeiFaZi (1997) No. 42 document issued by the Securities Commission under the State Council, the Company issued 100 million listed foreign investment shares (B-shares) to overseas investors from July 15, 1997 till July 17, 1997. The B-shares were listed for trading at Shanghai Stock Exchange on Aug. 5, 1997.

As approved by GongsiZi (2000) No. 200 of China Securities Regulatory Commission, the Company added issuing of 88 million RMB common shares (A-shares) to domestic investors in Dec. 2000. The A-shares were listed for trading at Shanghai Stock Exchange on Dec. 21, 2000.

In accordance with ZhenJianFaXingZi (2004) No. 165 by China Securities Regulatory Commission, the Company issued 114,280,000 A-shares to domestic investors on Dec. 23, 2004. The said issuances were listed at Shanghai Stock Exchange respectively on Dec. 31, 2004 and Jan. 31, 2005 for trading.

In accordance with ZhenJianFaXingZi (2007) No. 346 by China Securities Regulatory Commission, the Company issued 125,515,000 A-shares to domestic investors on Oct. 15, 2007. The said issuances were listed at Shanghai Stock Exchange respectively on Oct. 23, 2007 and Jan. 23, 2008 for trading.

As approved by CSRC Zheng Jian Xuke (2009) No. 71 document, the Company issued non-publicly 169,794,680 A-shares on Sep. 22, 2008, to its controller China Communications Construction Co., Ltd. ("China Communications Corporation"). From Mar. 20, 2012 on, limitation term expires for above-mentioned A-shares which are listed at Shanghai Stock Exchange for trading (Note 5(34)).

As of Dec. 31, 2014, after all issues of shares and bonus shares distribution, capital stock of the Company is increased to 4,390,294,584 shares, par value per share 1 Yuan, totally 4,390,294,584 Yuan.

On Dec. 18, 2005, China Road and Bridge Construction Group General Company combined with the company's controlling holder China Harbor Construction (Group) General Company after reorganization into China Transportation Construction (Group) Co. Ltd. (hereafter called Communications Group). In accordance with the *Reply to Issue Concerning Listing of China Communications Construction Co. Ltd. Entirely after Reorganization on Both Domestic and Overseas Market* (Guozi Gaige [2006] No. 1063) by State Assets Commission on Aug. 16, 2006, *Reply to Issue Concerning Management of State Stock of China Communications Construction Co. Ltd.* (Guozi Chanquan [2006] No. 1072) on Sep. 30, 2006, which granted the reorganization proposal of Communications Group, and in addition to the *Reply to Approve China Communications*

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Construction Co. Ltd.’s Announcement of Purchase Report of Road and Bridge Construction Co. Ltd. and Shanghai Zhenhua Port Machinery (Group) Co. Ltd. and the Exemption of Purchase Offer Obligations (Zhengjian Gongsi Zi [2006] No. 227), on Oct. 8, 2006 Communications Group solely initiated the establishment of China Communications Construction Co. Ltd. (hereafter Communications Company), and invested the stock rights of the Company it held into the newly established Communications Company. With completion of reorganization, Communications Company thus becomes the controlling shareholder of the Company.

The Company and its subsidiaries (jointly called “the Group”) are engaged in design, building, installation of heavy port handling system and machinery, heavy ocean equipment, engineering machinery, engineering vessels, large metal structures & components, parts; leasing of self-manufactured cranes; sales of self-produced products; professional contracting of international ocean shipping and steel structure engineering with special vessels for whole-machine transportation.

Refer to Note 6 for main subsidiaries in scope of consolidation this year. The company covered in scope of consolidation is Shanghai Zhenhua Heavy Qidong Marine Engineering limited Company (Qidong Marine Company). Refer to Note V (1) and (2) for details.

This financial report is disclosed on Mar. 28, 2016 through approval by the Company’s board of directors.

II Major accounting policies and accounting estimates

The Group determines concrete accounting policies and accounting estimates based on production and operating characters. It mainly shows in provision for bad debts of accounts receivable (Note II (10)), inventory valuation method (Note II (11)), judgment standard of impairment of available for sale equity instruments impairment (Note II (9)), depreciation of fixed assets and amortization of intangible assets (Note II (15) and (18)), judgment standard of development expenditure capitalized (Note II (18)), measurement of investment real estate (Note II (14)) and Recognition of income (Note II (24)), etc.

Refer to Note II (29) for key assumptions used in important accounting estimates by Group

(1) Basis of preparation for financial statements

(a) Standards and rules for financial statements establishment

The financial statements are prepared on the basis of *Enterprise Accounting Standards – Basic Standards* and 38 concrete accounting standards issued on Feb. 15, 2006, guidelines and explanation of the accounting standards, and other related stipulations (hereafter totally called “Enterprise Accounting Standards”) and CSSRC’s Listed Company with Public Securities Information Disclosure

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Coding Rules No. 15 – General Rules on Financial Report (Revised in 2010).

During the year, the Company acquired 32.51% stock right of CCCC Tianhe Company in cash and obtained the control right through concerted action agreement. Before the acquisition, CCCC Stock was the controlling shareholder of the Company and the CCCC Tianhe Company, therefore the acquisition belonged to enterprises combination under the same controlling (further detailed in Note 5). Acquired CCC Tianhe Company's assets and liabilities are accounted in historical cost and included in consolidated financial statements of the company, which is always means CCC Tianhe is treated as a part of the Group and reflected in report in the earliest period. Accordingly, the company has relisted the comparative data of consolidated financial statements in 2014.

(b) **Going concern basis**

As of December 31, 2015, the Group's current liabilities exceed current assets by about 11.38 billion Yuan and net cash flow caused in operating is about 1.83 billion Yuan. In the preparation of the financial statements for the year, given the amount of bank credit, financing record the Group has achieved to obtain, good cooperation relationship with banks and financial institutions and the operating performance, the board of directors of the Company consider that the Group is able to continue to acquire sufficient operating cash flow and sources of financing, to ensure funds required for repayment of debt maturity and capital expenditure. Therefore, the board of directors of the Company ensures that the Group will continue to operate, and thus to base the preparation of the financial statements for the year on sustainable operation. The annual financial statements do not include any adjustment of the Group and the Company which fails to meet the conditions included in continuous operation.

(2) **Declaration on abiding by the Enterprise Accounting Standards**

The Company follows the requirements of enterprise accounting standards in preparing 2015 financial statements, which authentically and completely reflect the consolidated and the Company's financial status on Dec. 31 of 2015 and the consolidated and the Company's operating result and cash flow during 2015.

(3) **Accounting period**

Calendar year, from January 1 till December 31

(4) **Recording currency**

RMB is the monetary currency of the Group

(5) **Enterprise merger**

(a) **Merger of enterprises under the same controller**

Merger consideration paid and the net assets acquired by the merger party are valued by book value. The difference between the book value of the net assets

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

acquired by the merger party and the merger consideration paid is adjusted to the capital reserve. When capital reserve is not sufficient to compensate, retained interest is thus adjusted. Direct expenses related to enterprise merger are booked into current P&L at the time of incurrence. Transaction expenses from issuing equity securities or liability securities for the purpose of enterprise merger are booked into initially recognized amount of equity securities or liability securities.

(b) Merger of enterprises not under the same controller

Merger cost of the merger party and recognizable net assets acquired in the merger are valued by fair value. The difference of the merger cost larger than fair value of the recognizable assets of the purchased on purchase day is confirmed as goodwill. The difference of the merger cost smaller than fair value of the recognizable assets of the purchased on purchase day is booked into current P&L. Direct expenses related to enterprise merger are booked into enterprise merger cost. Transaction expenses from issuing equity securities or liability securities for the purpose of enterprise merger are booked into initially recognized amount of equity securities or liability securities.

(6) **Preparation of consolidated statements**

The consolidated statements consist of those of the Company and the consolidated subsidiaries.

Subsidiary is consolidated from the date on which effective control over the subsidiary is exercised by the Company; subsidiary is no longer consolidated from the date when that control ceases. All material intercompany transactions, balance and unrealized profit on transactions between group companies are compensated. In the consolidated statements, minority interests which are not owned by the Company are listed under shareholder's equity as individual entry.

When there is discrepancy between accounting policies adopted by subsidiaries and the Company, statements of subsidiaries is adjusted according to the Company's policies upon consolidation. When subsidiary acquired through merger of enterprise not under the same controller, its financial statements are adjusted on the basis of fair value of the recognizable net assets as of purchase day.

All significant accounts' balance, transaction and unrealized profit within the Group are off-set in preparation of the consolidated statements. Owners' equity of subsidiaries and that part of the current net profit and loss not attributable to the Company is shown under shareholders' equity and net profit in consolidated financial and current net profit and loss statements as minority interest and minority gains and losses. As for the unrealized profit and loss of internal transaction that the subsidiaries sell assets to the Company, it is distributed and off-set in the net profit attributed to the shareholders of the Company and the profit and loss of minority shareholders according to the proportion attributed to the subsidiaries. As for the unrealized profit and loss of internal transaction that the subsidiaries sell assets to each other, it is distributed and off-set in the net profit attributed to the shareholders of the parent Company and the profit and loss

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

of minority shareholders according to the proportion of the subsidiaries.

The transaction shall be adjusted from the point of the Group if the Group or Company or subsidiaries has different reorganization for the same transaction as the accounting main body.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II **Major accounting policies and accounting estimates (continued)**

(7) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits readily available for the payment of and investment holdings of short-term, highly liquid and readily convertible to known amounts of cash, with an insignificant risk of changes in value.

(8) **Foreign currency translation**

(a) Foreign currency transaction

Transactions denominated in foreign currencies are translated into RMB by the sight rate on the transaction day.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates at sight. Exchange differences from special borrowing of foreign currency for the purpose of purchasing or manufacturing assets meeting qualifications for loan expenses capitalization are capitalized during the period of capitalization; other exchange differences are directly booked into current P&L. Non-currency items of foreign currency calculated on historical cost basis are translated at the rate at sight on the date of transaction. Amount of impact of exchange rate fluctuation on cash amount is separated in the cash flow statements.

(b) Foreign currency financial statements translation

For Assets/liabilities items in the Assets/liabilities statements for business operating abroad, exchange rate at sight on the Assets/liabilities statements date is used for translation. In the shareholders ' equity, except retained earnings items, other items are translated using the spot exchange rate at the time of incurrence. Overseas operating revenues and expenses items in the income statements are translated using spot exchange rate on the day of incurrence. Difference of foreign currency statement translation mentioned above is shown as a separate item in the shareholders ' equity. Overseas operation cash flow items are translated by the spot exchange rate on the day of cash flows incurrence. Effect of exchange rate changes on cash amount is shown separately in the cash flow statements.

(9) **Financial instruments**

(a) Financial assets

(i) Classification on financial assets

The Group's financial assets are classified at the beginning of recognition into: Financial assets calculated by fair value whose movement booked into current income statement, Receivables, Available-for-sale financial assets and the held to maturity investment. Classification of financial assets is determined by the

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

intention and capability of the group in holding the financial assets. The Group does not held maturity investment.

Financial assets calculated by fair value, changes of which booked into current income statement

Financial assets calculated by fair value, whose movement booked into current income statement, refer to the financial assets originated from derivative financial instruments, which are shown in B/S as marketable financial assets.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(9) **Financial instruments (continued)**

(a) Financial assets (continued)

(i) Classification on financial assets (continued)

Receivables

Receivables are non-derivative financial assets which have no quotation on active market, whose collectable amount is fixed or can be determined.

Available-for-sale financial assets

Available-for-sale financial assets are marketable non-derivative financial assets fixed at the beginning of recognition and financial assets not classified into Others. Available-for-sale financial assets to be sold within 12 months from B/S day are booked in B/S as Other current assets.

(ii) Recognition and Measurement

Financial assets at the time when the Group becomes a party to the contract of financial instruments are recognized in the balance sheet at fair value. Of the financial assets whose amount initially recognized fair value and changes into current profit or loss statement, related transaction costs incurred at acquisition are included directly in current profit or loss; other financial assets transaction costs are included in the initially recognized amount.

Financial assets measured at fair value and whose changes booked into current profit or loss and financial assets available-for-sale are subsequently measured at fair value, but equity instrument investments which are not quoted in an active market and whose fair value cannot be reliably measured are measured at cost; receivables are measured by cost after amortization, using the effective interest rate method.

Changes in fair value of financial assets measured by fair value and whose changes include in the current profit or loss are included in current profit or loss as gains/losses of fair value change; interest or cash dividends in the asset holding period, as well as disposal gains and losses at disposal are included in the current profit and loss.

In addition to impairment losses and the exchange gains and losses from foreign currency monetary financial assets, fair value changes of financial assets available for sale are recognized directly in shareholders' equity, and upon de-recognition of the said financial assets, the cumulative amount of changes in the fair value formerly recorded in shareholder's equity is reversed into current P&L. Cash dividends which the investment units have declared issuing related to equity instruments available for sale investment are included in current profit or loss as investment income.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(9) **Financial instruments** (continued)

(a) Financial assets (continued)

(iii) Financial assets impairment

Apart from financial assets measured by fair value and whose changes included in current profit or loss, the Group conducts, on balance sheet date, check up over the carrying value of the financial assets. If there is objective evidence that particular financial assets are impaired, provision for impairment is made.

Objective evidence that a financial asset is impaired, refers to matters that after initial recognition of the financial asset the actual financial assets incurred, the estimated future cash flows affected, and the Group can reliably measure the effect.

Objective evidence proving impairment of available-for-sale equity instruments investments includes serious or non-temporary decline in fair value with equity instruments investments. This Group checks separately various available-for-sale equity instrument investments as of B/S day. In case the fair value of equity instrument investment on the B/S day is more than 50% (including 50%) of the initial investment cost or during of fair value being lower than its initial investment exceeds more than one year (including one year), it indicates that impairment incurs; In case the fair value of equity instrument investment on the B/S day is more than 20% (inclusive) but not yet to 50% of the initial investment cost, the group will take into account other relevant factors such as price volatility, to determine whether the investment in equity instruments are impaired. The Group values the initial investment cost of tradable equity tools on weighted average basis.

When financial assets carried at amortized cost is impaired, provision for impairment is made according to the difference of the present value of the estimated future cash flows (not including the future credit losses that have not yet occurred) lower than the book value. If there is objective evidence that the financial assets value has been restored, and it is objectively related with the events incurred after the confirmation of the loss, the previously recognized impairment loss is reversed into current profit or loss.

When impairment of available for sale financial assets measured by fair value incurs, the cumulative loss originally included directly in shareholders ' equity due to decline in the fair value is transferred out and included in the impairment loss. For available-for-sale debt investments whose impairment loss has been confirmed, when in future period fair value increases and is objectively related to the events following the impairment loss confirmation, the impairment loss previously recognized shall be reversed and accounted for in current P&L. For impairment loss of available-for-sale equity instruments investments confirmed, increased fair value in future period is directly carried forward to shareholders '

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)
equity.

When the financial assets available for sales accounted as cost decrease in value, the difference between the book value and the actual value confirmed by the cash flow realization in future according to the current market profit rate of similar financial assets is regarded as value decrease loss, accounted in the current profit and loss. The occurred value decrease loss is not returned in the next period.

(a) Financial assets (continued)

(iv) Termination of recognition of financial assets

When financial assets meet one of the following conditions, recognition is terminated: (1) contractual right to receive the financial assets cash flow terminates; (2) the said financial assets have been transferred and the Group has transferred almost all of the risks and rewards concerning the financial assets ownership to the transferee; or (3) the financial assets have been transferred, although the Group has neither transferred nor retained almost all of the risks and rewards concerning the financial assets ownership, has given up the control over the Financial assets.

When the Financial assets are derecognized, the difference between the book value and the sum of the equity price received and the cumulative amount of fair value change originally booked in equity is booked in current profit or loss.

(b) Financial liabilities

Financial liabilities are classified at the initial recognition into financial liabilities measured by fair value and booked into current P&L, and other financial liabilities. Financial liabilities of the group mainly include financial liabilities calculated by fair value, whose movement booked into current income statement and other financial liabilities.

Financial Liabilities calculated by fair value, whose movement booked into current income statement

Financial liabilities calculated by fair value, whose movement booked into current income statement, refer to the financial liabilities originated from derivative financial instruments. Financial Liabilities calculated by fair value, whose movement booked into current income statement, valued by fair value initially, and calculated by faire value.

Other Financial Liabilities

Other Financial Liabilities include: payables, loans and bonds payable. Payables include accounts payable, other payables, valued by fair value initially, followed up by valuing post-amortization cost on the basis of actual interest rate.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Loans and bonds payable are initially valued by the amount of fair value after deducting transaction expenses, and followed up by valuing post-amortization cost on the basis of actual interest rate.

Other financial liabilities due less than one year (inclusive) are listed as current liabilities; those due within more than one year but due within one year from the balance sheet date (inclusive) are listed as non-current liabilities due within one year; the rest are listed as non-current liabilities.

When present obligation of financial liabilities is entirely or partially dismantled, the related financial liabilities or those whose obligation has been dismantled are terminated as recognition. The difference between the book value of the those terminated and the consideration paid is booked into current P&L.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(9) **Financial instruments (continued)**

(c) Confirmation of the fair value of financial instruments

Financial instruments with active market decide their fair value by the quotation on the active market, while financial instruments without active market decide its fair value by evaluation technology. When estimating the value, the Group adopts the applicable value estimation technology with enough data and supported by other information, select the input value in accordance with the assets or debt feature considered in the related assets or debt transaction of the participants in the market. The related observable input value shall take the priority. If it is not possible and practical to obtain the related observable input value, use the input value not observable.

(10) **Receivables**

Receivables refer to accounts receivable and other receivables. The Group confirms the initial amount of accounts receivable from exported goods or provided labor by the fair value of contracted agreed upon price receivable from purchaser or labor acceptor.

(a) Accounts receivable

(i) Accounts receivable with big single amount and individual bad debt provision is made

As of accounts receivable with single big amount, individual test is made on value depreciation. When proof shows the Group is not able to collect the account receivable as prescribed, bad debt provision is made.

Standard of single big amount: top 5 of the receivable from third party

Method of bad debt provision being made with big single amount: based on the difference of the present value of the expected future cash flow of the account receivable lower than its book value.

(ii) Accounts receivable whose bad debt provision is totally made in group

Accounts receivable not with big single amount, together with accounts receivable whose value is not decreased after being individual test, are classified into groups by credit risk features and bad debt provision is made, on the basis of actual loss rate of prior period accounts receivable of the same or similar kind, with similar credit risk features, combining present situation.

Credit risk groups are determined by the following criteria:

Group 1	Accounts receivable from related party
Group 2	Accounts receivable from third party

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(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(10) **Receivables** (continued)

(a) Accounts receivable (continued)

(ii) Accounts receivable whose bad debt provision is totally made in group (continued)

Method of bad debt provision being made by credit risk groups:

Group 1	Bad debt provision shall not be made of accounts receivable from related party except proof shows the Group is not able to collect them.
Group 2	Debt age analysis method (considering future collection)

Among the groups, proportion of accrual on aging analysis basis is listed as follows:

Debt age	Provision proportion
1—6 months	-
7—12 months	1%
1—2 years	15%
2—3 years	30%
3—4 years	50%
4—5 years	75%
Over 5 years	100%

(iii) Accounts receivable not of big single amount but individually provided for bad debt:

Reason for individual accrual of bad debt provision: proof shows the Group will not be able to the accounts receivable on the basis of former clauses.

Method of accrual of bad debt provision: accrued according to the difference between the present value of its expected future cash flow lower than its book value

(b) Other receivables

(i) Other receivables of big single amount and individually provided for bad debt:

As for other receivables of big single amount, individual impairment test is made. When proof exists to show the Group will not be able to collect them according to prescribed clauses, bad debt provision is made.

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Standard of single big amount: top 5 of the receivable from third party

Method of bad debt provision being made with big single amount: based on the difference of the present value of the expected future cash flow of the other receivables lower than its book value.

II Major accounting policies and accounting estimates (continued)

(10) **Accounts receivable** (continued)

(b) Other accounts receivable (continued)

(ii) Other accounts receivable whose bad debt provision is totally made in group

Other accounts receivable not with big single amount, together with accounts receivable whose value is not decreased after being individual test, are classified into groups by credit risk features and bad debt provision is made, on the basis of actual loss rate of prior period accounts receivable of the same or similar kind, with similar credit risk features, combining present situation.

Credit risk groups are determined by the following criteria:

Group 1	Guarantee deposit (not include quality guarantee deposit)
Group 2	Employee's loan and reserve fund
Group 3	Other accounting receivable in other nature

The provision method of bad debt provision by credit risk portfolio

Group 1	Except for that the objective evidence proves that the Group can't retake the payment according to the original articles of other receivables, the Group shall not make bad debt provision for the cash deposit (excluding quality cash deposit)
Group 2	Bad debt provision shall not be made of accounts receivable from employee's loan and reserve fund except proof shows the Group is not able to collect them.
Group 3	Debt age analysis method

Among the groups, proportion of accrual on aging analysis basis is listed as follows:

Debt age	Provision proportion
1—6 months	-
7—12 months	1%
1—2 years	15%
2—3 years	30%

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3—4 years	50%
4—5 years	75%
Over 5 years	100%

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II Major accounting policies and accounting estimates (continued)

(10) **Accounts receivable (continued)**

(b) Other accounts receivable (continued)

(iii) Bad debt provision of other receivables not of big single amount but individually provided for bad debt

Reason for individual accrual of bad debt provision: proof shows the Group will not be able to the other receivables on the basis of former clauses.

Method of accrual of bad debt provision: accrued according to the difference between the present value of its expected future cash flow lower than its book value

(c) Bad debt loss confirmation standard

To the proven non-collectable receivables such as when debtors dissolved or bankrupt or insufficient assets to cover debts or insufficient cash flow, bad debt loss is confirmed and will offset accrued corresponding bad debt provision.

(d) Transfer of receivables

In case of account receivable the Group transfers to financial institutions with no retrospective rights retained, the difference between the transaction amount and the moved receivables' book value and related taxes is taken into current period income statement.

(11) **Stock**

(a) Classification

Stock includes raw materials purchased spare parts and semi-products, reported in the lower between cost and cashable net value.

(b) Valuation method of issuing stock

Cost of goods in stock and semi-products includes raw material cost, direct labour cost and manufacturing cost calculated in systematic way under normal productivity.

(c) Basis on deciding cashable present value of stock and accrual of inventory depreciation reserve:

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When stock cost is higher than net realizable value, the part less than the net realizable value is provided as impairment provision. Stock impairment provision is made based on individual items when cost higher than net realizable value. The net realizable value of items in normal manufacturing process is calculated on the amount of estimated selling price deducting future cost, selling expenses and taxes till the completeness of the manufacture.

- (d) The Group's stock inventory system adopts a perpetual inventory system.

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(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(11) **Stock (continued)**

(e) Amortization of perishables and packing materials

Turn-over materials include perishables and packing materials etc. Perishables are amortized by turns while packing is amortized at one time.

(12) **Building contracts**

For customized large port equipment with fixed price, because the start and the finishing of the project are in different accounting years, the Company uses building-contract method to calculate the revenue and the cost.

- (a) If the selling result of individual building contract can be reliably estimated, the revenue and expenses can be recognized in proportion of completeness on the day of balance sheet.
- (i) Project progress proportion is made on the report day according to the revenue recognition stage stipulated in the contract. The Company confirmed the following 3 revenue recognition stages:

Stage 1: body steel structure completed and erected;

Stage 2: manufacturing, installation and initial testing completed, product ex-plant qualification certificate issued, shipping documents acquired, product ready to be shipped;

Stage 3: product finally delivered after being checked and approved by purchaser, final delivery certificate issued by purchaser acquired.

The Group will analyze the building contracts completed in prior year and recognize progress proportion of each revenue recognition stage on the basis of the proportion of the cost of the revenue recognition stage in real total costs and recognize it as the progress proportion at various stages in current period.

- (ii) For heavy equipment and construction project, progress of completeness is recognized by the proportion of accumulated cost incurred in total expected cost. The accumulated cost does not include that related to contract future activities.
- (iii) Progress of completeness of steel structures is determined by the proportion of cumulative tons of processing completed in total tons of processing.
- (b) When individual building contract result is not able to be reliably estimated, the following methods are used:
- (i) When contract cost can be covered, contract revenue is recognized according to real contract cost that can be covered, contract cost is recognized as expenses in the period when cost incurs.
- (ii) When contract cost cannot be covered, it can be recognized as expenses

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immediately when it incurs; no contract revenue is confirmed.

- (c) When expected total contract cost exceeds total revenue, the expected losses should be immediately recognized as expenses in current period.

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II Major accounting policies and accounting estimates (continued)

(12) **Building contracts (continued)**

- (d) When contract value is settled in installments, the settled installment is recognized as settled value, which will be transferred and set off with related accumulated costs and confirmed margin on the day of building contract completed. On the balance sheet day, when the addition of accumulated costs and confirmed margin exceeds the accumulated settled value, the difference is listed as completed but not yet settled item in current assets. Otherwise, it will be listed in settled but not completed item in current liabilities.

(13) **Long term equity investment**

Long term equity investment including: Long term equity investment into the Company's subsidiaries; Long term equity investment into the joint undertaking; Long term equity investment for which the Group exercises no control or co-control over the investee company

Subsidiary is the investee company over which the Company exercises control; a joint undertaking is an investee over which the Company exercises control together with other parties. Investment to subsidiaries is recorded in the amount confirmed by cost method in the Company's individual financial statements, and consolidated after adjustment in equity method while compiling consolidated statements.

Investment in subsidiaries is listed by the amount determined according to cost method of company financial statements and consolidated after adjustment according to equity method in preparation of the consolidated financial statements; investment in joint ventures and the associates shall be accounted by the equity method.

(a) Confirmation of investment cost

As of long-term equity investments from enterprise merger: long-term equity investment obtained from the merger of enterprises under the same controller, investment costs are recognized by the share of the owner's equity book value as of the merger date; long-term equity investment obtained from the merger of enterprises not under the same controller, investment costs are recognized by the costs of merger.

As of long-term equity investments from other ways rather than enterprise merger: initial investment costs of long-term equity investment obtained from paying cash are recognized by the actual purchase price; as of long-term equity investments from issuing equity securities, their initial costs are recognized by the fair value of the issued equity securities.

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(b) Follow-up valuation and gains/losses recognition method

Long term share investment accounted in cost method is valued by original cost. Cash dividend or profit announced by the investee is confirmed into current period's investment income.

As of long-term equity investment based on equity, when the initial investment cost is larger than the share of the fair value of recognizable net assets enjoyed of the investee at the time of the investment, long-term equity investment cost is recognized by the initial investment cost; when initial investment cost is smaller than the share of the fair value of recognizable net assets enjoyed of the investee at the time of the investment, the difference is included in current P&L, and long-term equity investment cost is adjusted to increase accordingly.

Note for 2015 financial statements

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II Major accounting policies and accounting estimates (continued)

(13) **Long term equity investment (continued)**

(b) Follow-up valuation and gains/losses recognition method (continued)

In equity method, gains/losses of investment are recognized by the amount of investee's current period net profit or net loss share enjoyable or bearable by the Group. The confirmed investee's net loss is limited to zero in the book value of the long term share investment. Whereas when the Group bears extra liability for loss and when the extra liability meets requirements for stipulated probable events, investment loss and expected liability is further confirmed. For the movement of investee's equity other than net gains/losses, when proportion of hold remains unchanged, the Group calculates the part it enjoys or bears in accordance with its proportion of share holding and directly book it into capital reserve. The announced investee's distributed profit or cash dividends shall correspondingly deduct the book value of long term equity investment of the Group at the time of the announcement. However when cash dividends exceed already confirmed investment gains but do not exceed that part of the investee's book value profit realized after the investment is made which is enjoyed by the Group in proportion of holding, it is confirmed as current period investment income. Gains/losses from internal transactions between the Group and the investee enjoyed by the group according to proportion of share-holding are confirmed as investment gains/losses after setoff is made. When loss from internal transactions between the Group and the investee belongs to asset impairment loss, the loss is fully confirmed, unrealized gains/losses from which will not be set off.

(c) Basis for determining the control or co-control over investee

Control means having the power to decide on investee, and thus obtaining the variable gains from its operation, with the ability to utilize the power of the investee to influence the gains amount.

Co-control means enjoying control over certain arrangement according to contract. Such arranged activities must be decided upon agreement of the Group and the other participants that share the control rights.

Significant effect means that the company possesses the right of decision-making participation in the financial and operating policies of the investee but is not able to control or co-control with other party the making of such policies.

(d) Long term equity investment impairment

As of long term equity investment in subsidiary or joint undertaking, when collectable amount is lower than the book value, the book value is decreased to the collectable amount (Note II (20)).

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II Major accounting policies and accounting estimates (continued)

(14) Real estate as investment

Investment real estate, including leased-out land use right and land and buildings for rental purposes as well as buildings in the process of being constructed or developed for rental in the future, initial measurement is made by cost. Subsequent expenditure relating to investment real estate, when related economic benefits are likely to flow into the Group and its cost can be measured reliably, is accounted into the cost of investment real estate; Otherwise, it is included in the current profits and losses statements.

Cost models for all investment property is adopted by the Group to undertake follow-up measures; depreciation or amortization is made for buildings and land use rights according to their estimated useful life and residual value rate. Investment real estate rate and years of estimated useful life and residual value depreciation (amortization) rates are listed below:

	Estimated useful life	Estimated residual value rate	Annual depreciation (amortization) rate
Building	30 years	0%	3.3%
Land use right	Land use year s	0%	Decided by estimated net residual value and land use years

When purpose of investment property changes to self-use, from the date of change, convert the investment properties to fixed assets or intangible assets. When self-use property changes to the purpose of earning rentals or for capital appreciation, from the date of change, convert the fixed assets or intangible assets to investment properties. Upon conversion, book value before the conversion is the recorded as the converted value.

The anticipated service life of investment real estate, estimated net residual values and depreciation (amortization) method is reviewed and made appropriate adjustments at each year end.

When the investment real estate is disposed of, or permanently terminates its use and no economic benefits are expected from its disposal, terminate the confirming of the investment real estate. Disposal income of investment property for sale, transfer, disposal of scrap or being destroyed is charged to current P&L after deducting its book value and related taxes.

When the recoverable amount of the investment real estate is below its book value, book value is written down to its recoverable amount (Note II (20)).

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II Major accounting policies and accounting estimates (continued)

(15) **Fixed assets**

(a) Validation of fixed assets and initial valuation

Fixed assets include buildings and constructions, manufacturing equipment, transportation facilities, other equipment and office equipment.

Fixed assets are confirmed when financial benefits related will probably flow into the Group and their costs can be reliably valued. Fixed assets purchased or newly constructed are initially valued by cost at acquisition. Fixed assets invested by the state shareholders during the Company's reconstruction in the form of corporation are booked by the value appraised by the state-asset managerial authorities

Follow-up expenses related to fixed assets, when related economic benefits will most probably flow in the Group and related cost can be reliably valued, are accounted into fixed assets cost; for the replaced part, related book value ceases confirmation; all other follow-up expenses are booked into current income statement at the time of incurrence

(b) Fixed assets depreciation method

Depreciation of fixed assets is made in average year method and is accrued by deducting expected net residual value from purchase value within the expected years for use. When impairment provision have been made to fixed assets, the depreciation ratio and amount will be decided on the net book value after impairment and the remained years for use.

Fixed assets expected years for use, net residual value ratio and annual depreciation ratio after changing are listed as below:

	Expected years for use	Expected net residual value ratio	Annual depreciation ratio
House and building	20-40 years	0%	2.5%-5%
Manufacturing equipment	3-20 years	0%/ Based on price of wasted vessel steel	Calculated in average years after purchase value less net residual value
Office equipment and electrical equipment	3-5 years	0%	20%-33.3%
Transportation means (other than vessels)	5 years	0%	20%
Vessels	10-25 years	5%/10%	3.6%-9.5%

Double check is made to the estimated life of use, estimated net residual value and method of depreciation at the end of each report year and necessary adjustment is made.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(15) **Fixed assets (continued)**

(c) When collectable amount of fixed assets is lower than its book value, the book valued is deducted to the collectable amount (see Note II (20)).

(d) Disposal of fixed assets

Fixed assets terminate recognition when they are disposed of, or expected to generate no economic benefits. Difference between disposal income from fixed assets sales, transfer, waste or damage and the book value and taxes is taken into current period P&L.

(16) **Construction in progress**

Construction in progress is booked as project costs in real expenditure. Project costs consist of building expenses, other necessary expenses which make the construction in progress reach expected status of use, and loan expenses occurred before it reaches the condition for use which meets qualification of capitalization. When the project under construction reaches the expected condition for use, it is transferred into fixed assets items and depreciation will be made from the following month.

When collectable amount of construction in progress is lower than its book value, the book valued is deducted to the collectable amount (see Note II (20)).

(17) **Loan expenses**

Loan expenses incurred from fixed assets which take rather long period of time to purchase or manufacture in order to reach their expected state of use or sale are capitalized and booked into the costs of the said assets at the time when asset expenditure and loan expenses incur and when purchasing or building activities start as a necessity to make that asset reach expected usable condition. When the purchased or built fixed asset reached expected usable condition, capitalization stops and loan expenses that follow are taken into current profit/loss statement. In case purchasing activities of assets ceases accidentally and term of cease exceeds 3 months on end, capitalization of loan expenses stops until purchasing activities resume

Amount of expenses of special loans to be capitalized which are borrowed to purchase fixed assets applicable to be capitalized is determined by the actual interest expenses in current period minus interest income of those part not yet used or by the invest income from temporary investment.

Amount of expenses of general loans to be capitalized which are borrowed to purchase fixed assets applicable to be capitalized is determined by the weighted average amount of expenses of accumulated asset expenses exceeding that of special loans to multiply the weighted average actual interest rate of the general expenses. Actual interest rate means that used to recognize initial amount of the loans translated by discounted future cash flow in the expected loan existence term or short applicable term.

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II Major accounting policies and accounting estimates (continued)

(18) **Intangible assets**

Intangible assets consist of land use rights, software use cost and proprietary technology, booked as cost. The evaluation value confirmed by the state-owned administration department acts as the book value for the intangible assets invested by the state-owned shareholders at the re-structuring of the Company. If the price paid for outsourced land and building is difficult to distribute in a reasonable way between the land use rights and the building, they are all regarded as fixed assets.

Intangible assets are amortized in straight line method in the following expected years for use.

(a) Intangible asset amortization years

	Expected years for use
Land use rights	Years of land use
Software use cost	5 years
Patented technologies	10 years

(b) Regular double-check of life in use and amortization method

Double check is made by end of each year to expected life in use and amortization method of intangible assets with limited use of life and adjustment is thus made.

(c) R&D

Expenses of internal R&D projects are classified into that in research stage and that in development stage, according to their nature and whether there exists much uncertainty in the ultimate intangible assets resulted from the R&D.

Expenses in research stage are put into current P&L at occurrence; expenses in development stage are capitalized when simultaneously satisfying the following conditions:

- It is technically feasible to complete the intangible assets to make them usable and marketable;
- The management has the intention to complete the intangible assets and to use them or to sell them
- It's able to prove how the intangible assets yield financial benefits;
- Enough technology and financial resources and other resources support and will enable the completion of the development of the intangible assets and

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make them to be used to sold

- Expenses belonging to the intangible assets can be reliably measured.

Expenses of development stage not satisfying the conditions are put into current P&L. Development expenses booked into P&L of prior years will not be re-recognized as assets. Expenses of development stage already capitalized are shown as development expenses on B/S, to be transferred into intangible assets from the day when the project reaches its planned goal.

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II Major accounting policies and accounting estimates (continued)

(18) **Intangible assets (continued)**

(d) Intangible assets impairment

When collectable amount of intangible assets is lower than its book value, the book valued is deducted to the collectable amount (Note II (20)).

(19) Long-term prepaid expenses

The long-term prepaid expenses includes all expenses of fixed assets improvement of operating rent and other expenses that are occurred but shall be borne in this period and later with the prepaid period of over a year, which is averagely amortized on installment in expected benefit period and listed in net amount after actual expenditure subtracting accumulated amortization.

(20) **Long-term asset impairment**

When signs of impairment exist on B/S day with long term equity investment in subsidiaries and associates, fixed assets, construction in progress and intangible assets, simulating test is made to the impairment. Impairment test is made at least once each year for the intangible assets not reaching the usable state no matter whether there is sign of impairment. When test result shows collectible amount is lower than its book value, provision is made on basis of the difference and booked into impairment loss. The collectible amount is the higher between net amount of asset's fair value deducting disposal expenses and the present value of expected future cash flow. Asset impairment provision is calculated and confirmed by individual piece of asset. In case collectible amount of individual asset is difficult to value, collectible amount of asset group to which they said individual asset belongs is confirmed. Asset group refers to the minimum asset portfolio which independently generates cash in-flow.

Goodwill individually reported in the financial statements, no matter whether there exists sign of impairment, test of impairment is conducted at least once a year. In the test, the book value of the goodwill is amortized into the asset group or asset portfolio beneficiary from the concord effect at enterprise consolidation day. The lower part of the collectable amount of the asset group or portfolio in which goodwill is enclosed over the book value, as shown by the test result, is confirmed as impairment loss. The loss is firstly to compensate the book value of the goodwill amortized in the asset group or portfolio, and then to compensate the book value of other assets in the proportion of the book value of other assets except for the goodwill in the asset group or portfolio.

Once asset impairment provision is made, it shall not be transferred back even though the asset value is resumed in later period.

(21) **Employee remuneration**

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The employee remuneration is the salary and compensation in various forms provided by the Group to the employee for the service provided or rescission of the labor relationship, including short-term remuneration and benefit after demission.

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II Major accounting policies and accounting estimates (continued)

(21) **Employee remuneration (continued)**

(a) Short-term remuneration

The short-term remuneration consists of salary, bonus, allowance and subsidy, benefits, medical insurance, work-related injury insurance, maternity insurance and housing fund, trade union fund and education fund. The Group takes the actual short-term remuneration as debt during the accounting period when the employees provide service. It will be booked in the current profit and loss or related assets cost, in which the non-currency benefit is accounted according to the fair value.

(b) Benefit after retirement

The Group classifies the benefit after retirement as set drawing plan and set profit plan. The set drawing plan is the profit plan that the Group deposits the fixed money to independent foundation and doesn't have the further payment obligation. The set profit plan is the profit plan after retirement rather than the set drawing plan. Within the report period, the Group's profit plan after retirement is the basic endowment insurance, supplementary endowment insurance and unemployment paid for the employee, belonging to the set deposit plan.

Basic pension insurance

The employees of the Group participated in the social basic endowment insurance implemented by the local labour and social security departments. The Group pays the endowment insurance to the local social basic endowment insurance organization on a monthly basis according to the base and proportion specified by the local social basic endowment insurance organization. After the employee retires, the local labour and social security departments are responsible to pay the basic pension to the retired employees. During the accounting period when the employees provide service, the Group regards the payable amount based on the social insurance as debt. It shall be booked in the current profit and loss or related assets cost.

Supplementary endowment insurance

The Group establishes the enterprise annuity plan based on the related policies of national annuity system. The Group provides annuity according to the proportion of the total salary. The payment is booked as current profit and loss.

(c) Demission profit

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(Unless otherwise specified, the amount unit is RMB.)

When the Group proposes rescission of the labor relationship with the employee before the labor contract expires, or proposes compensation proposal to encourage employees to voluntarily accept labor cuts, and the Group is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, confirmation is made as of liabilities arising compensation estimated from the cancellation of the labor relationship with the employee, which is included in the current cost.

(22) **Dividends distribution**

Cash dividends approved by general annual meeting are confirmed as liabilities within the period of the approval.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(23) **Expected liabilities**

When fulfilment of present obligation generated from product quality warranty and loss contract may possibly cause outflow of financial interest, expected liabilities are confirmed when the obligation amount can be reliably valued.

Expected liabilities are initially valued by the best estimates to be spent on fulfillment of related present obligation, combining risks and uncertainty with probabilities and time value of currency. In case currency's time value is significant, best estimate is made by discounted future cash flow-out thus related. Addition to the book value of expected liabilities generated from recovery of discount with passing of time is confirmed as interest expense.

The book value of expected liabilities is double-checked and thus adjusted as of B/S day to reflect present best estimates.

(24) **Revenue recognition**

Revenue is confirmed by the fair value of the contracted or agreed upon price related to commodity sales and service providing in routine operating activities of the Group. Revenue is recorded by the net value after deducting selling discount and return of sales.

Revenue is confirmed when related benefits can flow into the Group, sales can be reliably calculated and when revenue meets the special sales income recognition standards of the following operating activities:

- (a) Revenue from sales of large port equipment and ocean heavy equipment is recognized by the proportion of completeness. (See Note II (12))
- (b) Income from ship transportation is recognized at the completion of the voyage.
- (c) Income is recognized at the time of delivery for the sale of spare goods or parts.
- (d) Interest income is recognized by deposit term and real interest rate.
- (e) Operating leasing income is recognized in leasing period by straight line method.
- (f) Activities under the construction and transfer of contracts usually include construction and transfer. As for constructing Item the Group responsible for, in the construction phase, in accordance with the construction contract standards, when the results can be estimated reliably, the construction contract revenue should be valued by the fair value of consideration chargeable, at the same time to confirm the "Long term receivables", to be written off when payment received from the owners.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

II Major accounting policies and accounting estimates (continued)

(25) **Government subsidy**

Government subsidy refers to monetary assets or non-monetary assets obtained from the government free of charge, including tax return and financial subsidies etc.

Government subsidy is recognized at receipt when satisfy the Group's conditions. Monetary assets are booked by amount received or receivable. Non-monetary assets are booked by fair value; when fair value is not reliable, amount in name is used.

Government subsidy related to assets refers to the government subsidy obtained by the enterprise to use for the construction or form long-term assets in other forms. The government subsidy related to the gains refers to the subsidy rather than the government subsidy related to assets.

If the government subsidy related to the assets is recognized as deferred income and distributed within the life time of the assets, it is booked into current P&L. If the government subsidy is accounted in namely amount, it is booked directly into current P&L.

Government subsidy related to the income when used to compensate related expenses or losses in future periods is recognized as deferred income and is booked into current P&L in the period when related expenses are recognized. That used to compensate paid expenses or losses is booked directly into current P&L.

(26) **Deferred corporate tax assets and liabilities**

The Company confirms deferred income tax assets and deferred income tax liabilities by the difference between the taxable base and the book value (provisional difference). Compensable loss which can compensate future periods' taxable amount by taxable laws and regulations is confirmed as deferred income taxable asset. In regard to provisional differences generated from initial confirmation of assets or liabilities as a result of non-enterprise consolidation transaction which neither influences accounting profit nor affects taxable amount (or compensable loss), corresponding deferred income tax assets and deferred income tax liabilities are not confirmed. On B/S day, deferred income tax assets and deferred income tax liabilities are calculated by tax rate applicable to the period of term the assets or liabilities are expected to be collected back.

The confirmation of deferred income tax assets is limited to the taxable amount to compensate compensable provisional difference, compensable loss and setoff of tax payment.

Deferred income tax liabilities generated from investment-related provisional difference of subsidiaries, associates and joint ventures are confirmed as

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liabilities, except for when the Group is able to control the return time of provisional difference and when the provisional difference will not be returned in foreseen future. Deferred income tax assets generated from investment-related provisional difference of subsidiaries, associates and joint ventures are confirmed as deferred income tax assets, when the provisional difference is able to be transferred back in the foreseeable future and when possible taxable income which is used to compensate the provisional difference can be possibly obtained in future.

Note for 2015 financial statements

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II Major accounting policies and accounting estimates (continued)

(26) **Deferred corporate tax assets and liabilities(continued)**

Deferred income tax assets and deferred income tax liabilities simultaneously meeting the following conditions are listed in the offset net amount

- Deferred income tax assets and deferred income tax liabilities are related to the income tax collected to the same tax paying body in the group by the same taxation collector.
- The tax paying body of the Group owns the legal rights to calculated current period's income tax assets and current income tax liabilities.

(27) Leases

When all risks and rewards related to assets ownership are actually transferred, the lease is recognized as financing leasing; other leases are operating ones. Operating lease expenses are recognized as current expenses on straight line basis within lease period.

(a) Operating lease

The rental expenses of operating leases are included in the asset cost or the current P&L according to straight-line method in the lease period.

The rental income of the operating lease is confirmed according to the straight-line method in the lease period.

(b) Financing lease

The lower one of the fair value of the leased asset and the minimum rental payment the present value is accounted in the book as the leased assets. The difference between the booking value of leased assets and the minimum lease payment is not confirmed as the financing charges. It is amortized within the leasing period according to the actual interest method. The balance of the minimum lease payment deducting the unconfirmed financing expenses is listed as long term payable.

(c) Leasing back after sales

As for the transaction of leasing back after sales for the purpose of financing, if the assets sales is related to the leasing trade and it is basically confirmed that the assets can be purchased after the leasing period, the Group will treat it as mortgage loan as a whole.

(28) Segment information

Operating segment is determined by the Group's internal organizational structure, management requirements, internal reporting system; and based on the operating

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(Unless otherwise specified, the amount unit is RMB.)

segment, the reporting segment is determined and the disclosure of information of the segment is made.

An operating segment is an integral part of the Group which at the same time meets the following conditions: (1) an integral part in daily activities to generate revenue, and costs incur; (2) the management of the Group is able to regularly evaluate the components of the operating results in order to decide to allocate resources, evaluate their performance; (3) the Group is able to obtain accounting information about the financial condition, results of operations and cash flows of the segment. Two or more operating segments have similar economic characteristics and meet certain conditions, they can be a disclosed for information as one operating segment.

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II Major accounting policies and accounting estimates (continued)

(28) Segment information(continued)

The Group determines the Group's business as one operating segment to analyze and evaluate in accordance with the internal organizational structure, regulatory requirements and internal reporting system.

(29) Major accounting estimates and key hypotheses

The Group makes continuous valuation to major accounting estimates and key judgment adopted. Major accounting estimates and key hypotheses are listed as follows:

(a) Building contract

Revenue and cost of the building of large port equipment is recognized by proportion of completion. The Group makes continuous double-check and revision over the estimated building contract cost according to cost of the contract actually incurred and based on historical actual cost of similar product, in order to make the estimated cost of the building contract close to the actual eventual cost. In case the actual total cost of the contract differs from the estimated total cost, the difference will impact the cost confirmed by the Group for the present year.

At the same time, the Group's management conducts regular impairment tests to building contracts. In case the expected total cost of the building contract exceeds total revenue of the contract, expected contract loss provision will be made. The change of the expected total cost caused by the continuous double check and revision may influence the book value of the unsettled payment upon completion/ settled payment not completion, as well as the impairment loss in the estimation change period.

(b) Receivables impairment

The Group's management continuously watches over the collectability of receivables to estimate bad debt provision for the receivables, based on actual analysis (including but not limited to unit debtor's clearance capability, age of receivables and future collection etc.). In case anything happens or changes showing the estimates adopted have changed, estimates will be made and bad debt provision for the receivables will be made. If the estimates do not match former estimates, the difference will affect the book value of the receivables and the impairment loss during the period of estimate change.

(c) Stock impairment

The Group's management timely judges the cashable net value of stock to estimate impairment provision of stock. In case anything happens or changes showing the stock might not fulfill its value, estimates will be made and bad debt

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provision for the stock will be made. If the estimates do not match former estimates, the difference will affect the book value of the stock and the impairment loss during the period of estimate change.

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II Major accounting policies and accounting estimates (continued)

(29) Major accounting estimates and key hypotheses
(continued)

(d) Fixed assets service years and net residual value

The management of the Group estimates the expected useful life and estimated net residual values of fixed assets. The estimate is based on the nature and features of similar fixed assets by their past actual useful life and residual value. Such estimates may undergo significant change due to technological innovation and competition due to action taken by the severe industry cycle; the economic environment, technological environment, as well as other changes in the environment in which fixed assets are used may cause significant changes in the expected way of realization of economic benefits associated with the fixed assets.

(e) Fixed assets and construction in progress impairment

The management of the Group conducts impairment test on fixed assets and construction in progress showing signs of impairment as of B/S day. Collectable amount refers to the higher between the net value of the fair value of fixed assets and construction in progress less disposal expenses and the present value of the expected future cash flow of the fixed assets and construction in progress. It is estimated by the best information to acquire to reflect the capital amount (less disposal cost) generated from sales or disposal of fixed assets or construction in progress on fair trade basis as of B/S days among informant and willing parties or cash amount from continuously utilizing the fixed assets or construction in progress until final disposal. The estimate may be adjusted every time when impairment test is made. If the re-estimated collectable amount is higher than the former estimate made the management of the Group, the Group shall not reverse formerly accrued impairment loss provision of the fixed assets and construction in progress.

(f) Accounting estimate of goodwill impairment provision

The Group conducts the impairment test for the goodwill each year. The collectable amount including the goodwill assets group and portfolio is the current value of the expected cash flow in the future. The accounting estimate shall be used for calculation (Note 4 (18)).

If the management revises the gross profit rate used in the future cash flow calculation of the assets group and portfolio and the revised gross profit rate is lower than the current one, the Group may made the goodwill provision or increase the impairment provision.

If the management revise the pre-tax discount rate used in the cash flow 折现 and the revised pre-tax discount rate is lower than the current one, the Group may

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make the goodwill provision or increase the impairment provision.

If the actual gross profit rate or the pre-tax discount rate is higher or lower than the estimate from the management, the Group can't return the original goodwill impairment loss.

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II Major accounting policies and accounting estimates (continued)

(29) Major accounting estimates and key hypotheses
(continued)

(g) Corporate income tax and deferred income tax

The Company was recognized as a hi-tech enterprise in 2014 and a 15% rate of corporate income tax is set for the Company according to laws and regulations. As stipulated by laws and regulations, one qualification for a hi-tech enterprise is that R&D expenses should not be lower than the designated percentage of the enterprise's major operating income, e.g. 3% is required for an enterprise whose annual sales exceeds 200 million Yuan. When taxation authorities find in the execution of preferential taxation policies the enterprise fails to meet hi-tech qualification, they shall remind recognizing authorities to double-check, during which time the enterprise is suspended from enjoying preferential taxation policies. Actual expenses of the Company in 2014 on R&D are 695,384,050 Yuan, taking up 3.05% of major operating income of the year. Therefore, the Company is recognized as a hi-tech and a 15% preferential rate is enjoyed. Meanwhile, in accordance with related taxation laws and regulations, the Company added a reduction of R&D expenses totally amounting to 140,225,006 Yuan in the calculation of 2014 corporate tax, which is subject to confirmation by the taxation authorities. Shall any difference arise, the difference will impact the corporate tax expenses of the year.

Besides, the Group calculates corporate tax and deferred corporate tax according to current laws and regulations, having considering applicable regulations on corporate tax and taxation preference. In normal operating activities, many taxation events are not finally certain. Therefore the Group has to make significant judgments while accruing corporate tax. The Group estimates whether it needs to pay extra tax on expected taxation adjustment items and confirms corresponding corporate tax liabilities. In case difference occurs between the final confirmation and initial booking, the difference will exercise influence over the amount of corporate tax and deferred corporate tax in the duration concerned.

In the valuation of temporary difference, the Group also takes into consideration the collectability of deferred tax assets. Temporary difference majorly consists of difference concerning bad debt provision, prepaid expenses not yet approved for tax deduction, stock impairment reserve and fixed asset depreciation. Recognition of deferred corporate assets is based on the Group's estimate or hypothesis that the deferred corporate assets be returned by means of acquiring sufficient taxable amount through sustainable operation in the foreseeable future. At the same time, the Group also takes into consideration the tax rates of deferred tax assets and deferred income tax liabilities at reversal. Based on historical experience that the company for many years was honored high-tech enterprise and continuous investment in R&D items, the Company reasonably estimates in 2015 and beyond the Company obtains access to high-tech enterprise qualification, so calculation and confirmation of deferred tax assets and deferred income tax debt is done

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(Unless otherwise specified, the amount unit is RMB.)
according to the preferential tax rate.

The Group has accrued sufficient corporate tax liabilities and deferred corporate tax based on existing taxation regulations, best current estimate and hypothesis. It is possible the corporate tax liabilities and deferred corporate tax be adjusted subject to the possible change of taxation regulations or other related issues.

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III Taxes

Tax types and the ratio applicable to the Group are listed as follows:

(1) VAT

VAT is applicable to the Company's sales business. Domestic sales output tax ratio is 17%, export sales output tax ratio is subject to "exemption, compensation, refund", refunding ratio is 17%. VAT is applicable to the vessel transport business revenue with the tax ratio of 11%. VAT is applicable for the equipment rental with tax ratio of 17%.

The Company's input tax for purchasing raw materials, partial fixed assets, fuel, power, transportation fee offsets the output tax. The Company's VAT payable is the balance after offset between current period's input and output taxes.

(2) Business tax

Business tax applied to revenues of the Group from shipping and transportation with rate of 5%.

Business tax is applicable to the revenues of "construction-transfer" projects with rate of 3%.

(3) Urban maintenance and construction tax and education surcharge

The Group calculates and pays city maintenance and construction tax and education surcharge by 7% and 3% of the payment of VAT and business tax respectively.

(4) Corporate income tax

Corporate income tax is calculated and paid in accordance with P.R. China Corporate Income Tax Law ("Income Tax Law").

According to the High-tech Enterprise Recognition Management Approaches (Guo Ke Fa Huo [2008] 172,) and the High-tech Enterprise Recognition Management Work Guidelines (Guo Ke Fa Huo [2008] 362) and the Notification on Announcing List of Second Batch of Shanghai Municipality 2011 High-tech Enterprises Recognition, the Company was recognized as a high-tech enterprise in the year 2011, and was awarded the High-tech Enterprise Certificate (certificate number: GR201431001646). The certificate is valid for 3 years. According to Article 28 of the Income Tax Law, the Company actually applied a 15% corporate income tax rate this year (2013: 15%).

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III Taxes (continued)

(4) Corporate income tax(continued)

Corporate income tax rates enjoyed by the Company and its controlled subsidiaries:

	Registered in	Applicable tax rate in 2015	Applicable tax rate in 2014
The Company	Shanghai Pudong New Area	15%	15%
Shanghai Zhenhua Port Machinery Heavy Industry Co., Ltd.	Shanghai Chongming County	25%	25%
Shanghai Zhenhua Heavy Industries Machinery Co., Ltd.	Shanghai Chongming County	25%	25%
Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd. (Note I)	Hong Kong	16.5%	16.5%
Shanghai Zhenhua Shipping Co. Ltd.	Shanghai Pudong New Area	25%	25%
Nantong Zhenhua Heavy Equipment Manufacturing Co., Ltd.	Jiangsu Nantong	25%	25%
Shanghai Zhenhua Heavy Industries Group (Nantong) Transmission Machinery Co., Ltd.(Note I4)	Jiangsu Nantong	15%	15%
Shanghai Zhenhua Heavy Industries Group (Nantong) Co., Ltd.	Jiangsu Nantong	25%	25%
Shanghai Zhenhua Heavy Industries Electric Co., Ltd.	Shanghai Pudong New Area	25%	25%
Nantong ZPMC Steel Structure Processing Co., Ltd.	Jiangsu Nantong	25%	25%
Jiangyin ZPMC Steel Structure Manufacturing Co., Ltd.	Jiangsu Jiangyin	25%	25%
Shanghai Zhenhua Heavy Industries Steel Structure Co., Ltd.	Shanghai Pudong New Area	25%	25%
Shanghai Zhenhua Heavy Industries Vessel Transport Co., Ltd	Shanghai Yangshan Bonded Port Area	25%	25%
Shanghai Zhenhua Testing Technology Consulting Co., Ltd.	Shanghai Pudong New Area	25%	25%
ZPMC Netherlands B.V.(note 2)	Rotterdam, the Netherlands	20%	20%
Hotel de Herberg B.V.(note 2)	Rotterdam, the Netherlands	20%	20%
ZPMC España S.L.(note 3)	Los Barrios de Bureba, Spain	28%	30%
ZPMC GmbH Hamburg(Note 4)	Hamburg, Germany	32.28%	33.76%
ZPMC Lanka Company (Private) Limited(note 5)	Colombo, SriLanka	28%	28%
ZPMC North America Inc.(note 6)	State of Delaware, USA	15%	15%
ZPMC Korea Co., Ltd.(note 7)	Busan, South Korea	10%	10%
ZPMC Engineering Africa (Pty) Ltd.(note 8)	Natal, South Africa	28%	28%
ZPMC Engineering (India) Private Limited(note 9)	Maharashtra, India	30%	30%
ZPMC Southeast Asia Holding Pte. Ltd.(Note I0)	Singapore	17%	17%
ZPMC Southeast Asia Pte. Ltd.(Note I0)	Malaysia	17%	17%
ZPMC Engineering (Malaysia) Sdn. Bhd.(Note I1)	The New South Wales, Australia	20%	20%
ZPMC Australia Company (Pty) Ltd.(Note I2)	Rotterdam, the Netherlands	30%	30%

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Shanghai Zhenhua Port Machinery General Equipment Co., Ltd (original: China Communications Shanghai Port Machinery Manufacturing Plant Co., Ltd)	Shanghai Pudong New Area	25%	25%
Shanghai Zhenhua Port Machinery Heavy Industry Co., Ltd	Shanghai Pudong New Area	25%	25%
Shanghai Zhenhua Heavy Industry (Group) Zhangjiagang Port Machinery Co., Ltd.	Jiangsu Jingang Port Area,	25%	25%
Nanjing Ninggao New Channel Co., Ltd.	Jiangsu Nanjing	25%	25%
Qidong Marine Company (Note I3)	Jiangsu Nantong	15%	15%
Jiangsu Daoda Marine Engineering Co., Ltd	Jiangsu Nantong	25%	25%
Jiahua Shipment Co., Ltd (Note I)			Not applicable
Zhenhua Pufeng Wind Power (Hong Kong) Co., Ltd(note1)	Hong Kong	16.5%	Not applicable
Zhenhua Shende Offshore Installation Co., Ltd(Note I)	Hong Kong	16.5%	Not applicable
ZPMC-OTL Marine Contractor USA Limited(note6)	Hong Kong	16.5%	Not applicable
ZPMC Brazil Holdings Ltda.(Note I3)	American Texas	15%	Not applicable
ZPMC Limited Liability Company(Note I4)	Rio De Janeiro	13%	Not applicable
	Moscow, Russia	20%	Not applicable

III Taxes(continued)

(4) Corporate income tax (continued)

	Registered in	Applicable tax rate in 2015	Applicable tax rate in 2014
ZPMC NA East Coast Inc.(note 6)	Delaware	15%	Not applicable
ZPMC NA Huston Inc.(note 6)	Delaware	15%	Not applicable
CCCC Tianhe Co., Ltd	Jiangsu Changshou	25%	Not applicable
Fujian CCCC Qianda Heavy Industry Co., Ltd	Fujian Minhou	25%	Not applicable
CCCC Investment Development Qidong Co., Ltd	Jiangsu Nantong	25%	Not applicable
CCCC Liyang City Investment Construction Co., Ltd	Jiangsu Liyang	25%	Not applicable

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Note 1: Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd., Jiahua Shipping Co., Ltd, Zhenhua Pufeng Wind Power(Hong Kong) Co., Ltd and Zhenhua Shende Offshore Engineering Installation Co., Ltd. are legal entities registered in Hong Kong, China. Based on Hong Kong's taxation regulations, the Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd actually fits in a profit tax rate of 16.5% (2014: 16.5%).

Note 2: ZPMC Netherlands B.V, Hotel de Herberg B.V. and Daoda (Holland) Marine Technology Co., Ltd are private limited liability companies registered in Holland. According to related provisions of the income tax in Holland, the enterprise revenue tax is collected with the progressive tax rate in excess of specific amount for the profit of the Company. The tax rate is 20% for the profit less than 200000 Euro, and 25% for the profit over 200000 Euro. The actual income tax rate is 20% this year.(2014: 20%).

Note 3: ZPMC España S.L. is the limited liability company registered in Spain. According to related provisions of the income tax in Spain, the enterprise revenue tax is collected with the progressive tax rate in excess of specific amount for the profit of the Company. The tax rate is 25% for the profit less than 300000 Euro, and 28% for the profit over 300000 Euro. The actual income tax rate is 28% this year. (2014: The tax rate is 25% for the profit less than 300000 Euro, and 30% for the profit over 300000 Euro. The actual income tax rate is 30%)

Note 4: ZPMC GmbH Hamburg is registered in Germany, a limited liability company; according to Germany's related provisions of the income tax act, applicable income tax rate for the year is 30.6%, and on the basis of the corresponding income tax amount, 5.5% of solidarity surcharge is imposed; the actual total income tax rate applicable to 32.28% (2014: 33.76%)

Note 5: ZPMC LANKA COMPANY (PRIVATE) LIMITED is a limited liability company registered in Sri Lanka; according to the related income tax provisions of Sri Lanka, the applicable income tax rate is 28%. (2014: 28%)

Note 6: ZPMC North American Inc , ZPMC NA East Coast Inc., ZPMC NA Huston Inc. 、 ZPMC-OTL Marine Contractor USA Limited is a limited liability company registered in USA; according to the related income tax provisions of USA, the applicable income tax rate is 15%. (2014:15%)

III Taxes (continued)

(4) Corporate income tax (continued)

Shanghai Zhenhua Heavy Industries Co., Ltd.

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Note 7: ZPMC Korea Co., LTD. is limited liability company registered in Korea. According to related provisions of the income tax in Korea, the enterprise revenue tax is collected with the progressive tax rate in excess of specific amount for the profit of the Company. The tax rate is 10% for the profit less than 200 million won, and 20% for the profit over 200 million won. The actual income tax rate is 10% this year. (2014: 10%)

Note 8: ZPMC Engineering Africa (PTY) LTD. is a limited liability company registered in Republic of South Africa; according to the related income tax provisions of Republic of South Africa, the applicable income tax rate is 28%.(2014: 28%)

Note 9: ZPMC Engineering (India) Private Limited is a limited liability company registered in India; according to the related income tax provisions of India, the applicable income tax rate is 30%. (2014: 30%)

Note 10: ZPMC Southeast Asia Holding PTE. LTD. is a limited liability company registered in Singapore; according to the related income tax provisions of Singapore, the applicable income tax rate is 17%. (2014: 17%)

Note 11: ZPMC Engineering (Malaysia) Sdn.Bhd is a limited liability company registered in Malaysia; according to the related income tax provisions of Malaysia, the applicable income tax rate is 20%.(2014: 20%)

Note 12: ZPMC Australia Company (PTY) LTD. is a limited liability company registered in Australia; according to the related income tax provisions of Australia, the applicable income tax rate is 30%.(2014: 30%)

Note 13: ZPMC Brazil Holdings Ltda. is a limited liability company registered in Brazil; according to the related income tax provisions of Brazil, the applicable income tax rate is 13%.

Note 14 : ZPMC Limited Liability Company is a limited liability company registered in Russia; according to the related income tax provisions of Russia, the applicable income tax rate is 20%.

Note:15 Shanghai Qidong Marine Company is recognized as hi-tech enterprise in November , 2015 and won Hi-tech Enterprise Certificate (No. GF201532000832) with the valid terms of 3 years. Shanghai Zhenhua Heavy Industry Group (Nantong) Drive Machinery is recognized as hi-tech enterprise in August, 2013 and won Hi-tech Enterprise Certificate (No. GR201332000207) with the valid terms of 3 years. Based on the regulations in Article 28 of Income Tax Law, the actual applicable enterprise income tax rate is 15% this year (2014: 15%)

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(1) Monetary capital

	Dec. 31, 2014	Dec. 31, 2013 (after rearrangement)
Cash on hand	746,967	626,798
Bank deposit	2,318,579,147	1,846,413,404
Other currency funds	139,007,602	1,643,927,241
In which: total deposit in foreign countries	299,033,408	280,065,264
	<u>2,458,333,716</u>	<u>3,490,967,443</u>

(a) On Dec. 31, 2015, other monetary capital includes:

(i) 120,408,105 Yuan is the margin deposit for the Group to apply for bank L/C and guarantee letter (Dec.31, 2014, 1,608,684,124Yuan, which includes 84,691,694 Yuan guarantee letter and 1,523,992,430 Yuan bank deposit over three months);

(ii) Foreign exchange clearance capital of 18,599,497 Yuan deposited in the bank (December 31, 2014: 35,243,117 Yuan).

(b) Cash and cash equivalents recorded in cash flow statements:

	Dec. 31, 2015	Dec. 31, 2013
Monetary capital	2,458,333,716	3,490,967,443
Less: restricted deposits(a) (i)	<u>(120,408,105)</u>	<u>(1,608,684,124)</u>
Final cash balance (reclassification)	2,337,925,611	1,882,283,319
Less: beginning cash balance (Note IV 56(d)) (after arrangement)	<u>(1,882,283,319)</u>	<u>(3,463,423,711)</u>
Net cash increase (decrease)	<u>455,642,292</u>	<u>(1,581,140,392)</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

- (2) Financial assets and debt measured at fair value with its change accounted in current profit and loss.

	Dec. 31, 2015		Dec. 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - Fair valuation gains / (losses)	676,082	(24,918,115)	25,735,001	(28,752,000)

On Dec. 31, 2015, in the forward foreign exchange contract established by the C with bank but not due:

Total amount of principal in USD for RMB contract is USD 270,000,000 (900,000 USD, 2014); agreed exchange rate is 6.3604 to 6.7470(6.1380 to 6.3756, 2014); contract is due between Jan. 20, 2016 and Aug. 25, 2016 (2014: Feb. 27, 2015 to Dec. 10, 2015)

Closing fair value estimated gains/losses of above forward foreign exchange contracts are shown in transactional bank confirmed amount or the amount based on end-of-market exchange rate.

- (3) Notes receivable

	Dec. 31, 2015	Dec. 31, 2014(after rearrangement)
Bank acceptance bill	230,959,622	289,549,440
Commercial acceptance bill	12,200,000	2,350,000
	<u>243,159,622</u>	<u>291,899,440</u>

As of Dec. 31, 2014, the Group had had no draft receivable pledged to banks.

Notes receivable the Group has endorsed to any other party but not yet due on Dec. 31, 2015 amounts to 302,708,598 Yuan (Dec. 31, 2014: 736,843,666 Yuan), which are bank acceptance bills. The Group has no acceptance bills not due to other parties (Dec 31, 2014: N/A)

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(4) Interest receivable

	Dec. 31, 2014 (after arrangement)	Increase report year	Decrease report year	Dec. 31. 2015
Time deposit interest	<u>51,859,503</u>	<u>53,379,545</u>	<u>(105,239,048)</u>	<u>-</u>

As of Dec 31, 2014, the interest receivable balance is the time deposit interest not due.

(5) Accounts receivable

	Dec. 31, 2015	Dec. 31, 2014 (after arrangement)
Accounts receivable	5,031,611,229	4,548,236,229
Less: bad debt provision	<u>(1,136,848,761)</u>	<u>(858,128,277)</u>
	<u>3,894,762,468</u>	<u>3,690,107,952</u>

The debt age analysis of accounts receivable is as follows:

(a) Aging:

	Dec.31, 2015	Dec.31, 2014(after arrangement)
One to six months	2,579,542,464	2,603,794,398
Seven to twelve months	553,868,900	348,568,608
One to two years	621,512,391	753,854,201
Two to three years	501,080,688	185,237,840
Three to four years	172,256,976	137,810,365
Four to Five years	106,602,535	93,290,558
Above Five years	<u>496,747,275</u>	<u>425,680,259</u>
	<u>5,031,611,229</u>	<u>4,548,236,229</u>

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IV Notes to major items in the consolidated financial statements (continued)

(5) Accounts receivable (continued)

(a) Accounts receivable (continued)

As of Dec. 31, 2015, the receivable is 1,474,329,312 Yuan (Dec. 31, 2014 : 1,088,904,155 Yuan) which is overdue without decrease. Based on the analysis of the customer financial state and the credit record, the Group considered that it can be collected. The account age of the receivable analysis is as following:

	Dec. 31, 2015	Dec. 31, 2014 (after arrangement)
One to six months	543,110,496	345,908,893
Seven to twelve months	539,196,470	555,500,980
One to two years	299,004,521	103,535,930
Two to three years	72,718,207	45,120,432
Three to four years	20,180,821	38,837,920
Four to Five years	160,797	-
	<u>1,474,371,312</u>	<u>1,088,904,155</u>

(b) Accounts receivable listed in type as follows:

	Dec. 31, 2015				Dec. 31, 2013 (after arrangement)			
	book value balance		bad debt provision		book value balance		bad debt provision	
	Amount	proportion in total	Amount	Provision proportion	amount	proportion in total	amount	Proportion of accrued
Big single amount, provided for bad debt separately	257,212,586	5%	(257,212,586)	100%	107,819,500	2%	(107,819,500)	100%
Total bad debt provision accrued in groups Credit risk portfolio								
- related party	716,117,651	14%	-	-	561,587,696	12%	-	-
- third party	3,895,457,967	78%	(716,813,150)	18%	3,728,115,582	83%	(601,986,534)	16%
Single amount, though not significant, separate provision for bad debt made	162,823,025	3%	(162,823,025)	100%	150,713,451	3%	(148,322,243)	98%
	<u>5,031,611,229</u>	<u>100%</u>	<u>(1,136,848,761)</u>	<u>23%</u>	<u>4,548,236,229</u>	<u>100%</u>	<u>(858,128,277)</u>	<u>19%</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

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IV Notes to major items in the consolidated financial statements (continued)

(5) Accounts receivable (continued)

(c) As of Dec. 31, 2015, Accounts receivable that big single amount, provided for bad debt separately is as follows:

	Book balance	Provision for bad debts	Provision proportion	Reason
Accounts receivable 1	107,819,500	(107,819,500)	100%	The other party in funds shortage
Accounts receivable	149,393,086	(149,393,086)	100%	Contract dispute
	<u>257,212,586</u>	<u>(257,212,586)</u>	<u>100%</u>	

(d) Among account receivable from total bad debt provision made in groups, portfolio analysis by ages:

	Dec. 31, 2015			Dec. 31, 2014 (after arrangement)		
	book value balance	bad debt provision		book value balance	bad debt provision	
	Amount	Amount	Proportion of accrual	Amount	Amount	Proportion of accrual
One to six months	2,039,019,778	-	-	2,375,484,470	-	-
Seven to twelve months	486,194,724	(3,811,519)	1%	282,715,685	(2,659,715)	1%
One to two years	540,630,618	(79,588,609)	15%	376,681,634	(51,856,232)	14%
Two to three years	173,228,095	(51,968,428)	30%	128,574,367	(38,491,910)	30%
Three to four years	115,657,539	(56,328,769)	49%	75,898,450	(37,409,225)	49%
Four to five years	51,739,809	(36,128,421)	70%	63,080,717	(45,889,193)	73%
Above five years	488,987,404	(488,987,404)	100%	425,680,259	(425,680,259)	100%
	<u>3,895,457,967</u>	<u>(716,813,150)</u>	<u>18%</u>	<u>3,728,115,582</u>	<u>(601,986,534)</u>	<u>16%</u>

(e) As of Dec. 31, 2015, major accounts receivable whose single amount not significant but bad debts provided for:

	Book value balance	Bad debt provision	Provision proportion	Reason
Accounts receivable 1	50,365,000	(50,365,000)	100%	The other party in funds shortage
Accounts receivable 2	25,974,465	(25,974,465)	100%	Contract dispute

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Accounts receivable 3	20,530,426	(20,530,426)	100%	Contract dispute
Accounts receivable 4	18,235,736	(18,235,736)	100%	Contract dispute
Accounts receivable 5	16,150,830	(16,150,830)	100%	Contract dispute
Accounts receivable 6	9,758,221	(9,758,221)	100%	Contract dispute
Accounts receivable 7	7,260,803	(7,260,803)	100%	Contract dispute
Accounts receivable 8	6,946,886	(6,946,886)	100%	Contract dispute
Accounts receivable 9	4,266,328	(4,266,328)	100%	Contract dispute
Accounts receivable 10	3,334,330	(3,334,330)	100%	Contract dispute
	<u>162,823,025</u>	<u>(162,823,025)</u>	<u>100%</u>	

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(5) Accounts receivable (continued)

(f) Change of accounts receivable provision bad debt in report period:

	Dec .31, 2014	Addition report period Accrued	Deduction report year		Dec. 31, 2015
			Reverse (i)	Transfer red sales	
Accounts receivables bad debt provision	<u>858,128,277</u>	<u>287,019,897</u>	<u>(8,299,413)</u>	<u>-</u>	<u>1,136,848,761</u>

(i) Among return or collection bad debt preparation, important receivable or reserved amount are shown as follows:

	Reason for return or collection	Former bad debts basis and rationality	Amount of return or collection	Collection mode
Accounts receivable 1	Vigorous recovery	Analysis based on aging	2,200,000	Monetary fu nd
Accounts receivable 2	Vigorous recovery	Analysis based on aging	1,500,000	Monetary fund
Accounts receivable 3	Vigorous recovery	Analysis based on aging	1,297,800	Monetary fund
Accounts receivable 4	Vigorous recovery	Analysis based on aging	1,050,000	Monetary fund
Accounts receivable 5	Vigorous recovery	Analysis based on aging	<u>1,000,000</u>	Monetary fund
			<u>7,047,800</u>	

(g) As of Dec. 31, 2015, the accounts receivable summary analysis of top 5 arrears is shown as following:

	Amount	Bad debt provision	Proportion in to tal accounts re ceivable
Total accounts receivables of top 5	<u>1,045,784,935</u>	<u>(382,306,518)</u>	<u>21%</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(6) Other receivables

	Dec. 31, 2015	Dec. 31, 2014 (after ar rangement)
Unsettled payment tax receivable	138,270,252	218,718,216
Export tax rebate	104,071,196	69,159,590
Customs guaranty deposit	101,381,047	150,221,658
Products or field service temporary loans	93,107,920	60,791,249
Employee's loans receivable	48,042,951	58,617,676
Bid bond payments	45,724,321	44,781,407
Lease receivables	36,490,744	22,454,137
Payments deposit for third party receivable	33,484,980	32,965,403
Disposal of assets from related parties receivable	10,000,000	10,000,000
Deposit receivable	3,806,532	4,309,291
Receivable from the parent company's stock transfer	81,342,761	82,888,156
	<u>695,722,704</u>	<u>754,906,783</u>
Less: bad debt provision	<u>(28,062,537)</u>	<u>(27,148,264)</u>
	<u>667,660,167</u>	<u>727,758,519</u>

(a) Other receivables debt age analysis

	Dec. 31, 2015	Dec. 31, 2014 (after r earrangement)
One to Six months	552,591,379	514,337,715
Seven to twelve months	30,829,138	133,332,269
One to two years	60,426,009	32,455,240
two to three years	6,649,212	6,668,524
Three to four years	1,069,700	16,182,510
Four to five years	4,944,478	34,007,259
Above five years	39,212,788	17,923,266
	<u>695,722,704</u>	<u>754,906,783</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(6) Other receivables (continued)

(a) Other receivables debt age analysis (continued):

As of Dec. 31, 2015, the other receivables are 19,679,158 Yuan (Dec. 31, 2014 : 111,249,296 Yuan) which is overdue without decrease. Based on the analysis of the customer financial state and the credit record, the Group considered that it can be collected. The account age of the receivable analysis is as following:

	Dec. 31, 2015	Dec. 31, 2014
Seven to twelve months	3,887,991	106,664,839
One to two years	13,328,426	3,585,875
two to three years	2,242,448	126,599
Three to four years	90,428	260,961
Four to five years	129,865	611,022
Above five years	-	-
	19,679,158	111,249,296

(b) Other receivables listed in type as follows:

	Dec. 31, 2015				Dec. 31, 2014 (after arrangement)			
	Book value balance		Bad debt provision		Book value balance		Bad debt provision	
	Amount	proportion in total	Amount	Proportion of accrual amount	Amount	proportion in total	Amount	Proportion of accrual
Big single amount, provided for bad debt separately	-	-	-	-	-	-	-	-
Total bad debt provision accrued in groups								
Credit risk portfolio								
- Cash deposit (excluding quality cash deposit)	153,602,049	22%	-	-	118,250,288	16%	-	-
- Employee's loan and reverse fund	141,150,871	20%	-	-	119,408,925	16%	-	-
- Others	383,162,682	55%	(10,255,435)	3%	498,830,879	66%	(8,731,573)	2%
Single amount, though not significant, separate provision for bad debt made	17,807,102	3%	(17,807,102)	100%	18,416,691	2%	(18,416,691)	100%
	695,722,704	100%	(28,062,537)	4%	754,906,783	100%	(27,148,264)	4%

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(6) Other receivables (continued)

(c) As of Dec. 31, 2015, the Company did not accrue bad debt provision for other receivables with big single amount, and provided for bad debt separately

(d) Among other account receivable from total bad debt provision made in groups, portfolio analysis by ages as follows:

	Dec. 31, 2015			Dec. 31, 2014 (after arrangement)		
	book value balance	bad debt provision		book value balance	bad debt provision	
	Amount	Amount	Pro porti on of accr ual	Amount	Amount	Pro porti on of accr ual
One to Six months	353,228,089	-	-	378,850,010	-	-
Seven to twelve months	3,927,262	(39,271)	1%	107,742,262	(1,077,423)	1%
One to two years	15,680,501	(2,352,075)	15%	4,218,676	(632,801)	15%
Two to three years	3,203,485	(961,037)	30%	180,855	(54,256)	30%
Three to four years	180,855	(90,427)	50%	521,922	(260,961)	50%
Four to five years	519,460	(389,595)	75%	2,444,088	(1,833,066)	75%
Above five years	6,423,030	(6,423,030)	100%	4,873,066	(4,873,066)	100%
	<u>383,162,682</u>	<u>(10,255,435)</u>	<u>3%</u>	<u>498,830,879</u>	<u>(8,731,573)</u>	<u>2%</u>

(e) As of Dec. 31, 2015, other receivables with single amount, though not significant, separate provision for bad debt made:

	book value balance	bad debt provision	Proportion of accrual	Reason
Other receivables 1	5,540,286	(5,540,286)	100%	Contract ca ncellation
Other receivables 2	4,214,642	(4,214,642)	100%	Other party bankruptcy
Other receivables 3	3,037,042	(3,037,042)	100%	Contract cancellation
Other receivables 4	1,692,765	(1,692,765)	100%	Contract cancellation
Others	<u>3,322,367</u>	<u>(3,322,367)</u>	<u>100%</u>	
	<u>17,807,102</u>	<u>(17,807,102)</u>	<u>100%</u>	

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(Other receivables continued)

6
)

(As of Dec. 31, 2015, other account receivable summary analysis of top 5 arrear is shown as following:

)

	Nature	Balance	Age	Proportion in other receivable s	Bad debt provision
Company A	Customs guarantee deposit	90,780,980	Within one year	13%	-
Company B	Leasing payment receivable	33,484,980	Within one year	5%	-
Company C	stock right transfer and equipment sales receivable	12,444,088	Within one year and over five years	2%	(3,944,088)
Company D	Fixed asset disposal payment receivable	10,000,000	Two to three years	1%	-
Company E	Unit borrower receivable	5,540,286	Over five y ears	1%	(5,540,286)
		<u>152,250,334</u>		<u>22%</u>	<u>(9,484,374)</u>

(g) As of Dec. 31, 2015, the company has no government subsidies confirmed as receivables. (Dec. 31, 2014: N/A).

(7) Advances

(a) Advances aging provision:

	<u>Dec. 31, 2015</u>		<u>Dec. 31, 2014 (after arrangement)</u>	
	amount	proportion in total	amount	proportion in total
within one year	994,457,189	81%	1,111,287,962	87%
one to two years	118,979,425	10%	68,499,834	5%
two to three years	25,983,355	2%	70,598,432	6%
above three	86,925,663	7%	22,656,010	2%

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Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

years

<u>1,226,345,632</u>	<u>100%</u>	<u>1,273,042,238</u>	<u>100%</u>
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On Dec. 31, 2015, the prepayment with age over a year is 231,888,443 Yuan (Dec. 31, 2014: 161,754,276 Yuan), mainly prepayment for the processing payment of the vessel used in offshore heavy equipment products imported parts and steel purchase, not yet settled because purchased product not yet completed, steel purchased not delivered.

- (b) As of Dec. 31, 2015, the advances summary analysis of top 5 arrear is shown as following:

	Amount	Proportion in total
Total advances balance of top 5	<u>497,490,559</u>	<u>41%</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(8) Inventories

(a) Inventories classified as follows:

	Dec. 31, 2015			Dec. 31, 2014 (after arrangement)		
	book value balance	Inventories impairment provision	Book value	book value balance	Inventories impairment provision	Book value
Raw materials and purchased parts	4,063,294,032	(324,784,792)	3,738,509,240	3,743,728,031	(373,339,801)	3,370,388,230
Semi products	2,279,404,264	(232,214,158)	2,047,190,106	1,227,636,119	(130,810,331)	1,096,825,788
Inventories goods	11,153,985	(11,153,985)	-	11,153,985	(11,153,985)	-
	<u>6,353,852,281</u>	<u>(568,152,935)</u>	<u>5,785,699,346</u>	<u>4,982,518,135</u>	<u>(515,304,117)</u>	<u>4,467,214,018</u>

Semi products of the Group are marine heavy equipment and semi-products spare parts in building but order not placed.

(b) Inventories impairment provision:

	Dec. 31, 2014	accrued report year	deduction report year	Dec. 31, 2015
Raw materials and purchased parts	373,339,801	-	(48,555,009)	324,784,792
Semi products	130,810,331	158,448,216	(57,044,389)	232,214,158
Inventories goods	11,153,985	-	-	11,153,985
	<u>515,304,117</u>	<u>158,448,216</u>	<u>(105,599,398)</u>	<u>568,152,935</u>

(c) Inventories impairment provision:

	Inventory impairment provision based on	Reason for return of impairment provision in report year
raw materials and purchased parts	the difference between the realizable value of raw material and purchased parts due to lower product sales price and the book value	Sale
Semi products	the difference between the realizable value of semi products and the book value	Applicable to the net realizable value is higher than the cost of production
Inventories goods	the difference between the realizable value of Inventories goods and the book value	No

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(9) Construction completed account not closed/Account closed construction not completed

(a) Construction completed account not closed

	Dec. 31, 2015	Dec. 31, 2014 (after ar rangement)
Accumulated cost incurred	36,191,103,411	35,648,169,397
Add: Accumulated margin confirmed	3,630,893,816	2,857,385,747
Less: Accumulated settled payment	(28,302,110,279)	(30,160,907,344)
Accumulated confirmed expected contract loss	<u>(302,295,092)</u>	<u>(292,239,376)</u>
	<u>11,217,591,856</u>	<u>8,052,408,424</u>

(b) Account closed construction not completed

	Dec. 31, 2015	Dec. 31, 2014
Accumulated settled payment	22,695,320,583	14,402,951,125
Less: Accumulated confirmed margin	(2,354,514,459)	(1,103,905,727)
Accumulated cost incurred	(17,575,517,723)	(10,600,431,627)
Add: Accumulated confirmed expected contract loss	<u>101,149,431</u>	<u>20,778,569</u>
	<u>2,866,437,832</u>	<u>2,719,392,340</u>

(c) Expected contract losses

	Dec. 31, 2013	Addition report period	Deduction report year	Dec. 31, 2015
Construction completed account not closed				
Account closed construction not completed	292,239,376	191,716,159	(181,660,443)	302,295,092
Construction completed account not closed	<u>20,778,569</u>	<u>113,191,465</u>	<u>(32,820,603)</u>	<u>101,149,431</u>
	<u>313,017,945</u>	<u>304,907,624</u>	<u>(214,481,046)</u>	<u>403,444,523</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(9) Construction completed account not closed/Account closed construction not completed (continued)

(d) As of Dec. 31, 2015, amount of contracts still in construction is about 40,657,492,935 Yuan (Dec. 31, 2014: 30,342,468,817 Yuan).

Probable fines in case of delay in delivery as contracted:

	Dec. 31, 2015	Dec. 31, 2014
bank issued valid guaranty letter	17,808,442,159	16,009,235,246
	<u>1,875,250,415</u>	<u>2,356,157,962</u>
	<u>19,683,692,574</u>	<u>18,365,393,208</u>

(10) Other current assets

	Dec. 31, 2015	Dec. 31, 2014 (after a rrangement)
VAT to be deducted (Note 4 (26))	507,205,272	290,043,085
Available-for-sale financial assets (Notes IV (11))		
-		
Bank short-term financing products	<u>46,000,000</u>	<u>5,686,257,756</u>
	<u>553,205,272</u>	<u>5,976,300,841</u>

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Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Bank short-term financial products means the financial products with low risk Company purchased from a bank. Since starting from December 31, 2015, these short-term financial products are due within 12 months, so they are listed as other current assets in the B/S.

The fair value of the bank short-term financial products is based on the financial product principal plus expected income as of the balance sheet date. On Dec. 31, 2015, the Company confirmed 46,000,000 Yuan (Dec. 31, 2014:265,217,756 Yuan) revenue from the short-term bank financing products, and included in the other integrated profit (Note 4 (39)).

As of Dec. 31, 2015, the short-term bank financing products 3,861,040,000 Yuan as a pledge to the bank as (Dec. 31, 2014: 3,870,000,000 Yuan bank financing products is the collateral of short-term borrowing of 3,870,000,000 Yuan (Note 4 (21)).

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements
(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(11) Available-for-sale financial assets

	Dec. 31, 2015	Dec. 31, 2014
Measured at fair value		
- Available-for-sale equity instruments (a).(b)	1,169,183,020	433,180,453
- Bank short-term financing products(b) (Note 4 (10))	46,000,000	5,686,257,756
	<u>1,215,183,020</u>	<u>6,119,438,209</u>
Measured as cost		
- Available-for-sale equity instruments (c).	72,994,160	52,640,000
	<u>(30,000,000)</u>	<u>(30,000,000)</u>
Less: impairment reserve (d)	<u>1,258,177,180</u>	<u>6,142,078,209</u>
Less: assets available for sale listed in other current assets (Note 4 (10))	<u>(46,000,000)</u>	<u>(5,686,257,756)</u>
	<u>1,212,177,180</u>	<u>455,820,453</u>

(a) The available-for-sales equity instruments measured at fair value include:

(i) The Group holds 7.22% shares of stock of Jiangxi Huawu Brake Co., Ltd (Dec 31, 2014: 7.93%) and the initial investment cost is 11,071,606 Yuan.

The available-for-sales equity instruments measured at fair value is confirmed by the closing price of the last trading day of Shenzhen Stock Exchange. As of Dec 31, 2015, the Company has confirmed the profit of 326,579,220 Yuan available-for-sales equity instruments, accounted in other comprehensive profit (Note 4 (39)).

(ii) The Group holds 2.16% shares of stock of Qingdao Port International Co., Ltd and the initial investment cost is 308,515,588 Yuan.

The available-for-sales equity instruments measured at fair value is confirmed by the closing price of the last trading day of Hong Kong Stock Exchange. As of Dec 31, 2015, the Company has confirmed loss of 9,694,028 Yuan for available-for-sales equity instruments, accounted in other comprehensive profit (Note 4(39)).

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

(iii)The Group holds 1.4% shares of stock of CRSC and the initial investment cost is 617,854,000 Yuan.

The available-for-sales equity instruments measured at fair value is confirmed by the closing price of the last trading day of Hong Kong Stock Exchange. As of Dec 31, 2015, the Company has confirmed loss of 86,877,765 Yuan for available-for-sales equity instruments, accounted in other comprehensive profit (Note 4(39)).

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements
(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(11) Available-for-sale financial assets (continued)

(a) The available-for-sales equity instruments measured at fair value include:
(continued):

(iv)The Group holds less than 0.01% shares of stock of Shenwan Hongyuan Group and the initial investment cost is 200,000 Yuan.

The available-for-sales equity instruments measured at fair value is confirmed by the closing price of the last trading day of Shenzhen Stock Exchange. As of Dec 31, 2015, the Company has confirmed loss of 1,534,399 Yuan for available-for-sales equity instruments, accounted in other comprehensive profit (Note 4 (39)).

(b) The available for sale financial assets analysis measured at fair value as follows:

	Dec. 31, 2015	Dec. 31, 2014
Available-for-sale equity instruments		
- Fair value	1,169,183,020	433,180,453
- Cost	937,641,194	320,618,166
- Accumulated in Other comprehensive income	231,541,826	112,562,287
Bank short-term financing products		
- Fair value	46,000,000	5,686,257,756
- Cost	46,000,000	5,421,040,000
- Accumulated in Other comprehensive income	-	265,217,756
Total		
- Fair value	1,215,183,020	6,119,438,209
- Cost	983,641,194	5,741,658,166
- Accumulated in Other comprehensive income	231,541,826	377,780,043

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(11) Available-for-sale financial assets (continued)

(c) Analysis on financial assets available for sales and measured by costs:

	Dec. 31, 2014	Addition report period	Deduction report year	Dec. 31, 2015	Invested Company shareholding ratio	Current year cash dividend
Available for sale equity instruments-costs						
21 st Century Science and Technology Investment Co., Ltd	30,000,000	-	-	30,000,000	8.96%	-
Nantong Zhenhua Hongsheng Heavy Forging Co., Ltd (i)	13,000,000	-	-	13,000,000	10%	-
CCCC Highway Bridges National Engineering Research Centre Co., Ltd (ii)	6,400,000	-	-	6,400,000	3.2%	-
CCCC Dredging Technology Equipment State Engineering Research Center Co., Ltd	800,000	-	-	800,000	10%	-
ongchang Lifting Equipment Co., Ltd. of Shanghai Zhenhua Port Machinery (Group)	1,500,000	-	-	1,500,000	10%	-
Shenyang Elevator Co., Ltd of Shanghai Zhenhua Port Machinery (Group)	740,000	556,000	-	1,296,000	10%	9,465,520
Ningbo Transmission Machinery Co., Ltd of Shanghai Zhenhua Port Machinery (Group)	200,000	-	(200,000)	-	Less than 0.01%	-
Shenyin Wanguo Corporate Shares	-	19,998,160	-	19,998,160	6.38%	-
	<u>52,640,000</u>	<u>20,554,160</u>	<u>(200,000)</u>	<u>72,994,160</u>		<u>9,465,520</u>
Available for sale equity instruments-impairment reserve						

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

21st Century Science and Technology
Investment Co., Ltd

<u>(30,000,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000,000)</u>
<u>22,640,000</u>	<u>20,554,160</u>	<u>(200,000)</u>	<u>42,994,160</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(11) Available-for-sale financial assets (continued)

(c) Available-for-sale financial assets—measured at cost
(continued)

- (i) The Company has increased the stock investment of Shanghai Zhenhua Port Machinery (Group) Ningbo Transmission Machinery Co Ltd with amount of 556,000 Yuan and increases 10% holding proportion.
- (ii) Since the Shenwan Hongyuan Co., Ltd is listed in Shenzhen Stock Exchange, the Shenyin Wanguo legal stock held by the Company is accounted as fair value this year.
- (iii) The Company has increased the stock investment of Hunan Fengri Power Co Ltd with amount of 19,998,160 Yuan and increases 6.38% holding proportion.

The available-for-sale financial assets measured in cost are the non-listed stock investment held by the Group. There is no active market quotation for the investment. The change range of the reasonable count of fair value is higher. The probability of the fair value estimate can't be reasonably confirmed, so the fair value can't be reliably measured. The Group has no plan to dispose the investment.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(11) Available-for-sale financial assets (continued)

(d) The information analysis of available-for-sale financial assets impairment provision as follows:

Dec. 31, 2014	
Dec., 31, 2014	30,000,000
Provision or reduction of this year	<u>-</u>
Dec. 31, 2015	
Dec., 31, 2015	<u>30,000,000</u>

(12) Long-term receivables

	Dec. 31, 2015	Dec. 31, 2014
“Construction - transfer” item receivable		
- Principal	5,594,243,805	5,076,938,969
- Interest receivable	589,392,944	262,231,179
The others	<u>-</u>	<u>2,302,500</u>
	6,183,636,749	5,341,472,648
Less: long term receivables due within one year	<u>(2,625,135,212)</u>	<u>(2,302,500)</u>
	<u>3,558,501,537</u>	<u>5,339,170,148</u>

The Group in 2013 undertook the Nanjing to Gaochun New Channel project and Nanjing-Gaochun Inter-city Rail Transit Phase II (cross-lake section) project (referred to as "Nanjing High Speed 'Construction - transfer' Item"); total investment of the project 5,918,800,000 Yuan, the construction of Item for a period of 2 years, repurchase period is 2.5 years, return on investment 3 - 5 year, bank loans surface 30% over benchmark interest rate. The Group established a wholly owned subsidiary Nanjing Ninggao New Channel Construction Co., Ltd. responsible for the financing and construction management of the said project. By Dec 31, 2015, the Group predicted that the project will be completed in the second half year in 2015 and it is predicted to collect the payment of the project in 2016.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

The Group undertook Jiangsu Qidong Lvsi port surrounded PPP project in 2015, with total investment of 2 billion Yuan. The project construction period is 2 years, and the repurchase period is 10 years, the return on investment is the bank loans benchmark interest rate increased by 30% for over 5 years. The Group, CCCC Tianjin Waterway Bureau Co., Ltd. and Jiangsu Qidong Lvsi Port Economic Development Zone Management Committee jointly established CCCC Qidong Investment Development Co., Ltd. responsible for the project investment, financing and construction management.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(12) Long-term receivables (continued)

The Group undertook the Phase I of infrastructure and public utilities projects of Jiangsu Zhongguancun Science and Technology Industrial Park. The project total investment is 3.7 billion Yuan, with project construction period of 2 years, the purchase back period is 4 years, the return on investment is the bank loans benchmark interest rate increased by 30% for over 5 years. The Group, CCCC Shanghai Waterway Bureau Co., Ltd., CCCC East China Investment Co., Ltd., CCCC Second Highway Survey Design and Research Institute Co., Ltd. and Jiangsu Zhongguancun Science and Technology Industrial Park Administrative Committee jointly established CCCC Liyang City Investment Construction Co., Ltd. responsible for the project investment, financing and construction management.

As of Dec. 31, 2015, the long-term receivables refer to the investment amount principal the Group invested in Nanjing High Speed "Construction - Transfer" Its interest receivable subject to confirmation of financing return according to the contract.

As of Dec. 31, 2015, the long-term receivable 5,680,467,098 Yuan is the pledged full amount to the bank as the guarantee of short-term loan of 2,187,000,000 Yuan and (Dec 31, 2014:500,000,000 Yuan(Note 4(21)) and long-term loan 1,687,000,000 Yuan (Note 4(32)).

(13) Long term equity investment

	Dec. 31, 2015	Dec. 31, 2014
joint ventures (a)	175,387,196	169,883,948
associates (b)	1,421,747,621	755,466,135
	<u>1,597,134,817</u>	<u>925,350,083</u>

There are no limits to value realization of the Group's long term equity investment.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(13) Long term equity investment (continued)

(a) Joint ventures

	Dec. 31, 2014	Report year movement		Dec.31.2015	impairment provision
		Addition of investment	Net gains/losses adjusted on equity basis		
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd.	162,922,641	-	8,654,848	171,577,489	-
ZPMC Mediterranean Liman Makinalari Ticaret Anonim Sirketi	327,639	-	2,731,788	3,059,427	-
Zhenhua Marine Energy (Hong Kong) Co., Ltd (i)	6,633,668	-	(6,633,668)	-	-
Cranetech Global Sdn. Bhd.(ii)	-	750,280	-	750,280	-
	<u>169,883,948</u>	<u>750,280</u>	<u>4,752,968</u>	<u>175,387,196</u>	<u>-</u>

Refer to Note 6 (2) for the information of the rights of the joint ventures.

(i) On May 5, 2015, the subsidiary of the Company and the partner invested to establish Zhenhua Marine Energy (Hong Kong) Co., Ltd (Zhenhua Marine Energy). The registered capital is 5,969,998 USD; the subsidiary of the Company contributed 3,044,699 USD, holding 51% of the shares. The company focused on the vessel transportation business. Based on the regulations of the shareholder agreement, the significant issues of the company shall be agreed by at least 75% shareholders via voting. The Group has no control rights but joint controls the company together with the partner.

On January 20, 2016, the Group and BF HK Limited signed the exit contract about Zhenhua Marine Energy. The Group has the rights to sell 51% of the total shares of Zhenhua Marine Energy to RBF HK Limited when meeting the related articles of the exit contract; or purchased 32.5% of the total shares of Zhenhua Marine Energy from RBF HK Limited.

(ii) On July 30, 2015, the subsidiary of the Company and the partner invested to establish Cranetech Global Sdn. Bhd.. The registered capital is 1,000,000 MYR; the subsidiary of the Company contributed 499,999 MYR, holding 49.99% of the shares. The company focused on the spare parts sales. Based on the regulations of the shareholder agreement, the significant issues of the company shall be agreed by both parties. The Group has no control rights but joint controls the company together with the partner.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(13) Long term equity investment (continued)

(b) Associates

	Dec. 31, 2014	Report year movement				Dec.31, 2015	Impairment provision
		Addition of investment	Net gains/losses adjusted on equity basis	Other comprehensive Income adjustment	Releasing cash dividend or profit		
CCCC Marine Engineering Vessel Technology Research Centre Co., Ltd	15,079,243	-	189,957	-	-	15,269,200	-
Shanghai Zhenhua Heavy Industries (Group) Changzhou Paint Co., Ltd.	14,349,607	-	1,956,549	-	(1,680,000)	14,626,156	-
CCCC Estate Yixing Co., Ltd.	174,686,810	-	10,975	-	-	174,697,785	-
CCCC Financing Rental Co., Ltd(i)	551,350,475	540,000,000	50,390,223	-	-	1,141,740,698	-
China Communications Construction USA Inc.(ii)	-	76,206,000	(2,048,615)	1,256,397	-	75,413,782	-
	<u>755,466,135</u>	<u>616,206,000</u>	<u>50,499,089</u>	<u>1,256,397</u>	<u>(1,680,000)</u>	<u>1,421,747,621</u>	<u>-</u>

Refer to Note 6 (2) for the information of the rights of the associates.

(i) On May 29, 2015, the Company increased the capital to CCCC Financial Rental Co., Ltd of 540,000,000 Yuan. The registration capital of the Company is 3,600,000,000 Yuan. The holding proportion is the same, that is 30%.

(ii) On October 8, 2015, the Company invested to establish China Communications Construction USA Inc. The registration capital is 50,000,000 USD, in which the Company invested 12,000,000 USD, holding 24% of the share. The company focuses on port construction business.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(14) Real estate as investment

	Dec. 31, 2014	Depreciation and amortization report period	Dec. 31, 2015
Total purchase value	469,885,167	-	469,885,167
House and building	260,039,373	-	260,039,373
Land use rights	209,845,794	-	209,845,794
Total accumulative depreciation, amortization	(95,003,298)	(13,709,061)	(108,712,359)
House and building	(55,489,717)	(8,384,396)	(63,874,113)
Land use rights	(39,513,581)	(5,324,665)	(44,838,246)
Total net book value	374,881,869	(13,709,061)	361,172,808
House and building	204,549,656	(8,384,396)	196,165,260
Land use rights	170,332,213	(5,324,665)	165,007,548

Total depreciation and amortization amount of investment real estate in 2015 amounts to 8,384,396 Yuan and 5,324,665 Yuan included in other operating expenses (2014: 8,785,732 Yuan).

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(15) Fixed Assets

	Dec. 31, 2014 (Reclassification)	Transfer from Construction in progress (Note 4 16)	Addition report year	Accrued report year	Disposal report year (Note 4 16)(Note I)	Disposal of subsidiaries transferred out	Dec.31, 2015
Total purchase value	25,534,507,747	1,266,510,344	217,316,716	-	(854,863,281)	(235,662,346)	25,927,809,180
House and building	11,604,062,941	22,188,417	-	-	-	(9,645,962)	11,616,605,396
Manufacturing equipment	7,619,840,761	79,192,802	92,012,999	-	(854,863,281)	(162,618,345)	6,773,564,936
Office equipment	224,037,856	348,905	22,587,196	-	-	(16,904,783)	230,069,174
Transportation facilities	299,095,591	806,376	10,147,948	-	-	(46,493,256)	263,556,659
Other equipment Vessel	5,787,470,598	1,163,973,844	92,568,573	-	-	-	7,044,013,015
Total accumulative depreciation	(9,463,948,578)	-	-	(1,235,151,343)	233,392,840	193,434,777	(10,272,272,304)
House and building	(2,367,995,928)	-	-	(368,126,953)	-	2,419,331	(2,733,703,550)
Manufacturing equipment	(4,298,721,160)	-	-	(553,828,270)	233,392,840	145,192,478	(4,473,964,112)
Office equipment	(147,156,907)	-	-	(22,112,064)	-	9,956,136	(159,312,835)
Transportation facilities	(216,008,230)	-	-	(3,396,292)	-	35,866,832	(183,537,690)
Other equipment Vessel	(2,434,066,353)	-	-	(287,687,764)	-	-	(2,721,754,117)
Total net book value	16,070,559,169	1,266,510,344	217,316,716	(1,235,151,343)	(621,470,441)	(42,227,569)	15,655,536,876
House and building	9,236,067,013	22,188,417	-	(368,126,953)	-	(7,226,631)	8,882,901,846
Manufacturing equipment	3,321,119,601	79,192,802	92,012,999	(553,828,270)	(621,470,441)	(17,425,867)	2,299,600,824
Office equipment	76,880,949	348,905	22,587,196	(22,112,064)	-	(6,948,647)	70,756,339
Transportation facilities	83,087,361	806,376	10,147,948	(3,396,292)	-	(10,626,424)	80,018,969

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Other equipment					-		
Vessel	3,353,404,245	1,163,973,844	92,568,573	(287,687,764)		-	4,322,258,898

Note 1: the fixed assets that turn into the project in process are the shield machines that shall be upgraded and modified as requested by the customers.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(15) Fixed Assets (continued)

On Dec. 31, 2015, facilities with purchase value of 2,192,650,098 Yuan (Dec. 31, 2014: original price: 2,138,858,322 Yuan) have been fully depreciated but still in service.

In 2015, depreciation booked into operating costs, selling expenses and general expenses is respectively 1,167,204,121 Yuan, 135,960 Yuan (Note IV [44]) and 67,811,262 Yuan (Note IV(45)) (2014: 1,120,793,930 Yuan, 856,497 Yuan and 92,467,494 Yuan).

As of Dec. 31, 2015, real estate property right for houses and buildings with net book value around 3,858,601,419 Yuan (purchase value 4,635,634,326 Yuan) (Dec. 31, 2014 net book value 4,016,545,318 Yuan, purchase value 4,635,634,326 Yuan) are in the process of approval and therefore certificates are not granted; the management of the Company believes that the house and building with unattained certificate shall not impose great impact on the major operation of the Group.

On Dec. 31, 2015, the fixed assets are regarded as loan mortgage

	Original price	Book value	Property	Loan Amount
Machinery equipment	688,768,652	542,853,378	Short term loan	500,000,000
Ship	1,050,416,521	1,036,238,241	Long term payable	779,232,000
	<u>1,739,185,173</u>	<u>1,579,091,619</u>		<u>1,279,232,000</u>

As of Dec. 31, 2014, the fixed assets are regarded as loan mortgage

	Original price	Book value	Property	Loan
House and building	314,742,493	259,731,664	Long term loan	130,000,000

(16) Construction in progress

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

	book value balance	impairment provision	book value	book value balance	impairment provision	book value
Nantong base infrastructure construction	29,440,311	-	29,440,311	22,012,970	-	22,012,970
Changxing base infrastructure construction	32,251,760	-	32,251,760	361,078,310	-	361,078,310
Base heavy machinery and engineering equipment in construction	2,889,709,277	-	2,889,709,277	2,422,182,764	-	2,422,182,764
Office buildings and ancillary facilities	606,274	-	606,274	355,140	-	355,140
Nanhui base infrastructure construction	3,893,441	-	3,893,441	3,157,532	-	3,157,532
Nantong base infrastructure construction	621,470,441	-	621,470,441	-	-	-
	<u>3,577,371,504</u>	<u>-</u>	<u>3,577,371,504</u>	<u>2,808,786,716</u>	<u>-</u>	<u>2,808,786,716</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(16) Construction in progress (continued)

(a) Movement of significant projects in progress

Project Name	budget	Dec. 31, 2014 (reclassification)	Addition report period	Transfer into fixed assets report year (noteIV(15))	Transfer into intangible assets report year (noteIV(15))	Transfer into fixed assets report year (noteIV(17))	Dec. 31, 2015
Nantong base infrastructure construction	6,465,698,000	22,012,970	20,262,621	-	(12,835,280)	-	29,440,311
Changxing base infrastructure construction	8,645,540,000	361,078,310	152,687,101	-	(17,014,084)	(464,499,567)	32,251,760
Base heavy engineering equipment construction	3,419,155,861	2,422,182,764	1,699,302,521	-	(1,231,776,008)	-	2,889,709,277
Office buildings and ancillary facilities	5,000,000	355,140	5,136,106	-	(4,884,972)	-	606,274
Nanhui base infrastructure construction	504,500,000	3,157,532	735,909	-	-	-	3,893,441
Large machinery Engineering	630,699,732	-	-	621,470,441	-	-	621,470,441
Information system development	5,581,847	-	5,581,847	-	-	(5,581,847)	-
		<u>2,808,786,716</u>	<u>1,883,706,105</u>	<u>621,470,441</u>	<u>(1,266,510,344)</u>	<u>(470,081,414)</u>	<u>3,577,371,504</u>

Note 1: The progress of the project is estimated by budget and accumulated inputs.

IV Notes to major items in the consolidated financial statements (continued)

(17) Intangible Assets

	Land use rights	Software use cost	Patented t echnologie s	Total
Total purchase value Dec. 31, 2014 (reclassification)	3,781,845,917	38,176,745	65,201,810	3,885,224,472
Addition report period				
Purchase	464,499,567	5,581,847	-	470,081,414
Purchase of increasing Subsidiaries	-	2,461,276	-	2,461,276
Dec. 31, 2015	<u>4,246,345,484</u>	<u>46,219,868</u>	<u>65,201,810</u>	<u>4,357,767,162</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Accumulated amortization				
Dec. 31, 2014 (reclassification)	(381,984,998)	(31,798,450)	(31,098,984)	(444,882,432)
Addition report period Provision	(85,563,197)	(1,296,376)	(6,587,291)	(93,446,864)
Dec. 31, 2015	<u>(467,548,195)</u>	<u>(33,094,826)</u>	<u>(37,686,275)</u>	<u>(538,329,296)</u>
Book value				
Dec. 31, 2014	<u>3,778,797,289</u>	<u>13,125,042</u>	<u>27,515,535</u>	<u>3,819,437,866</u>
Dec. 31, 2015(reclassification)	<u>3,399,860,919</u>	<u>6,378,295</u>	<u>34,102,826</u>	<u>3,440,342,040</u>

In 2015, the Group totally expended 717,412,492 Yuan on R&D (2014: 780,894,035 Yuan). The expenses are not capitalized. Above mentioned intangible assets do not include any expenditure on R&D.

As of Dec. 31, 2015, there is no mortgage of the loan in the intangible assets .

On Dec. 31, 2014, the book value of intangible assets is 278,828,506 Yuan (original price: 313,628,134 Yuan) land use rights as the guarantee of long-term loan of 130,000,000 Yuan (Note 4 (32))

On Dec. 31, 2015, the intangible assets include the land use rights with book value of 456,757,908 Yuan (original price 464499567 Yuan) (Dec. 31, 2014: N/A). Since the property application is in the process of approval, the land use rights certificate is not obtained. The management of the Group believes that the land use right issue shall have no significant impact on the group's business activities.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(18) Goodwill

	Dec. 31,2014	Addition report period	Deduction report year	Dec. 31, 2015
Goodwill - Qidong Marine Company	<u>149,212,956</u>	<u>-</u>	<u>-</u>	<u>149,212,956</u>

The goodwill added in report period is caused by purchase shares of Qidong Marine Company in 2014.

As of Dec, 31, 2014, the Group did not accrue the goodwill impairment preparation. In impairment testing, the book value of the goodwill is allocated to asset group benefited from synergistic effect of expected enterprise consolidation.

The collectable amount in assets group is measured based on five-year period approved by management and in cash flow forecast method. Cash flow over 5-year period is calculated based on estimated growth rate.

Key hypotheses of future cash flow discount method:

Growth rate	3%-16.56%
Gross profit rate	10.5%-13.02%
Discount rate	10.8%

The weighted average growth rate adopted by management is in accordance with the forecast data in industrial report and does not exceeding the industrial long-term average growth rate. The management determines gross rate according to forecast to historical experience and market development and adopts pre tax rate which can reflect related assets group with specific risks as discount rate. Above hypothesis is used to analyze collectable amount of assets group.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(19) Deferred corporate tax assets and liabilities

(a) Deferred corporate tax assets before offset

	Dec. 31, 2015		Dec. 31, 2014 (reclassification)	
	Compensable provisional difference and compensated loss	Deferred corporate tax assets	Compensable provisional difference and compensated loss	Deferred corporate tax assets
Assets impairment provision	2,071,800,834	310,888,702	1,573,979,904	236,096,986
Expected liabilities	214,619,364	32,339,037	191,656,260	28,748,439
Salaries and wages unpaid	286,998,209	43,049,731	272,277,266	40,841,590
Unpaid interest	274,442,941	41,166,441	578,367,210	86,755,082
Financial debt fair value change measure at fair value with its change accounted in current profit and loss	24,918,115	3,772,318	28,752,000	4,312,800
Movement of fair value of financial liabilities	96,571,793	15,934,346	35,267,767	5,819,181
Compensable loss	53,508,679	12,307,170	47,571,777	11,892,944
Assets impairment provision	123,919,655	18,918,211	455,169,542	68,319,451
	<u>3,146,779,590</u>	<u>478,375,956</u>	<u>3,183,041,726</u>	<u>482,786,473</u>
In which:				
Amount returned within 1 year(including 1 year)	2,913,824,975	438,508,208	2,852,052,275	432,565,019
Amount returned after 1 year	232,954,615	39,867,748	330,989,451	50,221,454
	<u>3,146,779,590</u>	<u>478,375,956</u>	<u>3,183,041,726</u>	<u>482,786,473</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(19) Deferred corporate tax assets and liabilities (continued)

(b) Deferred corporate tax liabilities before offset

	Dec. 31, 2015		Dec. 31, 2014	
	Tax payable provisional difference	Deferred corporate tax liabilities	Tax payable provisional difference	Deferred corporate tax liabilities
Fixed assets depreciation	359,472,141	59,312,902	244,695,939	40,374,830
Financial assets fair value change measure at fair value with its change accounted in current profit and loss	676,082	108,672	25,735,001	3,860,250
Financial assets fair value change available for sale	328,113,620	49,370,483	413,047,808	61,957,171
Asset evaluation increase generated by the enterprise consolidation under different control	<u>177,210,567</u>	<u>26,581,585</u>	<u>188,275,408</u>	<u>28,241,309</u>
	<u>865,472,410</u>	<u>135,373,642</u>	<u>871,754,156</u>	<u>134,433,560</u>
In which:				
Amount returned within 1 year(including 1 year)	333,168,813	49,975,322	442,090,589	66,313,588
Amount returned after 1 year	<u>532,303,597</u>	<u>85,398,320</u>	<u>429,663,567</u>	<u>68,119,972</u>
	<u>865,472,410</u>	<u>135,373,642</u>	<u>871,754,156</u>	<u>134,433,560</u>

(c) Compensable loss of deferred corporate tax assets the Group not confirmed:

	Dec. 31, 2015	Dec. 31, 2014
Compensable loss	<u>1,352,502,582</u>	<u>1,050,720,191</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(19) Deferred corporate tax assets and liabilities (continued)

(d) Compensable loss of deferred corporate tax assets the Group not confirmed will be due in the following year:

	Dec. 31, 2015	Dec. 31, 2014
2015	-	27,980,847
2016	132,359,784	136,625,528
2017	239,989,509	279,163,521
2018	262,745,183	263,474,446
2019	341,568,548	343,475,849
2020	375,839,558	-
	<u>1,352,502,582</u>	<u>1,050,720,191</u>

(e) Mutual offset amount of deferred corporate tax assets and deferred corporate tax liabilities:

	Dec. 31, 2015	Dec. 31, 2014
Deferred corporate tax assets	65,330,657	71,636,602
Deferred corporate tax liabilities	<u>65,330,657</u>	<u>71,636,602</u>

Net value of deferred corporate tax assets and deferred corporate tax liabilities after offset:

		Dec. 31, 2015		Dec. 31, 2014 (reclassification)	
		Deferred corporate tax assets or liabilities net value	Temporary difference of compensable amount after offset or taxes payable	Deferred corporate tax assets or liabilities net value	Temporary difference of compensable amount after offset or taxes payable
Deferred corporate tax assets	tax	413,045,299	2,711,241,877	411,149,871	2,708,991,160
Deferred corporate tax liabilities	tax	<u>70,042,985</u>	<u>429,934,697</u>	<u>62,796,958</u>	<u>397,703,580</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(20) Assets impairment provision

	Dec.31, 2014	Addition report period	Deduction report year		Dec. 31, 2015
			Reverse	transferred sales	
Bad debt provision	885,276,541	289,433,716	(9,798,959)	-	1,164,911,298
Including: Accounts receivable	858,128,277	287,019,897	(8,299,413)	-	1,136,848,761
Other receivable	27,148,264	2,413,819	(1,499,546)	-	28,062,537
Expected contract loss	313,017,945	304,907,624	-	(214,481,046)	403,444,523
Inventories impairment provision	515,304,117	158,448,216	(105,599,398)	-	568,152,935
Financial assets impairment provision available for sale	30,000,000	-	-	-	30,000,000
	<u>1,743,598,603</u>	<u>752,789,556</u>	<u>(115,398,357)</u>	<u>(214,481,046)</u>	<u>2,166,508,756</u>

(21) Short term loans

	Dec. 31, 2015	Dec. 31, 2014(reclassification)
Pledge loans (a)	-	4,615,734,175
Guaranteed loans (b)	2,842,115,536	2,727,316,000
Mortgage loans (c)	500,000,000	-
Credit loans	<u>14,874,812,954</u>	<u>13,924,023,765</u>
	<u>18,216,928,490</u>	<u>21,267,073,940</u>

(a) As of Dec. 31, 2015, the Group has no bank pledge loan.

As of Dec. 31, 2014, bank pledge loans 3,870,000,000 Yuan is pledged by the 3,861,040,000 Yuan bank short term financial products (Note IV (10)). The bank pledge loan 500,000,000 Yuan (Dec. 31, 2013: N/A) is the pledge of all long-term receivable of Nanjing Highway “construction-transfer” project (Note IV (10)).

The bank pledge loan is 40,159,205 USD, and 245,734,175 RMB. The time deposit of 20,000,000 USD, 122,380,000 RMB and the deposit of 135,000,000 RMB consist of the bank pledge. (Note 4 (1))

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(21) Short term loans (continued)

- (b) As of Dec. 31, 2015, bank guarantee loan USD 207,260,000 in RMB 1,345,863,536 Yuan (Dec. 31, 2014: USD 214,000,000, in RMB 1,309,466,000 Yuan), is the bank loan by the Company's subsidiary guaranteed with the letters of guarantee issued, within the credit lines awarded to the Company.

As of Dec. 31, 2015, bank guarantee loan USD 195,000,000, in RMB 1,266,252,000 Yuan (Dec. 31, 2014: USD 150,000,000, in RMB 917,850,000 Yuan), is the bank loan of the Company's subsidiary, guaranteed by the Company.

As of Dec. 31, 2015, the bank guarantee loan of 230,000,000 Yuan is the loan borrowed from the subsidiary, and the Company provides the guarantee (Dec. 31, 2014: 300,000,000 Yuan is the loan borrowed from the subsidiary, and the Company provides the guarantee. The bank guarantee loan 200,000,000 Yuan is the bank loan of the Company's subsidiary, guaranteed by Nanjing Metro Group Co., Ltd.)

- (c) As of Dec. 31, 2015, the bank mortgage loan of 500,000,000 Yuan is obtained by mechanical equipment with book value of 542,853,378 Yuan (Original price of 688,768,65 Yuan) (Note 4(15)) selling to CCCC Financial Rental Co., Ltd and bank in way of rental after sales. The loan term is 1 year. The Group will take the trade as the mortgage loan.

Weighted average annual interest rate of loans for the Group in 2015 is between 1.12% to 6.00% (2014: 1.56% to 6.72%).

(22) Notes payable

	Dec. 31. 2015	Dec. 31. 2014 (reclassification)
Bank acceptance draft	<u>1,785,201,236</u>	<u>1,989,118,156</u>

Above drafts will be due within one year.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(23) Accounts payable

	Dec. 31, 2015	Dec. 31. 2014 (reclassification)
Material purchase and product		
Manufacturing payables	5,221,670,634	4,777,278,179
Equipment purchase payables	136,011,638	97,822,895
Infrastructure building payables	73,171,633	76,583,608
Retention payables	34,726,344	13,161,568
Port use payables	5,560,773	4,318,444
	<u>5,471,141,022</u>	<u>4,969,164,694</u>

(a) Accounts payable analysed by age:

	<u>Dec. 31, 2015</u>		<u>Dec. 31. 2014 (reclassification)</u>	
	Amount	Proportion in total	Amount	Proportion in total
Within one year	4,233,618,165	77%	4,358,626,848	88%
Above one year	1,237,522,857	23%	610,537,846	12%
	<u>5,471,141,022</u>	100%	<u>4,969,164,694</u>	100%

By Dec. 31, 2015, accounts payable aging above 1 year mainly being payables of imported parts.

(24) Prepayment received

	Dec. 31, 2015	Dec. 31. 2014 (reclassification)
Goods sale prepayment received	<u>423,603,129</u>	<u>318,636,126</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(24) Accounts payable (continued)

	Dec. 31, 2015		Dec. 31, 2014 (reclassification)	
	Amount	Proportion in total	Amount	Proportion in total
Within one year	348,798,640	82%	287,650,012	90%
Above one year	74,804,489	18%	30,986,114	10%
	<u>423,603,129</u>	<u>100%</u>	<u>318,636,126</u>	<u>100%</u>

By Dec. 31, 2015 and 2014, accounts payable aging above 1 year mainly being payables of imported parts.

(25) Employee remuneration payable

	Dec. 31, 2015	Dec. 31, 2014
Short-term remuneration payable (a)	256,306,845	243,725,463
Set drawing plan payable (b)	1,515,765	1,837,472
	<u>257,822,610</u>	<u>245,562,935</u>

(a) Short-term remuneration payable

	Dec. 31, 2014	Increase this year	Deduction this year	Dec 31, 2015
Salary, bonus, allowance and subsidy	210,975,170	1,147,483,869	(1,135,811,172)	222,647,867
Staff welfare	-	31,565,042	(31,565,042)	-
Social security	928,094	112,537,032	(112,717,997)	747,129
Including: medical insurance	757,763	95,224,571	(95,367,571)	614,763
Labor injury fund	111,984	9,306,893	(9,320,480)	98,397
Birth insurance	58,347	8,005,568	(8,029,946)	33,969
Housing fund	512,785	97,350,291	(97,427,782)	435,294
Trade union fund and employee education fund	31,121,189	16,234,764	(14,879,398)	32,476,555
Other	188,225	11,997,705	(12,185,930)	-
	<u>243,725,463</u>	<u>1,417,168,703</u>	<u>(1,404,587,321)</u>	<u>256,306,845</u>

As of Dec. 31, 2015, there are no payable arrears in the payable employee remuneration. The balance at the end of 2015 will be all released or used up.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(25) Employee remuneration payable (continued)

(b) Set drawing plan

	Dec. 31, 2014	Addition report period	Deduction report year	Dec. 31, 2015
Pension	1,719,925	194,575,647	(194,865,869)	1,429,703
Auxiliary pension	-	66,460,214	(66,460,214)	-
Unemployment fund	117,547	13,541,199	(13,572,684)	86,062
	<u>1,837,472</u>	<u>274,577,060</u>	<u>(274,898,767)</u>	<u>1,515,765</u>

(26) Taxes and charges payable

(a) Taxes and charges payable are summarized as follows:

	Dec. 31, 2014 (reclassification)	Current year amount payable	Current year handed amount	Dec. 31, 2015
Operation tax payable	105,050,543	8,634,872	(7,910,083)	105,775,332
VAT payable	(241,554,296)	(102,028,304)	(127,242,732)	(470,825,332)
Corporate Tax	33,416,853	53,171,303	(39,598,912)	46,989,244
Urban Construction Education Addition	9,729,023	5,371,459	(6,267,611)	8,832,871
Individual Income Tax	7,632,557	5,180,139	(6,148,429)	6,664,267
Other	4,699,319	74,174,253	(74,208,916)	4,664,656
	<u>13,026,204</u>	<u>94,832,269</u>	<u>(65,613,777)</u>	<u>42,244,696</u>
	<u>(67,999,797)</u>	<u>139,335,991</u>	<u>(326,990,460)</u>	<u>(255,654,266)</u>
VAT to be deducted reclassified to other current assets (Note 4(10))	290,043,085	-	-	507,205,272
	<u>222,043,288</u>	<u>139,335,991</u>	<u>(326,990,460)</u>	<u>251,551,006</u>

(27) Interest payable

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Interest on loan payable	91,722,905	414,182,956
Bond interest payable	197,867,828	188,337,500
	<u>289,590,733</u>	<u>602,520,456</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(28) Dividends payable

	Dec. 31, 2015	Dec. 31, 2014
CCCC Tianjin Waterway Bureau Co., Ltd	25,079,494	-
Chuwa Bussan Company Limited	6,269,873	-
CCCC Hong Kong Zhenhua Engineering Co., Ltd	502,283	502,283
Access Engineering Plc.	346,005	346,005
Macau Zhenhua Bay Engineering Co., Ltd.	33,664	-
	6,593	6,593
	<u>32,237,912</u>	<u>854,881</u>

(29) Other payables

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Construction deposit	1,118,000,000	100,000,000
Related parties loans	205,692,211	137,534,163
Related parties payables	100,971,833	25,971,833
CCCC investment payment (i)	50,158,344	131,224,119
Insurance claims	25,997,127	-
Other	103,703,871	56,664,535
	<u>1,604,523,386</u>	<u>451,394,650</u>

- (i) The Group completed the cancellation of a subsidiary during the year 2011. The balance of 25,971,833 Yuan shall be accounted into the payable by the Group attributable to shareholders of the subsidiary of another CCCC liquidation of the investment; meanwhile, the Group completed the acquisition of subsidiary of China Communications Corporation (Note 5 (1)). The balance of 75,000,000 Yuan is the payment of the Group to China Communications Corporation

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(29) Other payables (continued)

(a) Other payables analyzed in age:

	Dec. 31, 2015		Dec. 31, 2014 (reclassification)	
	Amount	Proportion in total	Amount	Proportion in total
Within one year	1,468,169,962	92%	313,471,036	69%
Above one year	136,353,424	8%	137,923,614	31%
	<u>1,604,523,386</u>	<u>100%</u>	<u>451,394,650</u>	<u>100%</u>

As of Dec. 31, 2015, other payables aged over one year mainly payables to related parties, deposits to outsourced construction team and quality guarantee deposit received.

(30) Non-current liabilities due within one year

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Long-term loans due within one year(Note 4 (32))	2,977,796,000	2,636,660,000
Bonds payable due within one year (Note 4 (33))	3,799,949,635	-
Financing payable due within one year (Note 4 (34))	59,370,057	-
	<u>6,837,115,692</u>	<u>2,636,660,000</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(31) Other current liabilities

	Dec. 31, 2015	Dec. 31, 2014
Short term financing bills of stage I	<u>1,995,655,739</u>	<u>-</u>

Short term bond payable information is as following:

	Total book value	Distribution cost	Distribution cost amortization	Dec. 31, 2015
Short-term financing bonds of stage I distributed in 2015	2,000,000,000	(5,000,000)	<u>655,739</u>	<u>1,995,655,739</u>
			<u>655,739</u>	<u>1,995,655,739</u>

As approved by the No.CP47925 "China Inter-bank Market Dealers Association File Receiving Registration Notice" issued by China inter-bank market dealers association in the City Association (2014) , the Company issued 2,000,000,000 Yuan short-term financing bonds, with term of 1 year and the fixed annual interest rate of 3.5%, principal and interest paid at one time on November 11, 2015.

The bonds above have no mortgage or security.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(32) Long term loans

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Guarantee loan (a)	60,000,000	457,140,000
Credit loans	2,492,700,000	2,912,610,000
Pledge loan (b)	2,187,000,000	1,687,000,000
Mortgage loan (c)	-	130,000,000
	<u>4,739,700,000</u>	<u>5,186,750,000</u>
Less: Long-term loans due within one year		
Guarantee loan	(60,000,000)	(397,140,000)
Credit loans	(1,714,296,000)	(1,139,520,000)
Pledge loan	(1,203,500,000)	(1,050,000,000)
Mortgage loan	-	(50,000,000)
	<u>(2,977,796,000)</u>	<u>(2,636,660,000)</u>
	<u>1,761,904,000</u>	<u>2,550,090,000</u>

- (a) As of Dec. 31, 2015, the bank guarantee loan is 60,000,000 Yuan, which is the bank loan borrowed from the subsidiary, CCCC Tianjin Waterway Bureau Co., Ltd provides the guarantee. The interest is paid quarterly, the principal shall be paid on February 22, 2016 and August 22, 2016.

As of Dec. 31, 2014, the bank guarantee loan 90,000,000 Yuan is the bank loan borrowed from the subsidiary, CCCC Tianjin Waterway Bureau Co., Ltd provides the guarantee. The interest is paid quarterly, the principal shall be paid on February 22, 2015, February 22, 2016 and August 22, 2016. The bank guarantee loan 40,000,000 USD (in RMB 244,760,000 Yuan) and 20,000,00 USD (in RMB 122,380,000 Yuan) are the bank loan borrowed by the subsidiary. The bank shall issue the guarantee in the scope of the credit. The interest is paid quarterly, the principal shall be paid on June 19, 2015 and June 25, 2015.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

- (b) As of Dec. 31, 2015, multiple pledge loans of the bank is 2,187,000,000 Yuan in total as pledge of Nanjing Highway “construction-transfer” project long-term receivable in whole amount (Note 4(12)). The interests are paid quarterly and the principal shall be paid back from Jun 21, 2016 to Dec. 21, 2018.

As of Dec. 31, 2014, multiple pledge loans of the bank is 1,687,000,000 Yuan (Dec. 31, 2013: N/A) in total as pledge of Nanjing Highway “construction-transfer” project long-term receivable in whole amount (Note 4(12)). The interests are paid quarterly and the principal shall be paid back from Dec 21, 2015 to Jun 21, 2017.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(32) Long term loans (continued)

- (c) As of Dec. 31, 2015, the Group has no bank mortgage loan. The bank pledge loan is 80,000,000 Yuan. The contract expiration date is January 18, 2016 and was paid in advance in 2015.

As of Dec. 31, 2014, the bank mortgage loan 130,000,000 Yuan takes the fixed assets with account value of 259,731,664 Yuan (original value 314,742,493 Yuan) (Note 4 (15)) and intangible assets with account value of 278,828,506 Yuan (original value 313,628,134 Yuan) (Note 4 (17)) as mortgage. The interests are paid quarterly and the principal shall be paid back from Jan 19, 2015 to Jan 18, 2016.

- (d) Due day of long term loans:

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
one to two years	661,500,000	2,393,090,000
two to five years	1,050,404,000	157,000,000
over five years	50,000,000	-
	<u>1,761,904,000</u>	<u>2,550,090,000</u>

- (e) Lending rate range:

The long-term lending rate range of the Group is 1.20% 至 6.91% in 2015 (2014:2.56% to 6.91%)。

(33) Bonds payable

	Dec. 31, 2015	Dec. 31, 2014
Bank intermediate-term bills	3,799,949,635	3,799,615,401
Less: bonds payable due within one year (Note 4 (30))	<u>(3,799,949,635)</u>	-
	<u>-</u>	<u>3,799,615,401</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(33) Bonds payable (continued)

	Total face value	Issuance cost	Dec. 31, 2014	Addition issues current period	Issuance cost amortization report year	Dec.31, 2015
Issued in 2011 First Intermedi ate-term bills	3,800,000,000	(56,450,000)	3,799,615,401	(11,400,000)	11,734,234	3,799,949,635

As approved by the Zhong Shi Xie Zhu (2011) MTN25 Notification of Registration Filing from Association of Traders Among Bank of China, the Company publicly issued intermediate-term bills on Feb,24, 2011, total amount 3,800,000,000 Yuan, term 5 years, fixed annual interest rate 5.85%, interest to be paid once a year. The issuing cost of the band is paid yearly.

The bond above has no mortgage or guarantee, all paid off in February, 2016.

(34) Long term payable

	Dec. 31, 2015	Dec. 31, 2014
Leaseback financing after sales	779,232,000	-
Less: Leaseback financing after sales due within one year (Note 4(30))	(59,370,057)	-
	<u>719,861,943</u>	<u>-</u>

As of Dec. 31, 2015, the long term payable of 779,232,000 Yuan is obtained by the vessel leasing back after sales with the book value of 1,036,238,241 Yuan (original price 1,050,416,521 Yuan) (Note 4(15)) from the financing rental company. The financing term is 6 years. The Group will take the trade as the mortgage loan

(35) Expected liabilities

	Dec. 31, 2014	Addition report period	Deduction report year	Dec. 31, 2015
Estimated after- sales service cost	200,563,933	183,742,973	(168,000,349)	216,306,557
Product quality cash deposit	2,466,240	306,368	(1,596,137)	1,176,471
Pending litigation compensation	5,725,890	-	(5,725,890)	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Other	<u>3,488,353</u>	<u>-</u>	<u>(830,203)</u>	<u>2,658,150</u>
	<u>212,244,416</u>	<u>184,049,341</u>	<u>(176,152,579)</u>	<u>220,141,178</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(36) Deferred income

	Dec. 31, 2014 (reclassification)	Addition report period	Deduction report year	Dec. 31, 2015
Government subsidy (a)	256,227,380	115,204,307	(48,194,124)	323,237,563
Land compensation payment (b)	84,120,528	-	(1,932,144)	82,188,384
	<u>340,347,908</u>	<u>115,204,307</u>	<u>(50,126,268)</u>	<u>405,425,947</u>

(a) Government
subsidy

	Dec. 31, 2014 (reclassification)	Addition report period	Increase of purchas ed subsidiar ies	Other move ment report period (i)	Dec., 31, 201 5
Lifting cable layout vessel R&D project	94,050,000	-	-	(1,550,000)	92,500,000
Submarine pipeline laying R&D project	23,901,800	25,100,000	-	(5,876,300)	43,125,500
Automated dock R&D project	21,900,000	4,320,000	-	(600,000)	25,620,000
Floating crane R&D project	19,510,000	-	-	-	19,510,000
Nantong Drive R&D projects	8,700,000	9,200,000	-	-	17,900,000
50000 ton semi submersible ship R&D projects	-	14,000,000	-	-	14,000,000
Drilling platform development project	13,850,000	-	(200,000)	-	13,650,000
Marine engineering positioning system R&D project	10,250,000	-	-	-	10,250,000
Transportation positioning system R&D project	8,000,000	-	-	-	8,000,000
Drilling package R&D project	8,000,000	-	-	-	8,000,000
Large underwater manipulator system equipment R&D	-	7,000,000	-	-	7,000,000
Intelligent equipment for container yard	-	7,200,000	-	(1,215,000)	5,985,000
Research project of deepwater drilling ship and related equipment	-	16,000,000	-	(10,640,000)	5,360,000

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

Development and industrialization of large deepwater crane piping ship	5,340,000	-	-	-	5,340,000
Comprehensive standardization of intelligent manufacturing for marine engineering equipment	-	10,000,000	-	(4,700,000)	5,300,000
Other R&D projects	<u>42,725,580</u>	<u>22,384,307</u>	<u>(21,569,924)</u>	<u>(1,842,900)</u>	<u>41,697,063</u>
	<u>256,227,380</u>	<u>115,204,307</u>	<u>(21,769,924)</u>	<u>(26,424,200)</u>	<u>323,237,563</u>

(i)The other changes are the R&D subsidy allocated to the partner according to the cooperative R&D agreement.

- (b) The land compensation income is Land Reservation obtained by the subsidiary of the Group. Such compensation is amortized in 50 years of the land use right on average.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

IV Notes to major items in the consolidated financial statements (continued)

(37) Capital stock

	Dec. 31, 2014	Report year movement	Dec. 31, 2015
Shares without state limitation		-	
RMB common share	2,768,331,384		2,768,331,384
Foreign investment shares listed domestic market	1,621,963,200	-	1,621,963,200
	<u>4,390,294,584</u>	<u>-</u>	<u>4,390,294,584</u>

	Dec. 31, 2013	Report year movement	Dec. 31, 2014
- Shares with state limitation -			
State corporate share	2,768,331,384	-	2,768,331,384
Foreign investment shares	1,621,963,200	-	1,621,963,200
	<u>4,390,294,584</u>	<u>-</u>	<u>4,390,294,584</u>

(38) Capital reserve

	Dec. 31, 2014 (reclassification)	Report year movement	Dec. 31, 2015
Capital stock premium	5,415,833,470	-	5,415,833,470
Other Capital reserve			
- purchase subsidiary Minority interest	195,060,000	(211,263,111)	(16,203,111)
-			
Transfer from capital reserve based on former norms	(711,345)	-	(711,345)
Capital stock premium	128,059,561	-	128,059,561
	<u>5,738,241,686</u>	<u>(211,263,111)</u>	<u>5,526,978,575</u>

	Dec. 31, 2013 (reclassification)	Report year movement	Dec. 31, 2014 (reclassification)
Capital stock premium	5,415,833,470	-	5,415,833,470
Other Capital reserve			
- purchase subsidiary Minority interest	195,060,000	-	195,060,000
- Transfer from capital	(711,345)	-	(711,345)

Shanghai Zhenhua Heavy Industries Co., Ltd.

Note for 2015 financial statements

(Unless otherwise specified, the amount unit is RMB.)

reserve based on former norms			
Capital stock premium	<u>128,059,561</u>	<u>-</u>	<u>128,059,561</u>
	<u>5,738,241,686</u>	<u>-</u>	<u>5,738,241,686</u>

上海振华重工(集团)股份有限公司

2015 年度财务报表附注

(除特别注明外，金额单位为人民币元)

IV Notes to major items in the consolidated financial statements (continued)

(39) Other integrated profits

	Other integrated profit in assets liabilities			Other integrated profits in 2015 income statement				
	Dec. 31, 2014	Tax attributable to the parent company	Dec. 31, 2015	Pre-tax amount in report period	Less: other integrated income transferred-in profit or loss listed in prior period	Less: income tax expenses	Tax attributable to the parent company	Tax attributable to the minority shareholder s
Other integrated profits after re classification in the profit and loss								
- Fair value change profit or loss of financial assets available for sale (Note 4(11), IV(49))	321,642,049	(123,536,363)	198,105,686	280,878,768	(363,049,437)	(41,365,694)	(123,536,363)	-
- Conversion difference of foreign currency statements	(2,102,007)	11,656,558	9,554,551	16,965,661	-	-	11,656,558	5,309,103
	<u>319,540,042</u>	<u>(111,879,805)</u>	<u>207,660,237</u>	<u>297,844,429</u>	<u>(363,049,437)</u>	<u>(41,365,694)</u>	<u>(111,879,805)</u>	<u>5,309,103</u>
	Other integrated profits in assets liabilities			Other integrated profits in 2013 income statement				
	Dec. 31, 2013	Tax attributable to the parent company	Dec. 31, 2014	Pre-tax amount in report period	Less: other integrated income transferred-in profit or loss listed in prior period	Less: income tax expenses	Tax attributable to the parent company	Tax attributable to the minority shareholder s
Other integrated profits after re classification in the profit and loss								

上海振华重工(集团)股份有限公司

2015 年度财务报表附注

(除特别注明外，金额单位为人民币元)

- fair value change profit or loss of financial assets available for sale (Note 4(11), IV(49))	248,889,422	72,752,627	321,642,049	438,891,023	(300,833,759)	(65,304,637)	72,752,627	-
- Conversion difference of foreign currency statements	38,627	(2,140,634)	(2,102,007)	(2,150,514)	-	-	(2,140,634)	(9,880)
	<u>248,928,049</u>	<u>70,611,993</u>	<u>319,540,042</u>	<u>436,740,509</u>	<u>(300,833,759)</u>	<u>(65,304,637)</u>	<u>70,611,993</u>	<u>(9,880)</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(40) Surplus reserve

	Dec. 31, 2014	Report year movement	Dec. 31, 2015
Statutory surplus reserve	1,262,227,357	21,494,761	1,283,722,118
Discretionary surplus reserve	<u>292,378,668</u>	<u>-</u>	<u>292,378,668</u>
	<u>1,554,606,025</u>	<u>21,494,761</u>	<u>1,576,100,786</u>
	Dec. 31, 2013	Report year movement	Dec. 31, 2014
Statutory surplus reserve	1,227,769,193	34,458,164	1,262,227,357
Discretionary surplus reserve	<u>292,378,668</u>	<u>-</u>	<u>292,378,668</u>
	<u>1,520,147,861</u>	<u>34,458,164</u>	<u>1,554,606,025</u>

According to P. R. China Company Law, the Company's Article of Association and board meeting decisions, the Company accrues 10% of its net profit as statutory surplus reserve. When statutory surplus reserve accumulated reached 50% of the Capital stock, the Company can stop accruing. Statutory surplus reserve can be used to compensate loss upon approval, or to increase Capital stock. The Company's statutory surplus reserve is 21,494,761 Yuan in 2015 (2014: 34,458,164 Yuan).

(41) Undistributed profit

	2015	2014 (reclassification)
Starting undistributed profit	2,987,813,174	2,808,057,854
Add: net loss / profit attributable to parent company report year	<u>-</u>	<u>11,990,211</u>
Starting undistributed profit	2,987,813,174	2,820,048,065
Add: net loss / profit attributable to parent company report year	212,411,967	202,223,273
Less: statutory surplus reserve	(21,494,761)	(34,458,164)
Closing undistributed profit	<u>(10,191,679)</u>	<u>-</u>
Less: statutory surplus reserve	<u>3,168,538,701</u>	<u>2,987,813,174</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

- (a) The undistributed profit at the beginning of 2014 includes 11,990,211 Yuan balance of surplus reserve attributable to parent company's subsidiaries (Note 5 (1))

- (b) The cash dividends payable this year is the section that shall be borne by the Group and distributed to minority shareholder before the consolidated day of subsidiary CCCC Tianhe Co., Ltd under the same control.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(42) Operating revenue and operating cost

	2015	2014 (reclassification)
Major operating income	23,014,315,324	25,288,331,611
Other operating income	<u>258,079,353</u>	<u>188,679,470</u>
	<u>23,272,394,677</u>	<u>25,477,011,081</u>

	2015	2014 (reclassification)
Major operating income	19,473,230,285	21,862,826,118
Other operating income	<u>244,084,570</u>	<u>165,859,524</u>
	<u>19,717,314,855</u>	<u>22,028,685,642</u>

(a) Major operating income and major operating cost

In products:

	2015		2014 (reclassification)	
	Major operating income	Major operating cost	Major operating income	Major operating cost
Container cranes	14,994,515,929	12,039,998,425	12,295,041,201	10,271,871,264
Marine heavy equipment	3,985,411,881	3,950,151,042	4,984,474,241	4,387,726,757
Bulk machinery	2,013,370,826	1,862,388,384	3,597,166,505	3,415,989,051
Nanjing High Speed "Construction – transfer" Item	514,064,790	447,701,799	2,885,494,223	2,441,043,673
Steel structures and related income	826,175,120	796,465,278	1,058,895,961	1,019,229,739
Vessel shipping and others	<u>680,776,778</u>	<u>376,525,357</u>	<u>467,259,480</u>	<u>326,965,634</u>
	<u>23,014,315,324</u>	<u>19,473,230,285</u>	<u>25,288,331,611</u>	<u>21,862,826,118</u>

(b) Other operating income and other operating cost

	2015		2014 (reclassification)	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Equipment leasing and	132,403,534	146,110,137	68,454,629	136,994,221

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

others				
Sales of materials	<u>125,675,819</u>	<u>97,974,433</u>	<u>120,224,841</u>	<u>28,865,303</u>
	<u>258,079,353</u>	<u>244,084,570</u>	<u>188,679,470</u>	<u>165,859,524</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(42) Operating revenue and operating cost (continued)

(c) Operating income of the Group from top 10 clients:

Operating income from top 10 construction contract clients is 4,562,073,570 Yuan (for 2014: 7,147,657,326 Yuan), taking 19% (as of 2014: 29%) of total sales income of the Group. Details are as follows:

	Operating revenue	Proportion in total operating income of the Group (%)
Company A	834,840,444	4%
Company B	625,815,227	3%
Company C	527,726,911	2%
Company D	503,776,173	2%
Company E	415,913,854	2%
Company F	404,230,358	2%
Company G	330,829,148	1%
Company H	321,006,393	1%
Company I	300,144,838	1%
Company J	297,790,224	1%
	<u>4,562,073,570</u>	<u>19%</u>

(43) Business tax and charges

	2015	2014 (reclassification)
Business tax	10,974,073	104,429,550
Urban maintenance and construction tax	6,074,911	16,456,001
Education charges	5,496,235	13,346,462
Others	2,004,960	2,400,487
	<u>24,550,179</u>	<u>136,632,500</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(44) Selling expenses

	2015	2014 (reclassification)
Employee remuneration	44,644,978	37,903,990
Travel expenses	22,084,463	19,337,611
Tender expenses	3,739,877	1,321,657
Advert expenses	2,176,378	1,496,290
Exhibition expenses	1,797,466	3,335,851
Office expenses	1,651,244	1,584,604
Fixed assets depreciation (Notes IV (15))	285,529	1,260,095
Other	179,725	1,881,812
Employee remuneration	135,960	856,497
Travel expenses	2,693,123	4,385,466
	<u>79,388,743</u>	<u>73,363,873</u>

(45) General expenses

	2015	2014 (reclassification)
R&D expenses	717,412,492	780,894,035
Employee remuneration	344,563,366	316,736,711
Taxes	109,946,415	67,150,559
Intangible assets amortization (Note 4(17))	93,446,864	86,143,687
Fixed assets depreciation (Note 4 (15))	67,811,262	92,467,494
Expenses on employing intermediary	54,836,758	20,686,894
Office expenses	43,037,316	35,748,385
Business entertainment expenses	14,853,947	15,056,980
Travel expenses	16,708,445	10,963,041
Informatization expenses	10,445,654	5,746,312
Insurance expenses	8,582,832	2,501,076
Consultation expenses	5,869,779	3,511,139
Maintenance expense	3,626,881	4,695,575
Conference expenses	1,589,710	1,064,617
Other	58,490,843	64,309,026
	<u>1,551,222,564</u>	<u>1,507,675,531</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(44) Financial expenses/(income)-- Net

	2015	2014 (reclassification)
- Interests expenses	1,279,031,963	1,547,091,452
Less: interest income	(369,131,564)	(347,974,328)
Foreign exchange loss	785,579,233	147,744,148
Less: foreign exchange income	(223,053,557)	(135,267,523)
Amortization of issue cost of intermediate-term bills (Note IV (31) (33))	12,389,973	19,749,727
Other	48,035,048	76,395,062
	<u>1,532,851,096</u>	<u>1,307,738,538</u>

(47) Expenses classified by nature

Operating costs, sales expenses and management expenses in profit statements are classified by nature as follows:

	2015	2014 (reclassification)
Expendable raw material and low value consumables	14,623,452,686	14,082,018,189
Employee remuneration (Note 4(25))	1,691,745,763	1,555,445,181
Depreciation and amortization expenses (Note 4(14), IV(15), IV(17))	1,342,307,268	1,314,372,005
External coordination costs	911,640,427	3,342,518,952
Transportation expenses	749,214,023	714,157,063
Technical R & D expenses	717,412,492	780,894,035
Energy expenses	280,917,025	240,794,047
On-site installation expenses	194,104,215	312,848,259
Rental fee	162,684,322	191,171,569
After-sales costs	125,219,471	83,611,224
Taxes	109,946,415	67,150,559
Expenses on employing intermediary	54,836,758	20,686,894
Office expenses	51,688,823	41,101,302
Travel expenses	38,792,908	30,300,652
Business entertainment expenses	14,853,947	15,056,980

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(Unless otherwise specified, the amount units is RMB)

informatization expense	10,445,654	5,746,312
Bidding fee	1,797,466	3,335,851
Other expenses	266,866,499	808,515,972
	<u>21,347,926,162</u>	<u>23,609,725,046</u>

IV Notes to major items in the consolidated financial statements (continued)

(48) Financial expenses/(income)-- Net

	2015	2014
Financial assets measured at fair value with its change accounted in current profit and loss -		
Fair value change loss (Note 4(2))	(25,058,919)	(95,434,488)
Financial debt measured at fair value with its change accounted in current profit and loss -		
Fair value change loss (Note 4(2))	3,833,885	(28,107,596)
	<u>(21,225,034)</u>	<u>(123,542,084)</u>

(49) Investment gains

	2015	2014
On cost basis accounting basis other long term equity investment income (Note 4(11)(c))	9,465,520	1,103,460
On equity basis accounting basis Long term equity investment gains/ loss (Note 4 (13)(a)(b))	55,252,057	14,737,413
Investment gains from disposal financial assets available-for-sale—equity tool period	6,402,396	1,160,044
Investment gains from disposal financial assets available-for-sale—bank financial products (Note 4 (39))	393,033,507	278,843,280
Profit obtained from disposal of the financial assets available for sale	34,083,478	75,078,789
	<u>498,236,958</u>	<u>370,922,986</u>

(50) Assets impairment loss

	2015	2014
Inventory price reduction loss(Note 4(20))	52,848,818	91,143,610

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

Receivable bad debt provision loss (Note 4(20))	279,634,757	132,518,366
Predicted contract loss (Note 4(20))	<u>304,907,624</u>	<u>324,779,866</u>
	<u>637,391,199</u>	<u>548,441,842</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(51) Non-operating income

	2015	2014 (reclassification)	Amount booked into 2015 non- recurring gains/losses
Non Current assets disposal income	14,128,543	14,241,356	14,128,543
Including: land and building levy compensation income	14,128,543	14,241,356	14,128,543
Government subsidy(a) Subsidies provided by organizations rather than government	40,881,189	28,177,176	40,881,189
Other	2,549,000	4,865,410	2,549,000
	13,154,739	14,170,649	13,154,739
	<u>70,713,471</u>	<u>61,454,591</u>	<u>70,713,471</u>

(a) Government subsidy specifications:

	2015	2014 (reclassification)	Related to assets/ Related to gains
Financial allocation	36,449,045	13,316,867	Related to gains
Science and technology subsidy	2,500,000	12,928,165	Related to gains
Land compensation (Note IV (36))	1,932,144	1,932,144	Related to assets
	<u>40,881,189</u>	<u>28,177,176</u>	

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(52) Non-operating expense

	2015	2014 (reclassification)	Amount booked into 2015 non- recurring gains/losses
Non Current assets disposal loss	4,789,746	293,220	4,789,746
Including: Losses from disposal of fixed assets	4,789,746	293,220	4,789,746
Other	530,000	-	530,000
Non Current assets disposal loss	39,593	2,642,598	39,593
Including: Losses from disposal of fixed assets	306,533	2,580,856	306,533
	5,665,872	5,516,674	5,665,872

(53) Corporate income tax expenses

	2015	2014 (reclassification n)
Current period corporate tax	49,477,423	24,909,512
Deferred corporate tax	28,052,453	(3,703,586)
	77,529,876	21,205,926

	2015	2014 (reclassification n)
Total profit	271,735,564	177,791,974

Corporate tax expenses calculated by the rate of 15%	40,760,335	26,668,796
Impact of tax rate differences on corporate tax expenses	20,241,955	(6,294,103)
Addition and deduction of technological development expenses	(22,840,801)	(24,280,514)
Non-taxable income	(15,907,809)	(2,470,332)

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

Non-deductible cost, expenses and loss	3,305,801	7,349,319
Compensable loss of deferred corporate tax assets unconfirmed current period	56,375,934	67,271,399
Temporary differences of unconfirmed deferred income tax	(2,795,677)	(52,915,856)
Adjustment of final settlement prior year	(1,562,576)	-
Corporate income tax expenses	<u>(47,286)</u>	<u>5,877,217</u>
Total profit	<u>77,529,876</u>	<u>21,205,926</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(54) Earning per share

(a) Basic Earnings per share

Basic / earnings per share is calculated by dividing consolidated net / earnings belonging to common share holders of parent company by the weighted average number of common shares publicly issued by parent company:

	2015	2014 (reclassification)
Consolidated net gains belonging to common share holders of parent company	212,411,967	202,223,273
weighted average number of common shares publicly issued by parent company	<u>4,390,294,584</u>	<u>4,390,294,584</u>
Basic Earnings per share	<u>0.05</u>	<u>0.05</u>

(b) Diluted earnings per share

Diluted earnings per action is calculated by the consolidated net earnings attributable to parent company common shareholders after adjustment upon diluting potential common shares divided by the average number of common shares. In 2014 and 2015 the Company had no diluting potential common shares. Thus, diluted earnings per share equal basic earnings per share.

(55) Cash flow statements notes

(a) Cash receipt related with other operational activities

	2015	2014 (reclassification)
Cash receipt of government allowance and bonus	288,908,075	115,195,983
Collected house deposit	132,383,428	116,387,049
Cash receipt from income from fines	10,574,725	165,257,305
Customs deposits received	7,958,851	6,310,578
Others	-	6,944,000
Cash receipt of government allowance and bonus	7,366,702	12,539,223

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

<u>447,191,781</u>	<u>422,634,138</u>
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Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(55) Cash flow statements notes(continued)

(b) Cash payment related with other operational activities

	2015	2014 (reclassification)
Customs guarantee deposit	323,819,681	172,479,388
Selling and general expenses	188,362,388	228,117,521
Financial expenses formality cost	48,035,048	76,395,062
R&D subsidy paid to cooperation units	6,476,300	-
Others	6,411,082	10,207,298
	<u>573,104,499</u>	<u>487,199,269</u>

(c) Cash receipt related with other investment activities

	2015	2014 (reclassification)
Interest income	<u>93,974,040</u>	<u>63,740,660</u>

(d) Receipt of other cash related to financing activities

	2015	2014 (reclassification)
Recovery of restricted bank deposits	2,681,198,220	3,695,754,203
Related parties loan received	1,785,676,000	100,000,000
Capital invested by minority shareholders	273,402,314	4,323,230
	<u>4,740,276,534</u>	<u>3,800,077,433</u>

(e) Payment of other cash related to financing activities

	2015	2014 (reclassification)
Restricted bank deposits made	1,123,143,500	4,931,355,621
Intermediate term notes issuance cost expenses	16,400,000	11,400,000
Withdrawal share expenditure of original shareholder of subsidiaries	-	35,056,927
	<u>1,139,543,500</u>	<u>4,977,812,548</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(56) Supplementary information of cash flow statements

(a) The net profit adjusted to cash flow from operating activities

	2015	2014 (reclassification)
Net profit	194,205,688	156,586,048
Add/(less): assets impairment provision	637,391,199	548,441,842
Fixed assets and Investment property depreciation	1,248,860,404	1,228,228,318
Intangible assets amortization	93,446,864	86,143,687
Disposal of fixed assets and intangible assets net profit	(9,338,797)	(13,948,136)
Fair value change loss/(income)	21,225,034	123,542,084
Financial expenses	1,752,677,447	1,255,224,300
Investment gains	(498,236,958)	(370,922,986)
Building contract amount increase/ (decrease)	28,052,453	(3,703,586)
Operating receivables increase	(1,371,334,146)	21,218,400
Operating payables increase	(3,108,564,518)	(1,608,507,946)
Net cash flow from operation activities	(902,563,051)	(3,306,786,677)
Building contract amount increase / (decrease)	82,216,908	1,020,855,727
Operating receivables increase	<u>(1,831,961,473)</u>	<u>(863,628,925)</u>

Significant investment and capital raising not involved cash revenue and expenditure

	2015	2014
Inventory – semi-product transferred to project in process	-	1,507,237,257
Inventory –pick the raw material to project in process	-	95,952,993
Deferred income tax debt caused by asset estimate increasing	-	<u>29,725,076</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(56) Supplementary information of cash flow statements (continued)

(b) Net cash movement

	2015	2014 (reclassification)
Closing cash balance	2,337,925,611	1,882,283,319
Less: starting cash balance	<u>(1,882,283,319)</u>	<u>(3,463,423,711)</u>
Net cash (decrease) /increase	<u>455,642,292</u>	<u>(1,581,140,392)</u>

(c) Subsidiaries acquisition

	2015
Payable cash and cash equivalents caused in enterprise merger in this year	<u>76,606,000</u>
Price of subsidiaries acquisition in 2014	<u>211,263,111</u>
Net cash received by subsidiaries acquisition	

	2015
Current assets	1,134,335,686
Non-current assets	1,118,330,758
Current liabilities	(1,462,753,598)
Non-current liabilities	<u>(43,115,047)</u>
Net assets	746,797,799
Less: minority shareholders' equity	<u>(504,254,800)</u>
Net assets of subsidiary	<u>242,542,999</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(56) Supplementary information of cash flow statements (continued)

(d) Cash

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Including: cash in hand	746,967	626,798
Bank deposits disposable	2,318,579,147	1,846,413,404
Other monetary funds disposable	18,599,497	35,243,117
Closing cash balance	<u>2,337,925,611</u>	<u>1,882,283,319</u>

(57) Foreign currency monetary items

	Dec. 31, 2015		
	Foreign currency balance	Rate	RMB balance
Monetary fund -			
USD	137,115,012	6.4936	890,370,042
Euro	57,367,233	7.0952	407,031,992
Pound	2,514,663	9.6159	24,180,748
Oman riyal	580,139	16.8966	9,802,377
Sri Lankan rupee	201,277,172	0.0460	9,258,750
Singapore dollar	1,592,667	4.5875	7,306,360
Rouble	53,495,135	0.0885	4,734,319
South Korean won	668,453,325	0.0055	3,676,493
Real	937,867	1.6483	1,545,886
Australian dollar	310,654	4.7276	1,468,648
Rand	3,036,362	0.4174	1,267,377
India rupee	11,372,514	0.0977	1,111,095
Hong Kong dollar	221,140	0.8378	185,271
Canadian dollar	15,452	4.6814	72,337
Yen	521,999	0.0539	28,136
New Zealand Dollar	625	4.4426	2,777
			<u>1,362,042,608</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(57) Foreign currency monetary items (continued)

	Dec. 31, 2015		
	Foreign currency balance	Conversion rate s	RMB balance
Accounts receivable -			
USD	284,106,383	6.4936	1,844,873,209
Euro	50,889,618	7.0952	361,072,018
Singapore dollar	36,803,153	4.5875	168,834,464
CAD	5,267,000	4.6814	24,656,934
Saudi Riyal	6,132,462	1.7356	10,643,501
Rand	9,836,195	0.4174	4,105,628
South Korea won	501,139,157	0.0055	2,756,265
Sri Lankan rupee	50,964,343	0.0460	2,344,360
Australian dollar	326,303	4.7276	1,542,630
Pound	87,474	9.6159	841,141
India rupee	5,413,116	0.0977	528,861
Hong Kong dollar	206,025	0.8378	172,608
Real	65,200	1.6483	107,469
			<u>2,422,479,088</u>
Other accounts receivables -			
USD	8,784,474	6.4936	57,042,860
Euro	3,930,049	7.0952	27,884,484
Singapore dollar	652,109	4.5875	2,991,550
Australian dollar	375,870	4.7276	1,776,963
OMR	33,018	16.8966	557,892
South Korea won	45,916,744	0.0055	252,542
Pound	8,346	9.6159	80,254
Canadian dollar	3,500	4.6814	16,385
			<u>90,602,930</u>
Other accounts receivables			
USD	135,530,187	6.4936	880,078,822
Euro	42,578,241	7.0952	302,101,136
Singapore dollar	2,848,622	4.5875	13,068,053
Dirham	2,136,087	1.6719	3,571,324
yen	10,150,520	0.0539	547,113
South Korea won	44,915,818	0.0055	247,037
Pound	22,236	9.6159	213,819
Australia dollar	40,888	4.7276	193,302
Hong Kong dollar	78,850	0.8378	66,061
Rouble	85,295	0.0885	7,549
			<u>1,200,094,216</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

IV Notes to major items in the consolidated financial statements (continued)

(57) Foreign currency monetary items (continued)

	Dec. 31, 2015		
	Foreign currency balance	Conversion rates	RMB balance
Other accounts receivables -			
USD	4,456,481	6.4936	28,938,605
Euro	3,144,887	7.0952	22,313,602
Singapore dollar	982,209	4.5875	4,505,884
Pound	36,849	9.6159	<u>354,336</u>
			<u>56,112,427</u>
Short-term loan			
USD	1,767,690,890	6.4936	11,478,677,563
Euro	15,961,626	7.0952	<u>113,250,929</u>
			<u>11,591,928,492</u>
Long-term loan due within one year			
USD	110,000,000	6.4936	<u>714,296,000</u>
Long-term loan-			
USD	9,142,857	6.4936	<u>59,370,057</u>
Long-term loan -			
Euro	20,000,000	7.0952	<u>141,904,000</u>
Long-term payment-			
USD	110,857,143	6.4936	<u>719,861,943</u>

(58) Assets with restricted ownership

	Dec. 31, 2014 (reclassification)	Addition report period	Deduction report year	Dec. 31, 2015
Other monetary capital restricted	1,608,684,124	1,999,519,732	(3,487,795,751)	120,408,105
Restricted other current assets	3,861,040,000	-	(3,861,040,000)	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

Restricted fixed assets	259,731,664	1,579,091,619	(259,731,664)	1,579,091,619
Restricted intangible assets	278,828,506	-	(278,828,506)	-
Restricted long-term receivables	<u>5,339,170,148</u>	<u>341,296,950</u>	<u>-</u>	<u>5,680,467,098</u>
	<u>11,347,454,442</u>	<u>3,919,908,301</u>	<u>(7,887,395,921)</u>	<u>7,379,966,822</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

V Consolidation scope change

(1) Enterprise consolidation not under the same group

(a) Enterprise consolidation not under the same group this year

Acquiree	Acquisition equity proportion	Basis of corporate merger under the same control	Purchase day	Determination foundation	Revenue of acquiree from Jan 1, 2015 to consolidated day	Net profit of acquiree from Jan 1, 2015 to consolidated day	Acquiree's income in 2014	Acquiree's Net Profit in 2014	Operating cash flow from purchase day on Jan, 1, 2015	Operating cash flow net from purchase day on Jan, 1, 2015
CCCC Tianhe Co., Ltd	32.51%	Controlled by the same parent company	Dec, 31, 2015	Gain control rights (Note I)	802,736,221	42,357,907	407,589,594	8,537,647	68,610,363	160,429,666

Note 1: as of Dec. 31, 2015, the Group has completed the procedures of stock change of CCCC Tianhe Co., Ltd. The Group obtained 55.98% of the shareholders' meeting and 80% of the board's voting rights via amendment of Articles of Association of CCCC Tianhe Co., Ltd, reconstruction of Board of directors and signing the agreement of the concerted action with China Communications Corporation, one of the shareholders of CCCC Tianhe Co., Ltd. Based on the Articles of Association, the Group has obtained the control rights of the company and the company and its subsidiary : Fujian CCCC Qianda Heavy Industry Co., Ltd is consolidated.

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

V Consolidation scope change (continued)

(1) Enterprise consolidation under the same group (continued)

(b) Consolidation costs and goodwill confirmation as follows:

CCCC Tianhe Co., Ltd

Consolidation costs -

Cash

211,263,111

(c) Acquiree's assets and liabilities on purchase day as follows:

(i) CCCC Tianhe Co., Ltd

	Purchase day	Dec. 31, 2014
	Book value	Book value
Monetary capital	175,258,178	277,103,985
Receivable	16,954,000	2,600,000
Interest receivable	-	6,204,344
Payable	251,162,515	72,857,400
Prepayments	67,606,419	21,424,410
Other receivables	5,453,511	7,851,478
Inventory	169,703,175	174,824,826
Account closed construction not completed	448,197,888	137,300,556
Non-current liabilities due within one year	-	2,302,500
Other current assets	-	15,539,215
Fixed assets	412,643,977	1,088,755,662
Projects in process	637,023,408	3,296,217
Intangible assets	56,322,752	57,578,344
Deferred income tax assets	12,173,954	12,002,993
Long stay	166,667	-
Less: short term loans	(475,000,000)	(608,234,175)
Notes payable	(145,709,351)	(54,886,977)
Payable	(453,297,586)	(298,818,033)
Payment in advance	(222,650,360)	(45,102,460)
Account closed construction not completed	(53,728,168)	-
Tax payable	(14,892,527)	(876,076)
Interest payable	(31,349,367)	-
Other payable	(5,451,486)	(79,788,346)
Non-current liabilities due within one year	(60,000,000)	(30,000,000)
Interest payable	(674,753)	(6,968,827)
Long term loans	-	(60,000,000)
Estimated liabilities	(306,368)	-
Deferred income	(42,808,679)	(47,571,777)
Net assets	<u>746,797,799</u>	<u>647,395,259</u>
Less: minority interest	<u>(504,254,800)</u>	<u>(437,503,558)</u>
Gain net assets	<u>242,542,999</u>	<u>209,891,701</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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- V Consolidation scope change(continued)
- (2) Consolidation scope change for other reasons

On May 29, 2015, the Company spent 1,500,000 USD to establish wholly-owned subsidiary ZPMC North America Inc.

On Apr 29, 2015, the Company spent 1,500,000 USD to establish wholly-owned subsidiary ZPMC NA Huston Inc.

On May, 4, 2015, the Company spent 517,025 USD to establish wholly-owned subsidiary ZPMC Marine Contractor USA Limited.

On October, 2015, the Company spent 42,500,000 RUR to establish the holding subsidiary ZPMC Limited Liability Company with Russia port-service Company.

On September 16, 2015, the Company spent 1,570,000 BRL to establish wholly-owned subsidiary ZPMC Brazil Holdings Ltda. with the subsidiary.

On April 9, 2015, the subsidiary spent 3,336,000 USD to establish the holding subsidiary Jiahua Shipment Co., Ltd with CIMC International Shipping Co., Ltd.

On April 15, 2015, the subsidiary spent 1,020,000 USD to establish the holding subsidiary Zhenhua Pufeng Wind Power (Hong Kong) Co., Ltd with Profundo Offshore Contractor Ltd.

On April 9, 2015, the subsidiary and Offshore Tech Llc. Jointly invested to establish the holding subsidiary Zhenhua Shende Offshore Engineering Installation Co., Ltd.

On November 12, 2015, the Company spent 47,500,000 Yuan to establish the holding subsidiary CCCC Investment Development Qidong Co., Ltd with CCCC Tianjin Waterway Bureau Co., Ltd and Qidong Costal Development Co., Ltd.

On December 28, 2015, the Company spent 183,000,000 Yuan to establish the holding subsidiary CCCC Liyang City Investment Construction Co., Ltd with CCCC Shanghai Waterway Bureau Co., Ltd., CCCC East China Investment Co., Ltd., CCCC Second Highway Survey and Design Institute Co., Ltd. and Jiangsu Zhongguancun Science and Technology Industrial Park Administrative Committee.

The subsidiary has completed the cancellation of Daoda (Holland) Marine Science and Technology Co., Ltd., so this company is not covered in the financial statements consolidation scope after the cancellation day.

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

VI Interests in Other Entities

(1) Interests in subsidiary

(a) Interests in subsidiary

Name	Main operating address	Registered in	Business nature	Shareholding ratio		Gain mode
				Direct	Indirect	
Shanghai Zhenhua Port Machinery Heavy Industry Co., Ltd.	Shanghai Chongming County	Shanghai Chongming County	Machinery manufacturing	90%	-	Investment to set up
Shanghai Zhenhua Heavy Industries Machinery Co., Ltd.	Shanghai Chongming County	Shanghai Chongming County	Machinery manufacturing	100%	-	Investment to set up
Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Machinery manufacturing	99.99%	-	Investment to set up
Shanghai Zhenhua Shipping Co. Ltd.	Shanghai Pudong New Area	Shanghai Pudong New Area	Ship transportation	55%	-	Investment to set up
Nantong Zhenhua Heavy Equipment Manufacturing Co., Ltd.	Nantong	Nantong	Machinery manufacturing	100%	-	Investment to set up
Shanghai Zhenhua Heavy Industries Group (Nantong) Transmission Machinery Co., Ltd	Nantong	Nantong	Machinery manufacturing	100%	-	Investment to set up
Shanghai Zhenhua Heavy Industries Group (Nantong) Co., Ltd.	Nantong	Nantong	Machinery manufacturing	100%	-	Investment to set up

Shanghai Zhenhua Heavy Industries Co., Ltd.

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Shanghai Zhenhua Heavy Industries Electric Co., Ltd.	Shanghai Pudong New Area	Shanghai Pudong New Area	Electrical equipment R&D	100%	-	Investment to set up
Nantong ZPMC Steel Structure Processing Co., Ltd.	Nantong	Nantong	Machinery manufacturing	75%	25%	Investment to set up
Jiangyin ZPMC Steel Structure Manufacturing Co., Ltd.	Jiangyin	Jiangyin	Machinery manufacturing	75%	25%	Investment to set up
Shanghai Zhenhua Heavy Industries Steel Structure Co., Ltd.(Note 1)	Shanghai Pudong New Area	Shanghai Pudong New Area	Machinery manufacturing	-	49%	Investment to set up
Shanghai Zhenhua Heavy Industries Vessel Transport Co., Ltd	Shanghai Yangshan Bonded Port Area	Shanghai Yangshan Bonded Port Area	Ship transportation	100%	-	Investment to set up
Shanghai Zhenhua Testing Technology Consulting Co., Ltd.	Shanghai Pudong New Area	Shanghai Pudong New Area	Technical consultation	100%	-	Investment to set up
ZPMC Netherlands B.V.	Rotterdam	Rotterdam	Trade sales	100%	-	Investment to set up
Hotel de Herberg B.V.	Rotterdam	Rotterdam	Trade sales	-	100%	Investment to set up

Note 1: Based on constitution of Shanghai Zhenhua Heavy Industries Steel Structure Co., Ltd, Company has right to appoint and dismiss most members in board of directors. In fact, Company obtains control right, so Company is included in Group financial statements consolidation scale.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

VI Interests in Other Entities (continued)

(1) Enterprise Group composition (continued)

(a) Enterprise Group composition (continued)

Name	Main operating address	Registered in	Business nature	Shareholding ratio		Gain mode
				Direct	Indirect	
ZPMC España S.L.	Spanish Los Barrios	Spanish Los Barrios	Trade sales	-	100%	Investment to set up
ZPMC GmbH Hamburg	Germany Hamburg	Germany Hamburg	Trade sales	100%	-	Investment to set up
ZPMC Lanka Company (Private) Limited	Sri Lanka	Sri Lanka	Trade sales	70%	-	Investment to set up
ZPMC North America Inc.	USA Delaware	USA Delaware	Trade sales	100%	-	Investment to set up
ZPMC Korea Co., Ltd.	South Korea Busan	South Korea Busan	Trade sales	70%	-	Investment to set up
ZPMC Engineering Africa (Pty) Ltd.	Kwazulu-Natal Province, Republic of South Africa	Kwazulu-Natal Province, Republic of South Africa	Trade sales	100%	-	Investment to set up
ZPMC Engineering (India) Private Limited	India Maharashtra	India Maharashtra	Trade sales	100%	-	Investment to set up
ZPMC Southeast Asia Holding Pte. Ltd.	Singapore	Singapore	Trade sales	100%	-	Investment to set up
ZPMC Southeast Asia Pte. Ltd.	Singapore	Singapore	Trade sales	-	70%	Investment to set up
ZPMC Engineering (Malaysia) Sdn. Bhd.	Malaysia	Malaysia	Trade sales	-	70%	Investment to set up

Shanghai Zhenhua Heavy Industries Co., Ltd.

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ZPMC Australia Company (Pty) Ltd.	New South Wales, Australia	New South Wales, Australia	Trade sales	100%	-	Investment to set up
Shanghai Zhenhua Port Machinery General Equipment Co., Ltd	Shanghai Pudong New Area	Shanghai Pudong New Area	Machinery manufacturing	100%	-	Enterprise consolidation under the same control
Shanghai Zhenhua Heavy Industries Group Transmission Machinery Co., Ltd	Shanghai Pudong New Area	Shanghai Pudong New Area	Machinery manufacturing	-	74.02%	Enterprise consolidation under the same control
Shanghai Zhenhua Heavy Industries (Group) Zhangjiagang Port Machinery Co., Ltd	Zhangjiagang jingang county	Zhangjiagang jingang county	Machinery manufacturing	90%	-	Enterprise consolidation under the same control
Nanjing Ninggao New Passage Construction Co., Ltd	Jiangsu Nanjing	Jiangsu Nanjing	Trade sales	100%	-	Investment to set up
Shanghai Zhenhua Heavy Industries Qidong Marine Engineering Co., Ltd	Jiangsu Nantong	Jiangsu Nantong	Machinery manufacturing	67%	-	Enterprise consolidation not under the same control
Jiangsu Daoda Marine Equipment Technology Co., Ltd	Jiangsu Nantong	Jiangsu Nantong	Ship design	-	100%	Enterprise consolidation not under the same control

VI Interests in Other Entities (continued)

(1) Interests in subsidiary (continued)

(a) Enterprise Group composition (continued)

Name	Main operating address	Registered in	Business nature	Shareholding ratio		Gain mode
				Direct	Indirect	

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

Jiahua Marine Shipment Co., Ltd	Hong Kong	Hong Kong	Ship transportation	-	70%	Investment to set up
Zhenhua Pufeng Wind Power (Hong Kong) Co., Ltd	Hong Kong	Hong Kong	Ship transportation	-	51%	Investment to set up
Zhenhua Shende Offshore Engineering Installation Co., Ltd	Hong Kong	Hong Kong	Ship transportation	-	70%	Investment to set up
ZPMC-OTL Marine Contractor USA Limited	American Texas	American Texas	Trade sales	-	100%	Investment to set up
ZPMC Brazil Holdings Ltda.	Rio De Janeiro	Rio De Janeiro	Trade sales	99%	1%	Investment to set up
ZPMC Limited Liability Company	Moscow, Russia	Moscow, Russia	Trade sales	85%	-	Investment to set up
ZPMC NA East Coast Inc.	Virginia state	Delaware	Trade sales	-	100%	Investment to set up
ZPMC NA Huston Inc.	Texas state	Delaware	Trade sales	-	100%	Investment to set up
CCCC Tianhe Co., Ltd(Note 5(1))	Jiangsu Changshou	Jiangsu Changshou	Machinery manufacturing	32.51%	-	Enterprise consolidation under the same control
Fujian CCCC Qianda Heavy Industry Co., Ltd (Note 5(1))	Fujian Minhou	Fujian Minhou	Machinery manufacturing	-	51%	Enterprise consolidation under the same control
CCCC Investment Development Qidong Co., Ltd(note 2)	Jiangsu Nantong	Jiangsu Nantong	Engineering construction	47.5%	-	Investment to set up
CCCC Liyang City Investment Construction Co., Ltd(note 3)	Jiangsu Liyang	Jiangsu Liyang	Engineering construction	48%	-	Investment to set up

Note 2: The Group obtained 95% of the shareholders' meeting and 100% the voting rights of the board of directors by signing concerted action agreement with CCCC Tianjin Waterway Bureau Co., Ltd. Based on the Articles of Association, the Group obtained the control rights of the company and includes it into the consolidation scope.

Shanghai Zhenhua Heavy Industries Co., Ltd.

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Note 3: The Group obtained 76% of the shareholders' meeting and 71% the voting rights of the board of directors by signing concerted action agreement with CCCC Shanghai Waterway Bureau Co., Ltd. and CCCC East China Investment Co., Ltd.. Based on the Articles of Association, the Group obtained the control rights of the company and includes it into the consolidation scope.

IV Interests in Other Entities (continued)

(1) Interests in subsidiary (continued)

(b) Subsidiary exists key minority shareholders' interests

Name	Shareholding ratio of minority shareholders	2015 gains and losses attributable to the minority share	2015 dividend to the minority shareholders	Dec. 31, 2015 Interests of minority shareholders
CCCC Investment Development Qidong Co., Ltd	52.5%	9,421	-	52,509,421
CCCC Tianhe Co., Ltd	67.49%	28,251,819	31,349,367	504,254,800
CCCC Liyang City Investment Construction Co., Ltd	52%	-	-	121,800,000
Shanghai Zhenhua Heavy Industry Qidong Marine Engineering Co., Ltd	33%	(58,742,871)	-	(95,093,530)

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VI Interests in Other Entities (continued)

(1) Interests in subsidiary (continued)

(b) Subsidiary exists key minority shareholders' interests (continued)

Main financial information of above important non wholly owned subsidiary:

	Dec. 31, 2015					
	Current assets	Non-current assets	Assets total	Current liabilities	Non-current liabilities	Liabilities total
CCCC Investment Development Qidong Co., Ltd	61,318,901	203,390,215	264,709,116	(164,691,171)	-	(164,691,171)
CCCC Tianhe Co., Ltd	1,134,335,686	1,118,330,758	2,252,666,444	(1,462,753,598)	(43,115,047)	(1,505,868,645)
CCCC Liyang City Investment Construction Co., Ltd	4,338,012	300,161,988	304,500,000	-	-	-
Shanghai Zhenhua Heavy Industry Qidong Marine Engineering Co., Ltd	581,843,704	1,187,796,038	1,769,639,742	(2,022,161,815)	(35,609,837)	(2,057,771,652)
	2015					
	Operating income		Net profit	Total comprehensive income		Operating cash flow
CCCC Investment Development Qidong Co., Ltd	202,023,996		17,944	17,944		(38,996,331)

Shanghai Zhenhua Heavy Industries Co., Ltd.

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CCCC Tianhe Co., Ltd	804,955,947	42,357,907	42,357,907	68,610,363
CCCC Liyang City Investment Construction Co., Ltd	300,144,838	-	-	(300,657,100)
Shanghai Zhenhua Heavy Industry Qidong Marine Engineering Co., Ltd	433,745,342	(178,008,700)	(178,008,700)	296,115,738

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

VI Interests in Other Entities (continued)

(2) Interests in associates and joint ventures

(a) Basic information of joint venture and associates

	Main operating address	Registered in	Operating nature	Whether it is strategic to Group operating	Shareholding ratio		
					Direct	Indirect	
Joint venture							
Jiangsu Longyuan Zhenhua Marine Engineering Co., Ltd.	Jingsu Nanton	Jingsu Nantong	Marine engineering construction	No	50%	-	
ZPMC Mediterranean Liman Makinalari Ticaret Anonim Sirketi	Turkey Istanbul	Turkey Istanbul	Port equipment technology service	No	50%	-	
Zhenhua Marine Energy (Hong Kong) Co., Ltd (Note IV (13)(a))	Hong Kong	Hong Kong	Ship transportation	No	51%	-	
Cranetech Global Sdn. Bhd.	Malaysia	Malaysia		Port equipment technology service	49.99%	-	
Associates –							
CCCC Marine Engineering Vessel Technology Research Centre Co., Ltd	Shanghai Pudong	Shanghai Pudong	Vessel technology development consultation	No	25%	-	
CCCC estate Yixing Co., Ltd.	Jiangsu Wuxi	Jiangsu Wuxi	Real estate development	No	20%	-	
Shanghai Zhenhua Heavy Industries (Group) Changzhou Paint Co., Ltd.	Jiangsu Chan gzhou	Jiangsu Changzhou	Paint manufacturing	No	20%	-	
CCCC Financial Rental Co., Ltd.	Shanghai Pudong	Shanghai Pudong	Leasing	No	30%	-	
China Communications Construction USA Inc.	USA	USA	Port, channel, road, bridge construction	No	24%	-	

The Group adopts equity accounting method to equity investments above

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

VI Interests in Other Entities (continued)

(2) Interests in associates and joint ventures (continued)

(b) Main financial information of important joint ventures

Based on the amount attributable to the parent company in the consolidated financial statements of the joint venture, the Group calculated the assets share as per the holding proportion. The amount in the consolidated financial statements of the joint venture considered the fair value of the identifiable assets and liabilities and the effect of the uniform accounting policies of the joint venture in the investment.

Jiangsu Longyuan Zhenhua Marine Engineering Co., Ltd.	Dec. 31, 2015	Dec. 31, 2014
Current assets	186,506,267	211,625,542
Among: cash and cash equivalents	10,413,243	39,958,157
Non-current assets	507,541,853	366,512,542
Assets total	<u>694,048,120</u>	<u>578,138,084</u>
Current liabilities	(296,779,801)	(151,900,718)
Non-current liabilities	<u>(54,113,342)</u>	<u>(100,392,085)</u>
Liabilities total	<u>(350,893,143)</u>	<u>(252,292,803)</u>
Shareholder's interests	<u>343,154,977</u>	<u>325,845,281</u>
Net assets share accounting base on shareholding ratio	171,577,489	162,922,641
Adjusting items	-	-
- Other	-	-
Book value invested to joint venture	<u>171,577,489</u>	<u>162,922,641</u>
Jiangsu Longyuan Zhenhua Marine Engineering Co., Ltd.	2015	2014
Operating income	143,245,382	281,732,165
Financial expenses	(6,886,954)	(7,035,737)
Income tax expense	(4,085,520)	(5,213,649)
Net profit /(loss)	17,309,696	35,438,514
Other integrated income	-	-
Integrated income/ (loss) total	<u>17,309,696</u>	<u>35,438,514</u>
Receivable associates Company's equity of the Group in report period	<u>-</u>	<u>-</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

- VI Interests in Other Entities (continued)
- (2) Interests in associates and joint ventures (continued)
- (c) Main financial information of important associates

Based on the amount attributable to the parent company in the consolidated financial statements of the associates, the Group calculated the assets share as per the holding proportion. The amount in the consolidated financial statements of the associates considered the fair value of the identifiable assets and liabilities and the effect of the uniform accounting policies of the associates in the investment.

	Dec. 31, 2015			Dec. 31, 2014	
	China Communications Construction USA Inc.	Main financial information of important associates	CCCC Financial Rental Co., Ltd.	CCCC Estate Yixing Co., Ltd.	CCCC Financial Rental Co., Ltd
Current assets	299,750,602	1,043,352,567	3,409,763,003	1,013,691,641	1,597,793,808
Non-current assets	15,124,660	5,754,153	8,353,597,281	6,094,038	1,393,369,897
Assets total	314,875,262	1,049,106,720	11,763,360,284	1,019,785,679	2,991,163,705
Current liabilities	(651,169)	(116,217,795)	(4,441,872,270)	(86,351,627)	(363,662,187)
Non-current liabilities	-	(59,400,000)	(3,515,685,686)	(60,000,000)	(789,666,600)
Liabilities total	(651,169)	(175,617,795)	(7,957,557,956)	(146,351,627)	(1,153,328,787)
Shareholder's interests	314,224,093	873,488,925	3,805,802,328	873,434,052	1,837,834,918
Net assets share accounting base on shareholding ratio	75,413,782	174,697,785	1,141,740,698	174,686,810	551,350,475
Adjusting items					
- Other	-	-	-	-	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

Book value invested to associates equity	75,413,782	174,697,785	1,141,740,698	174,686,810	551,350,475
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VI Interests in Other Entities (continued)

(2) Interests in associates and joint ventures (continued)

(c) Main financial information of important associates (continued)

	2015			2014	
	China Communications Construction USA Inc.	CCCC Estate Yixing Co., Ltd.	CCCC Financial Rental Co., Ltd.	CCCC Estate Yixing Co., Ltd.	CCCC Financial Rental Co., Ltd.
Operating income	-	121,083,446	456,990,739	-	87,247,087
Net (loss)/ profit	(8,535,897)	54,873	167,967,410	(16,310,097)	37,841,701
Other integrated income	5,234,988	-	-	-	-
Integrated (loss)/income total	(3,300,909)	54,873	167,967,410	(16,310,097)	37,841,701
Receivable associates Company's equity of the Group in report period	-	-	-	-	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

VI Interests in Other Entities (continued)

(2) Interests in associates and joint ventures (continued)

(d) Summary information of not important joint ventures and associates

	2015	2014
Associated enterprise		
Investment book value total	3,809,707	6,961,307
Total of the following items accounted according to shareholding proportion		
Net loss (i)	(3,901,880)	(12,178,967)
Other integrated income	-	-
Integrated income total	(3,901,880)	(12,178,967)
	2015	2014
Joint ventures		
Investment book value total	29,895,356	29,428,850
Total of the following items accounted according to shareholding proportion		
Net profit (i)	2,146,506	1,039,205
Other integrated income	-	-
Integrated income total	2,146,506	1,039,205

(i) Net profit and other integrated income have considered the adjusting impact to associates identifiable assets, liabilities fair value and uniform accounting policies at investment gaining time.

(e) Excess losses occurred in the joint venture

	Unconfirmed loss at the beginning of the year	Unconfirmed loss this year	Unconfirmed loss at the end of the year
Zhenhua Marine Energy (Hong Kong) Co., Ltd	-	29,698,342	29,698,342

(f) Refer to Note 5II for the unconfirmed commitment related to the investment of the joint ventures and associates.

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

VII **Related parties and related transaction**

(1) Profiles of parent company

(a) Profiles of parent company

	Registered place	Business nature
China Communications Corporation	No. 88, C Andingmen Wai Street, Dongcheng District, Beijing	Port project contracting and related businesses

China Communications Construction Group Corporation is the ultimate controller of the Company.

(b) Parent company's registered capital and the movement

Name	2014 Dec. 31	Addition report period	2015 Dec. 31
China Communications Corporation	<u>16,174,735,425</u>	<u>-</u>	<u>16,174,735,425</u>

(c) Parent company's holding proportion and voting proportion in the Company:

Name	Dec. 31, 2015		Dec. 31, 2014	
	Holding Proportion	Voting Proportion	Holding Proportion	Voting Proportion
China Communications Corporation	<u>28.828%</u>	<u>28.828%</u>	<u>28.828%</u>	<u>28.828%</u>

As of Dec. 31, 2015, China Communications Corporation and its controlled Hong Kong Zhenhua Engineering Co., Ltd. (holding 17.076% stake of the Company) and Macau Zhenhua Bay Engineering Co., Ltd. (holding 0.325% stake of the Company) together hold 46.229% of the Company's stake (Dec. 31, 2014: 46.229%).

(2) Subsidiary profiles

Shanghai Zhenhua Heavy Industries Co., Ltd.

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For information of subsidiaries, refer to Note 4.

(3) Joint ventures and associates

For information of Joint ventures and associates, refer to Note 6

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction** (continued)

(4) Other related parties

Name	Relation with the Group
Hong Kong Zhenhua Engineering Co., Ltd	Controlled by the same parent company
Macau Zhenhua Bay Engineering Co., Ltd	Controlled by the same parent company
CCCC First Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.1 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.2 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.5 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	Controlled by the same parent company
Installation Engineering Co., Ltd.of CCCC First Harbor Engineering Co., Ltd.	Controlled by the same parent company
CCCC Second Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.2 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	Controlled by the same parent company
CCCC Second Harbor Engineering Survey and Design Institute Co., Ltd.	Controlled by the same parent company
CCCC Third Harbor Engineering Co., Ltd.	Controlled by the same parent company
CCCC Third Harbor Engineering Survey and Design Institute Co., Ltd.	Controlled by the same parent company
CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	Controlled by the same parent company
CCCC Fourth Harbor Engineering Co., Ltd.	Controlled by the same parent company
Hainan CCCC Fourth Construction Co., Ltd	Controlled by the same parent company
CCCC Second Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.2 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	Controlled by the same parent company
No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	Controlled by the same parent company
CCCC Second Harbor Engineering Survey and Design Institute Co., Ltd.	Controlled by the same parent company
CCCC Third Harbor Engineering Co., Ltd.	Controlled by the same parent company
Chuwa Bussan Company Limited	Controlled by the same parent company
Yueyang Chenglingji Xingang Co., Ltd.	Controlled by the same parent company
China Harbor Engineering Co., Ltd.	Controlled by the same parent company
China Communications Water Transportation Design & Research Co.,Ltd.	Controlled by the same parent company
CCCC Highway Consultants Co., Ltd.	Controlled by the same parent company
CCCC Tunnel Engineering Co., Ltd.	Controlled by the same parent company
Friede & Goldman, Llc.	Controlled by the same parent company
China Communications Materials & Equipment Co., Ltd.	Controlled by the same parent company
Shanghai Jiangtian Industrial Co., Ltd.	Controlled by the same parent company
Tianjin Dredging Company—Binhai Environmental protection Engineering Co., Ltd	Controlled by the same parent company

Shanghai Zhenhua Heavy Industries Co., Ltd.

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No.2 Engineering Co., Ltd. of CCCC Second

Controlled by the same parent company

Harbor Engineering Co., Ltd.

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(4) Other related parties (continued)

CCCC Third Highway Engineering Bureau Co., Ltd	Controlled by the same parent company
Nanjing CCCC Weisan Road Crossing River Channel Co., Ltd.	Controlled by the same parent company
China Bridge Engineering Co., Ltd	Controlled by the same parent company
CCCC Tianjin Waterway Bureau Co., Ltd	Controlled by the same parent company
CCCC East China Investment Co., Ltd	Controlled by the same parent company
CCCC Financial Co., Ltd	Controlled by the same parent company
CCCC Fourth Harbor Engineering Investigation and Design Institute Co., Ltd	Controlled by the same parent company
Beijing Qiaoyu Science and technology Co., Ltd	Controlled by the same parent company
Shanghai Zhensha Longfu Machinery Co., Ltd	Controlled by the same parent company
Shanghai Waterway Logistics Co., Ltd	Controlled by the same parent company
CCCC Third Harbor Second Engineering Co., Ltd	Controlled by the same parent company
CCCC Rental Jiahuayi Co., Ltd	Controlled by the same parent company
CCCC Rental Jiahuaer Co., Ltd	Controlled by the same parent company
CCCC Fourth Harbor Third Engineering Co., Ltd	Controlled by the same parent company
CCCC First Harbor City Traffic Engineering Co., Ltd	Controlled by the same parent company

(5) Related transactions

(a) Related transactions pricing and decision-making procedures

The Group and the related party, the transaction price is based on mutual agreement and with reference to market price as the pricing basis.

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(5) Related transactions (continued)

(b) Selling goods to Related party

Related party	Related transactions details	2015	2014 (reclassification)
Chuwa Bussan Company Limited	Selling goods	331,102,486	20,807,240
CCCC Second Harbor Engineering Co., Ltd.	Selling goods	277,237,614	4,122,571
CCCC Third Harbor Engineering Co., Ltd.	Selling goods/ providing labor	257,912,687	69,723,632
Friede & Goldman, Ll.c.	Selling goods	140,108,319	336,411,736
No.2 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	Selling goods	75,530,025	-
CCCC Second Highway Engineering Bureau Co., Ltd.	Selling goods	56,534,225	-
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd.	Selling goods	53,734,600	20,528,920
CCCC Tunnel Engineering Co., Ltd	Selling goods/ providing labor	52,226,007	23,035,962
CCCC Fourth Harbor Engineering Co., Ltd.	Selling goods	44,663,030	59,751,329
Third Highway Engineering Bureau Co., Ltd	Selling goods	38,213,139	-
China Bay Engineering Co., Ltd	Selling goods	34,099,381	246,448,541
No.2 Engineering Co., Ltd. of CCCC Fourth Harbor Engineering Co., Ltd.	Selling goods	24,687,230	12,868,943
CCCC Fourth Harbor Third Engineering Co., Ltd	providing labor	18,699,952	-
Hainan CCCC Fourth Construction Co., Ltd	Selling goods	17,202,584	16,347,733
Nanjing CCCC Weisan Road Crossing River Channel Co., Ltd.	providing labor	15,362,383	-
China Communications Corporation	Selling goods	14,436,561	40,062,236
CCCC Financial Rental Co., Ltd	Selling goods	12,020,237	112,994,570
CCCC Third Harbor Engineering Investigation and Design Institute Co., Ltd	Selling goods	4,515,993	17,676,832
CCCC Second Harbor Second Engineering Co., Ltd	Selling goods	3,678,378	5,383,422
CCCC First Harbor Engineering First Engineering Co., Ltd.	Selling goods	3,173,735	34,362,246
CCCC Shanghai Equipment Engineering Co., Ltd.	Selling goods	1,222,449	-
China Bridge Engineering Co., Ltd	Selling goods	1,089,606	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

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CCCC First Harbor Second Engineering Co., Ltd	Selling goods	643,333	-
China Communications Water Transportation Design & Research Co.,Ltd	Selling goods	-	59,823,097
CCCC Marine Engineering Vessel Technology Research Centre Co., Ltd	Selling goods	-	4,880,342
Tianjin Dredging Company—Binhai Environmental protection Engineering Co., Ltd	Selling goods	-	2,649,573
CCCC Second Harbor Engineering Investigation and Design Institute Co., Ltd	Selling goods	-	1,775,726
CCCC First Harbor Engineering Co., Ltd.	providing labor	-	1,745,283
		<u>1,478,093,954</u>	<u>1,091,399,934</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(5) Related transactions (continued)

(c) Related party provided labor service for the Group

Related party	Related transactions details	2015	2014
CCCC Tianjin Waterway Bureau Co., Ltd	Accepting labor	202,023,996	-
CCCC China East Investment Co., Ltd	Accepting labor	30,900,000	-
China Communications Corporation	Accepting labor	15,608,642	62,727,622
CCCC Second Highway Engineering Bureau Co., Ltd.	Accepting labor	10,713,240	1,212,974,461
No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	Accepting labor	-	885,245,579
CCCC Third Harbor Engineering Co., Ltd.	Accepting labor	-	190,385,882
CCCC Tunnel Engineering Co., Ltd	Accepting labor	-	79,835,548
CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	Accepting labor	-	4,892,308
		<u>259,245,878</u>	<u>2,436,061,400</u>

(d) Purchasing goods from related party

Related party	Related transactions details	2015	2014 (reclassification)
Chuwa Bussan Company Limited	purchasing goods	291,769,656	195,828,127
CCCC Shanghai Equipment Engineering Co., Ltd.	purchasing goods	137,622,776	94,917,511
Shanghai Zhenhua Heavy Industries (Group) Changzhou Paint Co., Ltd.	purchasing goods	104,139,666	94,210,385
China Transportation Materials Co., Ltd	purchasing goods	16,721,301	33,858,763
		<u>550,253,399</u>	<u>418,814,786</u>

(e) Selling assets or equity to related parties

Related party	Related transactions details	2015	2014
China Communications Corporation	equity transfer	-	<u>32,970,531</u>

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	asset transfer		
(f) Deposits to related party			
Related parties	Related transactions details	2015	2014
CCCC Financial Co., Ltd	Inter-bank deposit	<u>14,114,145</u>	<u>120,420,504</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(5) Related transactions (continued)

(g) Loan from related parties

Related parties	Related transactions details	2015	2014
CCCC Financial Rental Co., Ltd	Inter-bank borrowing	1,018,000,000	100,000,000
CCCC Rental Jiahuayi Co., Ltd	Inter-bank borrowing	383,838,000	-
CCCC Rental Jiahuaer Co., Ltd	Inter-bank borrowing	383,838,000	-
		<u>1,785,676,000</u>	<u>100,000,000</u>

(h) Pay interest to related parties

Related parties	Related transactions details	2015	2014
CCCC Financial Co., Ltd	Pay interest	<u>616,290</u>	<u>420,079</u>

(i) Pay interest to related parties

Related parties	Related transactions	2015	2014
CCCC Financial Rental Co., Ltd	Payment of interest	53,723,710	2,950,000
CCCC Financial Co., Ltd	Payment of interest	13,594,125	-
CCCC Rental Jiahuayi Co., Ltd	Payment of interest	11,483,154	-
CCCC Rental Jiahuaer Co., Ltd	Payment of interest	11,483,154	-
		<u>90,284,143</u>	<u>2,950,000</u>

(j) Leasing

The Group as lessor

Name of lessee	Types of leasing assets	2015	2014 (reclassification)
Zhenhua Marine Energy (Hong Kong) Co., Ltd	Ship	67,924,038	-
CCCC Second Harbor Engineering Third Engineering Co., Ltd	Shield	19,671,628	78,686,512
CCCC Tunnel Engineering Co.,	Shield	14,365,684	74,951,392

Shanghai Zhenhua Heavy Industries Co., Ltd.

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Ltd

China Communications

Corporation

Ship	<u>3,384,615</u>	<u>-</u>
	<u>105,345,965</u>	<u>153,637,904</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(5) Related transactions (continued)

(k) Provide guarantee to related parties

Related parties	Related transaction	Guarantee amount	Guarantee start date	Guarantee due date	Whether the Guarantee is implemented
Zhenhua Marine Energy (Hong Kong) Co., Ltd	Provide guarantee	165,917,974	Sep.14, 2015	Mar., 14, 2017	No
Zhenhua Marine Energy (Hong Kong) Co., Ltd	Provide guarantee	122,380,000	May. 26, 2014	May 26, 2015	Yes

(l) Key executives' salaries

	2015	2014
Key executives' salaries	12,544,400	11,346,400

The number of key executives of the Group in 2015 is 29 (2014: 24). The salaries of the newly added executives and the resigned executives are calculated according to the tenure. It is calculated on a yearly basis for other employees.

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VII **Related parties and related transaction (continued)**

(6) Balances of receivables and payables from or to related parties

(a) Receivables from related parties:

Accounts receivable	Dec. 31, 2015		Dec. 31, 2014 (reclassification)	
	book value balance	bad debt provision	book value balance	bad debt provision
Friede & Goldman, Llc.	114,763,068	-	14,297,643	-
CCCC First Harbor Engineering Co., Ltd	90,636,388	-	108,136,388	-
Zhenhua Marine Energy (Hong Kong) Co., Ltd	69,319,180	-	-	-
CCCC Second Harbor Engineering Co., Ltd	56,432,975	-	21,894,975	-
CCCC Third Harbor Engineering Co., Ltd.	56,419,273	-	71,896,273	-
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd.	45,398,460	-	4,158,337	-
Chuwa Bussan Company Limited	45,103,892	-	10,625,081	-
No.1 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	40,000,000	-	44,000,000	-
CCCC Fourth Harbor Engineering Investigation and Design Institute Co., Ltd	29,592,000	-	-	-
China Communications Corporation	27,772,867	-	58,739,753	-
CCCC Second Highway Engineering Bureau Co., Ltd.	25,595,000	-	-	-
CCCC Fourth Harbor Engineering Co., Ltd.	19,047,086	-	19,047,086	-
China Bay Engineering Co., Ltd	15,125,880	-	91,815,595	-
No.2 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	14,753,046	-	-	-
No.6 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	13,171,700	-	14,725,599	-
No.2 Engineering Co., Ltd. of CCCC Fourth Harbor Engineering Co., Ltd.	10,402,788	-	8,689,705	-
CCCC Second Harbor Second Engineering Co., Ltd	8,999,544	-	8,180,099	-
CCCC Third harbor engineering investigation and Design Institute Co., Ltd	6,000,000	-	9,270,000	-
CCCC First Harbor First Engineering Co., Ltd	5,760,000	-	6,760,000	-
CCCC First Harbor Second Engineering Co., Ltd	5,753,557	-	4,034,049	-

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CCCC Tunnel Engineering Co., Ltd	4,809,915	-	3,422,000	-
CCCC First Harbor City Traffic Engineering Co., Ltd	4,719,000	-	5,719,000	-
Tianjin Dredging Company— Binhai Environmental protection Engineering Co., Ltd	2,170,000	-	2,170,000	-
No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	1,245,810	-	-	-
CCCC Marine Engineering Vessel Technology Research Centre Co., Ltd	1,100,000	-	6,810,000	-
CCCC Shanghai Equipment Engineering Co., Ltd.	1,083,425	-	48,425	-
CCCC First Harbor Engineering Co., Ltd.	900,797	-	160,797	-
Yueyang Chenglingji Xingang Co., Ltd.	42,000	-	42,000	-
China Communications Water Transportation Design & Research Co.,Ltd	-	-	28,237,000	-
Hainan CCCC Fourth Construction Co., Ltd	-	-	11,954,280	-
CCCC Second harbor engineering investigation and Design Institute Co., Ltd	-	-	6,278,000	-
CCCC Highway Planning and Design Institute Co., Ltd	-	-	422,750	-
No.5 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	-	-	52,861	-
	<u>716,117,651</u>	<u>-</u>	<u>561,587,696</u>	<u>-</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(6) Balances of receivables and payables from or to related parties (continued)

(a) Receivables from related parties (continued)

		Dec. 31, 2015		Dec. 31, 2014 (reclassification)	
		Book value balance	bad debt provisio n	book value balance	bad debt provision
Money fund	CCCC Financial Co., Ltd	<u>134,534,649</u>		<u>120,420,504</u>	
Accounts receivable	No.1 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	10,000,000	-	10,000,000	-
	Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd.	1,726,800	-	-	-
	Chuwa Bussan Company Limited	-	-	758,174	-
	CCCC Second Highway Engineering Bureau Co., Ltd.	-	-	500,000	-
		<u>11,726,800</u>	<u>-</u>	<u>11,258,174</u>	<u>-</u>
Advanced payment	China Communications Corporation	7,192,680	-	33,675,829	-
	CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	2,200,000	-	2,200,000	-
	CCCC Shanghai Equipment Engineering Co., Ltd.	630,000	-	-	-
	Chuwa Bussan Company Limited	-	-	571,437	-
		<u>10,022,680</u>	<u>-</u>	<u>36,447,266</u>	<u>-</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(6) Balances of receivables and payables from or to related parties (continued)

(b) Payables to related parties

		Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Accounts receivable			
	Chuwa Bussan Company Limited	296,437,449	239,092,191
	CCCC Second Highway Engineering Bureau Co., Ltd.	259,445,458	542,740,653
	No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	187,941,127	436,381,667
	CCCC Tianjin Waterway Bureau Co., Ltd	162,023,996	-
	CCCC Third Harbor Engineering Co., Ltd.	43,224,566	146,654,846
	CCCC Tunnel Engineering Co., Ltd	28,854,070	54,054,936
	Shanghai Zhenhua Heavy Industries (Group) Changzhou Paint Co., Ltd.	24,086,487	16,507,869
	CCCC Shanghai Equipment Engineering Co., Ltd.	32,594,294	15,374,859
	China Transportation Materials Co., Ltd	14,821,551	4,212,579
	CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	10,051,352	10,051,352
	CCCC Marine Engineering Vessel Technology Research Centre Co., Ltd	9,363,830	-
	Beijing Qiaoyu Science and Technology Co., Ltd	1,198,882	-
	China Communications Water Transportation Design & Research Co.,Ltd	160,000	160,000
	Shanghai Jiangtian Industrial Co., Ltd.	289	-
		<u>1,070,203,351</u>	<u>1,465,230,952</u>
Advanced payment			
	CCCC Tunnel Engineering Co., Ltd	107,781,197	13,861,978
	No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	82,277,608	-
	Chuwa Bussan Company Limited	32,378,055	12,747,208
	No.1 Engineering Co., Ltd. of	1,788,701	1,194,097

Shanghai Zhenhua Heavy Industries Co., Ltd.

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CCCC First Harbor Engineering Co., Ltd.		
China Communications Corporation	934,516	-
China Bay Engineering Co., Ltd	736,500	-
CCCC Second Harbor Second Engineering Co., Ltd	699,388	-
Friede & Goldman, Llc.	599,112	-
CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	200,000	200,000
Yueyang Chenglingji Xingang Co., Ltd.	-	12,000
CCCC Second Harbor Engineering Co., Ltd	-	18,425,818
	227,395,077	46,441,101

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

VII **Related parties and related transaction (continued)**

(6) Balances of receivables and payables from or to related parties (continued)

(b) Payables to related parties (continued)

		Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Dividends payable	CCCC Tianjin Waterway Bureau Co., Ltd	25,079,494	-
	Chuwa Bussan Company Limited	6,269,873	-
	China Communications Corporation	502,283	502,283
	Hong Kong Zhenhua Engineering Co., Ltd.	346,005	346,005
	Macau Zhenhua Bay Engineering Co., Ltd	6,593	6,593
		<u>32,204,248</u>	<u>854,881</u>
Interest payable	CCCC Financial Rental Co., Ltd	<u>1,784,054</u>	<u>171,111</u>
Other payables	CCCC Financial Rental Co., Ltd	1,118,000,000	100,000,000
	China Communications Corporation	103,937,952	31,097,080
	Shanghai Jiangtian Industrial Co., Ltd.	17,586,085	17,586,085
	CCCC Second Highway Engineering Bureau Co., Ltd.	13,750,047	14,796,932
	No.3 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	7,912,758	9,052,063
	CCCC Third Harbor Engineering Co., Ltd.	3,376,879	4,437,460
	CCCC Tianjin Waterway Bureau Co., Ltd	2,669,988	372,546
	CCCC Tunnel Engineering Co., Ltd	1,637,656	1,999,913
	Shanghai Zhensha Fulong Machinery Co., Ltd	257,612	389,056
	CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	1,200	-
	Nanjing CCCC Weisan Road Crossing River Channel Co., Ltd	-	77,464,817
		<u>1,269,130,177</u>	<u>257,195,952</u>
Noncurrent liabilities due within one year			

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	CCCC Rental Jiahuayi Co., Ltd	29,685,028	-
	CCCC Rental Jiahuaer Co., Ltd	29,685,029	-
		59,370,057	-
Long term payable			
	CCCC Rental Jiahuayi Co., Ltd	359,930,972	-
	CCCC Jiahuaer Co., Ltd	359,930,971	-
		719,861,943	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(7) Promises with related parties

The following are promises contracted but not necessarily shown on B/S with related parties as of B/S day:

Related party provided labor service for the Group	Dec. 31, 2015	Dec. 31, 2014
CCCC Third Harbor Engineering Co., Ltd.	79,010,254	37,439,931
CCCC Second Harbor Engineering Co., Ltd	70,313,613	40,226,953
CCCC Third Harbor Engineering Xing'an Construction Engineering Co., Ltd.	37,076,943	37,076,943
CCCC First Harbor Engineering Co., Ltd.	29,435,537	29,435,537
China Communications Corporation	29,333,629	29,333,629
CCCC Tunnel Engineering Co., Ltd	23,777,752	4,543,079
CCCC First Harbor Engineering Co., Ltd	1,000,000	1,000,000
	<u>269,947,728</u>	<u>179,056,072</u>
Invested to the related parties	Dec. 31, 2015	Dec. 31, 2014
ZPMC Mediterranean Liman Makinalari Ticaret Anonim Sirketi	974,040	974,040
China Communications Construction USA Inc.	-	73,428,000
	<u>974,040</u>	<u>74,402,040</u>
Leased assets from related parties	Dec. 31, 2015	Dec. 31, 2014
Shanghai Waterway Logistics Co., Ltd	<u>1,800,000</u>	<u>-</u>
Leased assets to related parties	Dec. 31, 2015	Dec. 31, 2014
Zhenhua Marine Energy (Hong Kong) Co., Ltd	1,582,750,064	-
China Communications Corporation	2,880,000	-
	<u>1,585,630,064</u>	<u>-</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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VII **Related parties and related transaction (continued)**

(7) Promises with related parties (continued)

The related parties build base and production workshop	Dec. 31, 2015	Dec. 31, 2014
CCCC Third Harbor Engineering Co., Ltd.	13,750,000	13,750,000
Selling goods or assets to related parties		
	Dec. 31, 2015	Dec. 31, 2014
CCCC Financial Rental Co., Ltd	650,726,496	-
CCCC Second Harbor Engineering Co., Ltd	269,536,252	-
CCCC Fourth Harbor Engineering Investigation and Design Institute Co., Ltd	126,461,538	-
Friede & Goldman, Llc.	102,518,684	238,167,735
China Communications Corporation	74,715,733	8,405,826
China Bay Engineering Co., Ltd	63,799,620	5,988,053
CCCC Third Harbor Engineering Co., Ltd.	47,321,305	37,938,701
No.2 Engineering Co., Ltd. of CCCC Fourth Harbor Engineering Co., Ltd.	14,872,470	41,312,416
CCCC First Harbor Second Engineering Co., Ltd	9,701,516	1,617,636
CCCC Tunnel Engineering Co., Ltd	9,119,658	9,119,658
CCCC Second Harbor Second Engineering Co., Ltd	7,494,175	9,004,698
China Communications Water Transportation Design & Research Co.,Ltd	6,672,629	6,672,629
No.1 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd.	6,210,620	5,966,005
CCCC Third Highway Engineering Bureau Co., Ltd	3,850,109	-
No.2 Engineering Co., Ltd. of CCCC Second Harbor Engineering Co., Ltd.	1,541,429	-
Hainan CCCC Fourth Construction Co., Ltd	507,461	17,710,044
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd.	450,106	54,635,214
CCCC Fourth Harbor Engineering Co., Ltd.	333,806	333,806
CCCC Third Harbor Second Engineering Co., Ltd	144,794	-
China Bridge Engineering Co., Ltd	138,189	-
CCCC Third Harbor Engineering Investigation and Design Institute Co., Ltd	-	4,515,993
	<u>1,396,116,590</u>	<u>441,388,414</u>

Signed a standby leasing agreement with the related party

On December 16,2015, the Company signed ship rental standby agreement with CCCC Rental Jiahuayi Co., Ltd and CCCC Rental Jiahuaer Co., Ltd, with the rental term from March 5, 2016 to December 5, 2021. The agreement will become into effective when the ship rental agreement signed by the subsidiary and Zhenhua Marine Energy (Hong Kong) Co., Ltd can't be performed. The max contractual amount is 442,018,907 Yuan.

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VIII Contingencies

As of Dec 31, 2015, the significant contingencies of the Group are as follows:

- (1) Suzhong Construction Group Co., Ltd. (Hereinafter referred to as "Suzhong Construction") contracted the project construction of the Industrial R&D Building in 2008, but the two sides entered into dispute at settlement upon completion. In September 2013 the Company filed a request to Shanghai Arbitration Commission for Suzhong Construction to pay an overdue fine of 7.444 million Yuan due to delays of construction and so on, while in February 2014 Suzhong Construction filed a counterclaim to Shanghai Arbitration Commission requesting the Company to pay about 162 million Yuan for the project settlement and related interest costs; the arbitration case will be initially heard shortly. The Company believes the said case shall not impose significant impact on the 2014 financial statements of the Company.
- (2) In 2008 the Company and Fluor Limited (hereinafter referred to as "Fluor") British wind power project signed an agreement of sales and installation for wind power steel pipe pile products for the British Wind Power Project. In the project construction process, the Company and Fluor, by way of friendly consultations and in the spirit of good cooperation, maintain dispute handling normal communication mechanism. In June 2010, for the implementation of the contract, after review by the board of directors of the Company, the Company and Fluor signed a mutual exemption letter, and in 2011 settled the remaining payment. Afterwards, Fluor produced claim to the Company for quality compensation, and requested the Company to cash the pay-on-claim quality guarantee bond, while the Company rejected the claim. On March 20, 2014 Fluor cashed the amount of 23,409,750 euro bond. The Company has consulted professional lawyers, and is planning to claim under the guarantee bond a compensation for principal and interest loss through corresponding legal procedures

In September 2014, Fluor initiated proceedings for the breach caused by the problems related to the product quality to High Court of Justice, Queen's Bench Division, The Technology and Construction Court (hereinafter referred to as "TCC Court of Britain Queen's Bench") and asked the Company for the compensation of 250 million Pounds for additional test and repair cost, project period delay and related loss. (including the cashed bond amount of 23,409,750 Euro). The Company didn't acknowledge the claim for the compensation from Fluor

In 2015, the Company prepared the evidence disclosure, witness testimony, exchange work and other preparatory work before the court. From February to March 2016, British High Court TCC court was in trial for five weeks . The first instance trial work has not been completed. At present, there is no verdict.

The Company attached great importance to this case, established special team and hired senior legal team both at home and abroad to actively advocate the Company's rights and protect the Company's rights from damaged. At present, this case is still in the judgment. Therefore, the Company is unable to reliably estimate the possible result of the case, possible loss and profit possibility and amount arising from that. The Company will timely disclose the related impact based on the progress.

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VIII Contingencies (continued)

- (3) In 2013, the Company has signed the construction and sales contract about a 6000 ton piping ship with Petrofac (JSD6000) Limited(hereinafter referred to as Petrofac). The Company kept normal contact with Petrofac in the process of the construction. On October 9, 2015, Petrofac issued Contract Termination Letter with the reason that the project is delayed and meets the termination article. Petrofac asked for terminating the contract and requested the Company to return the prepaid payment and interest, as well as assumed the responsibility of the loss caused by the termination of the contract. Petrofac honored the demand guarantee from the opening bank in December 2015, with total amount of 44,720,000 USD

The Company attached great importance to this case, established special team and hired senior legal team both at home and abroad to actively advocate the Company's rights and protect the Company's rights from damaged. The Company has applied for arbitration to the London International Arbitration Court in January and asked Petrofac to return the payment of Letter of Guarantee and compensated for the loss. Since the arbitral court is not formed for the case. Therefore, the Company is unable to reliably estimate the possible result of the case, possible loss and profit possibility and amount arising from that. The Company will timely disclose the related impact based on the progress.

- (4) As of Dec. 31, 2015, the Group provided financial guarantee of amount of 19,184,000 Yuan to customer Jiangsu Yanweigang Port Co., Ltd which will be due on Nov 11, 2017. The amount above reflects the max loss caused to the Group once it breaches the agreement. The Jiangsu Yanweigang Port Co., Ltd has health finance with no predicted significant debt breach risk. The Group didn't confirm the debt related to the financial guarantee.

IX Promises

- (1) Capital expense promises

List in the following is the capital expenses promises not yet to be confirmed in the financial statements but the contracts have been signed on the reporting day.

	Dec. 31, 2015	Dec. 31, 2014
House, building and equipment	<u>206,585,921</u>	<u>82,860,285</u>

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IX Promises (continued)

(2) Operating leasing Promises

List in the following is the capital expenses promises not yet to be confirmed in the financial statements but the contracts have been signed on the reporting day.

	Dec. 31, 2015	Dec. 31, 2014
within one year	57,354,128	14,492,026
one to two years	57,733,328	14,849,826
two to three years	57,235,328	15,229,026
above three years	138,342,848	103,934,727
	<u>310,665,632</u>	<u>148,505,605</u>

(3) L/C Promises

The company entrusted bank to issue several L/C to purchase imported components or parts. As of Dec. 31, 2015 payables under the L/C's amounted to 2, 226,236,545 Yuan (Dec. 31, 2014: 2,062,335,305 Yuan).

X Enterprise combination

See Note V (1)(2)

XI Financial risks

Operation of the Group faces various financial risks: market risks (mainly foreign exchange risks and interest rate risks), credit risks and liquidity risks. The overall risk control planning of the Group aims at the unpredictability of financial market, in an attempt to minimize the potential impact on the financial result of the Group

(1) Market risks

(a) Foreign risks

Major production of the Group is located within the boarder of China, but major businesses are settled in USD and Euro. Therefore there are risks with confirmed foreign currency assets and liabilities and future foreign currency transaction (foreign currency assets and liabilities and foreign currency transaction are mainly priced by USD and Euro). The Group's financial department is responsible for the controlling of the Group's foreign currency transaction and the size of foreign currency assets and liabilities, to minimize

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foreign risks. Considering above, the Group controls its foreign risks via establishing time foreign contracts. As of Dec. 31, 2015 and Dec. 31, 2014 status of time foreign contracts not due are shown in Note IV (2).

XI Financial risks (continued)

(1) Market risks (continued)

(a) Foreign risks (continued)

As of Dec. 31, 2015 and Dec. 31, 2014, RMB amount of the Group's foreign currency financial assets and financial Liabilities are listed as follows:

	Dec. 31, 2015(RMB Equivalents)			Total
	USD	Euro	Other Foreign monetary	
Foreign monetary Financial assets				
Monetary capital	890,370,042	407,031,992	64,640,574	1,362,042,608
Receivables	1,901,916,069	388,956,502	222,209,447	2,513,082,018
	<u>2,792,286,111</u>	<u>795,988,494</u>	<u>286,850,021</u>	<u>3,875,124,626</u>
Foreign monetary financial liabilities -				
short-term loans	11,478,677,563	113,250,929	-	11,591,928,492
Payables	909,017,427	324,414,738	22,774,478	1,256,206,643
Non-current liabilities due				
within one year	773,666,057	-	-	773,666,057
Long term loans	-	141,904,000	-	141,904,000
Foreign monetary financial liabilities -	<u>719,861,943</u>	<u>-</u>	<u>-</u>	<u>719,861,943</u>
	<u>13,881,222,990</u>	<u>579,569,667</u>	<u>22,774,478</u>	<u>14,483,567,135</u>
	Dec. 31, 2014(RMB Equivalents) (reclassification)			
	USD	Euro	Other Foreign monetary	Total
Foreign monetary Financial assets				
Monetary capital	1,809,365,169	139,164,396	45,153,825	1,993,683,390
Receivables	1,529,630,490	406,439,231	394,484,760	2,330,554,481
	<u>3,338,995,659</u>	<u>545,603,627</u>	<u>439,638,585</u>	<u>4,324,237,871</u>
Foreign monetary financial liabilities -				
short-term loans	10,776,575,420	43,498,520	-	10,820,073,940
Payables	458,520,216	197,471,922	230,299,778	886,291,916
Non-current liabilities due				
within one year	856,660,000	-	-	856,660,000
Long term loans	673,090,000	-	-	673,090,000
	<u>12,764,845,636</u>	<u>240,970,442</u>	<u>230,299,778</u>	<u>13,236,115,856</u>

As of December 31, 2015, regarding all kinds of financial assets and financial liabilities in USD of the Group, if RMB sees an appreciation or depreciation by 1% against the USD, with other factors unchanged, the Group will increase or decrease the total profit by approximately 110,889,369 Yuan (December 31, 2014: to reduce or increase the

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losses totaling approximately 94,258,500 Yuan).

As of December 31, 2015, regarding the Group's all kinds of financial assets in Euro and the financial liabilities in Euro, if the RMB sees appreciation or depreciation against Euro by 1%, with other factors unchanged, the Group will reduce or increase the total profit by approximately 2,164,188 Yuan (December 31, 2014: to increase or reduce the total amount of losses by 3,046,332 Yuan).

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XI Financial risks (continued)

(1) Market risks (continued)

(b) Interest rate risks

Interest rate risks of the Group mainly originate from long-term liabilities with interest including long term bank loans and bonds payable. Financial liabilities with flexible rates confront the Group with cash flow interest rate risks, while financial liabilities with fixed rates put the Group against fair value interest rate risks. The Group fixes the fraction of contracts with fixed rates and those with flexible rates based on corresponding market environment. As of Dec. 31, 2015, the Group's long-term liabilities with interests include only contracts with flexible rates priced in USD, and contracts with fixed rates priced in RMB and USD. Amount of contracts with flexible rates priced is 1,570,000,00 Yuan (Dec. 31, 2014: 1,777,000,000 Yuan); and the amount of contracts with fixed rates priced in USD is 719,861,943 Yuan (Dec. 31, 2014: 611,900,000 Yuan). and the amount of contracts with fixed rates priced in Euro is 141,904,000 Yuan (Dec. 31,2014: no). amount of contracts with fixed rates priced in RMB is 50,000,000 Yuan (Dec. 31, 2014, 3,899,615,401 Yuan in RMB, 61,190,000 in USD)

The financial division of the Group keeps close watch over the interest rates level of the Group. Since the rise of interest rates will increase the cost of newly added liabilities with interests, interest expenses on unpaid liabilities with interests priced in flexible rates, and will significantly impact the financial results of the Group, the management will lower the rate risks via swap contracts based on current market status. In 2015, the Group had no such swap arrangements.

As of Dec. 31, 2015 when the rate of long-term liabilities with flexible rates increases or decreases by 100 basis points while other factors remain unchanged, the Group will decrease or increase a total interest expenditure of about 24,317,659 Yuan (Dec. 31 2014: total increased or decreased interest expenditure amount being 24,500,900 Yuan).

(2) Credit risks

The Group manages credit risks by portfolio classification. Credit risks mainly originate from bank loans, accounts receivable, other receivables, notes receivable and other current assets -bank financial products etc.

Bank deposits of the Group and other current assets -bank financial products are mainly put in state-owned banks and other large or medium-sized listed banks. Therefore, the Group believes they suffer no significant credit risks or cause any significant losses as a result of contract breach of the counterparts.

In addition, speaking of accounts receivable, other receivables, and notes receivable, the Group established related policies to control credit risks. The Group evaluates clients' credit qualification and sets corresponding credit terms on the basis of clients' financial status, possibility of obtaining guaranty from a third-party, credit record and other factors including current market status rating. The Group monitors clients' credit record on regular basis. When client is found with bad credit record, the Group will sent out written calls, shorten credit terms or cancel credit terms, in an attempt to ensure that the Group's

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overall credit risks be within control.

XI Financial risks (continued)

(3) Liquidity risks

Subsidiaries within the Group are responsible for their own prediction of cash flow. The financial section of the head office continues to monitor the capital demand for short-term and long-term capital at the group level after collecting all predictions of subsidiaries, to ensure sufficient cash reserve and cashable securities. Meanwhile, the financial section of the head office continues to monitor the financial and non-financial factors prescribed in credit agreements and loan agreements, to ensure the Group should get sufficient line of credit from key financial institutions to satisfy capital demand both in short term and long term.

On Dec. 31, 2015, as of B/S day, various financial assets and liabilities of the Group are listed as follows by due dates in undiscounted contracted cash flow (principal and interest included):

	Dec. 31, 2015				Total
	within one year	one to two years	two to five years	Over five years	
Financial liabilities -					
Short-term				-	
loans	18,503,526,869	-	-	-	18,503,526,869
Payables	5,471,141,022	-	-	-	5,471,141,022
Other				-	
payables	1,604,523,386	-	-	-	1,604,523,386
Notes				-	
payable	1,785,201,236	-	-	-	1,785,201,236
Interest				-	
payable	289,590,733	-	-	-	289,590,733
Dividends				-	
payable	32,237,912	-	-	-	32,237,912
Other non-current				-	
liabilities	2,061,250,000	-	-	-	2,061,250,000
Non-current				-	
liabilities				-	
due within				-	
one year	6,951,051,584	-	-	-	6,951,051,584
Long term				-	
loans	75,597,542	726,184,434	1,076,400,504	-	1,878,182,480
Long-term					
payables	32,465,774	149,197,695	415,462,011	253,938,352	851,063,832
	<u>36,806,586,058</u>	<u>875,382,129</u>	<u>1,491,862,515</u>	<u>253,938,352</u>	<u>39,427,769,054</u>

On Dec. 31, 2014, various financial liabilities of the Group are listed as follows by due dates in undiscounted contracted cash flow (principal and interest included):

	Dec. 31, 2014 (reclassification)				Total
	within one year	one to two years	two to five years	Over five years	
Financial					

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liabilities -					
Short-term					
loans	21,579,161,916	-	-	-	21,579,161,916
Payables	4,969,164,694	-	-	-	4,969,164,694
Other					
payables	451,394,650	-	-	-	451,394,650
Notes					
payable	1,989,118,156	-	-	-	1,989,118,156
Interest					
payable	602,520,456	-	-	-	602,520,456
Dividends					
payable	854,881	-	-	-	854,881
Non-current					
liabilities					
due within					
one year	2,744,588,960	-	-	-	2,744,588,960
Long term					
loans	121,604,593	2,457,902,007	162,154,624	-	2,741,661,224
Bonds					
payable	<u>225,387,500</u>	<u>3,834,580,000</u>	<u>-</u>	<u>-</u>	<u>4,059,967,500</u>
	<u>32,683,795,806</u>	<u>6,292,482,007</u>	<u>162,154,624</u>	<u>-</u>	<u>39,138,432,437</u>

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XII Fair value estimates

The tier attributed to the fair value measurement results is determined by the minimum tier of the input value with significant meaning to the fair value measurement.

Tier One: quotation of the same kind of assets or liabilities on activating market.

Tier Two: input value of assets or liabilities observable directly or indirectly except for market quotation at Tier One.

Tier Three: unobservable input value of related assets and liabilities

(1) Continuous assets measured at fair value

On Dec. 31, 2015, financial assets measured by fair value are listed as follows based on above 3 tiers:

	Tire one	Tire two	Tire three	Total
Financial assets				
Financial assets measured at fair value with the change accounted in current profit and loss				
- Forward foreign exchange contracts	-	676,082	-	676,082
Available-for-sale financial assets				
Short-term financial products	-	46,000,000	-	46,000,000
Available-for-sale equity instruments	1,169,183,020	-	-	1,169,183,020
Total assets	1,169,183,020	46,676,082	-	1,215,859,102

Dec. 31, 2015, financial liabilities measured by fair value are listed as follows based on above 3 tiers:

	Tire one	Tire two	Tire three	Total
Financial assets				
Financial debt measured at fair value with the change accounted in current profit and loss				
Forward foreign exchange contracts	-	24,918,115	-	24,918,115
	-	24,918,115	-	24,918,115

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XII Fair value estimates (continued)

(1) Financial assets measured by fair value (continued)

On Dec. 31, 2014, financial assets measured by fair value are listed as follows based on above 3 tiers:

	Tire one	Tire two	Tire three	Total
Financial liabilities				
Financial assets measured at fair value with the change accounted in current profit and loss				
Forward foreign exchange contracts	-	25,735,001	-	25,735,001
Available-for-sale financial assets				
- short-term financial products	-	5,686,257,756	-	5,686,257,756
- Available-for-sale equity instruments	433,180,453	-	-	433,180,453
Total assets	<u>433,180,453</u>	<u>5,711,992,757</u>	<u>-</u>	<u>6,145,173,210</u>

On Dec. 31, 2014, financial liabilities measured by fair value are listed as follows based on above 3 tiers:

	Tire one	Tire two	Tire three	Total
Financial liabilities				
Financial debt measured at fair value with the change accounted in current profit and loss				
- Forward foreign exchange contracts	-	28,752,000	-	28,752,000
	<u>-</u>	<u>28,752,000</u>	<u>-</u>	<u>28,752,000</u>

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XII Fair value estimate (continued)

(1) Continuous assets measured at fair value (continued)

The Group regards the event occurring date transferring between the tires as the time point for confirmation. There is no transfer between tire 1 and 2 this year.

As for the financial instrument traded on active market, the Group will confirm the fair value with the quotation in the active market; as for the financial instrument not traded on active market, the Group confirms the fair value using the value estimation technology. Cash flow discount model is used as value estimation model. The input values of the value estimate technology includes the riskless interest rate and long exchange rate.

Related information of fair value measurement at tire 2:

	Dec. 31, 2015 Fair value	Value estimat e technol ogy	Observable input values	
			Name	Scope
Financial assets measured at fair value with the change accounted in current profit and loss—				
USD long exchange contract	676,082	Cash flow discount model	USD to RMB forward rate	6.5824-6.7302
Financial assets available for sale				
Bank short-term financing product	46,000,000	Cash flow discount model	Contract agreed profit rate	0%-2.95%
Financial debt measured at fair value with the change accounted in current profit and loss—				
USD long exchange contract	(24,918,115)	Cash flow discount model	USD: RMB long rate	6.4971-6.7302

(2) Assets and debt not measured at fair value but disclosing the fair value

Financial assets and financial debt measured with amortized cost include: receivables, long-term receivables, short-term loan, payables, long-term loan and payable bond.

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XII Fair value estimate (continued)

(2) Assets and debt not measured at fair value but disclosing the fair value (continued)

The long-term receivables are the receivables with floating rate. The difference between the book value and fair value is small. Besides the financial assets and financial debt below, the difference between the book values and fair values of the financial assets and financial debt not measured at the fair value is small.

	Dec. 31, 2015		Dec. 31, 2014	
	book value	fair value	book value	fair value
Financial debt				
Long-term loan	1,761,904,000	1,700,572,166	2,550,090,000	2,463,092,516
Bonds payable	-	-	3,799,615,401	3,597,598,000
Long-term payable	719,861,943	704,509,277	-	-
	<u>2,481,765,943</u>	<u>2,405,081,443</u>	<u>6,349,705,401</u>	<u>6,060,690,516</u>

The fair value is confirmed by the quotation in the active market when holding the payable bond with due investment and active market, which belongs to tier 1. As for the long-term loan, long-term payables and payables without active market, the fair value is confirmed by the future cash flow specified in the contract according to the comparable credit level and the same cash flow rate provided in the same conditions, which belongs to tier 3.

XIII Capital management

The capital management policy aims to ensure that the Group could continuously operate, thus to provide return to the shareholders and profit to other stakeholders, and maintain the optimal capital structure to reduce the capital cost.

In order to maintain or adjust the capital structure, the Group may adjust the dividend amount to the shareholders, return the capital to the shareholder, release new stock or sell the asset to reduce the debt.

The total capital of the Group is the shareholder rights listed in the consolidation balance sheet. The Group is not limited by the external forced capital requirement and utilizes the debt ratio to monitor the capital. This ratio is calculated by the debt net amount divided by the total capital. The debt net amount is the total loan (including the short-term loan, other non-current debt due within one year and long-term loan and the payable bond listed in consolidation balance sheet) deducting the cash and cash equivalent. The total capital is the total shareholders' rights adding the debt net amount.

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As of Dec. 31, 2015 and Dec. 31, 2014, the Group debt ratio is shown as below:

	Dec. 31, 2015	Dec. 31, 2014 (reclassification)
Debt ratio	<u>64%</u>	<u>61%</u>

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XIV Notes to major items in the Company's statements

(1) Accounts receivable

	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable	7,891,037,413	6,838,349,694
Less: bad debt provision	<u>(1,108,321,774)</u>	<u>(832,754,361)</u>
	<u>6,782,715,639</u>	<u>6,005,595,333</u>

(a) Accounts receivable debt age as follows:

	Dec. 31, 2015	Dec. 31, 2014
One to six months	5,529,667,647	4,996,010,253
Seven to twelve months	513,185,844	310,875,441
one to two years	603,261,900	740,928,018
two to three years	496,633,694	180,939,289
three to four years	170,481,093	134,202,122
four to five years	102,873,101	69,767,558
above five years	<u>474,934,134</u>	<u>405,627,013</u>
	<u>7,891,037,413</u>	<u>6,838,349,694</u>

As of Dec. 31, 2015, the receivable is 1,412,157,301 Yuan (Dec. 31, 2014 : 1,012,175,682 Yuan) which is overdue but not decreased. Based on the financial state and the credit record, the Company believes that the payment can be collected. The account age analysis of the receivable is as following:

	Dec. 31, 2015	Dec. 31, 2014
Seven to twelve months	502,796,106	308,292,708
one to two years	522,462,402	543,296,358
two to three years	295,891,625	100,427,334
three to four years	71,830,265	43,316,311
four to five years	19,058,106	16,842,971
above five years	<u>160,797</u>	<u>-</u>
	<u>1,412,199,301</u>	<u>1,012,175,682</u>

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XIV. Notes to major items in the Company's statements (continued)

(1) Accounts receivable (continued)

(b) Accounts receivable listed in type as follows

	Dec. 31, 2015				Dec. 31, 2014			
	book value balance		bad debt provision		book value balance		bad debt provision	
	amount	Proportion in total	amount	Provision ratio	amount	Proportion in total	amount	Provision ratio
Big single amount, provided for bad debt separately	257,212,586	3%	(257,212,586)	100%	107,819,500	2%	(107,819,500)	100%
Total bad debt provision accrued in groups								
Credit risk portfolio								
- Related party	3,967,741,781	51%	-	-	3,054,340,373	44%	-	-
- third party	3,503,260,021	44%	(688,286,163)	20%	3,525,476,370	52%	(576,612,618)	16%
Single amount, though not significant, separate provision for bad debt made	162,823,025	2%	(162,823,025)	100%	150,713,451	2%	(148,322,243)	98%
	<u>7,891,037,413</u>	<u>100%</u>	<u>(1,108,321,774)</u>	<u>14%</u>	<u>6,838,349,694</u>	<u>100%</u>	<u>(832,754,361)</u>	<u>12%</u>

(c) As of Dec. 31, 2015, the accounts receivable with big single amount, provided for bad debt separately analysis is as following:

	book value balance	bad debt provision	Provision ratio	Reason
Accounts receivable 1	107,819,500	(107,819,500)	100%	counter-party seriously lacks funds
Accounts receivable 2	149,393,086	(149,393,086)	100%	Contract dispute
	<u>257,212,586</u>	<u>(257,212,586)</u>	<u>100%</u>	

(d) Among account receivable from total bad debt provision made in groups, portfolio analysis by ages

	Dec. 31, 2015				Dec. 31, 2014			
	book value balance		bad debt provision		book value balance		bad debt provision	
	amount	ratio	amount	Provision ratio	amount	ratio	amount	Provision ratio
One to six months	1,725,233,940	50%	-	-	2,228,163,806	63%	-	-

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Seven to twelve months	449,328,126	13%	(3,442,852)	1%	266,148,297	8%	(2,582,733)	1%
one to two years	530,521,126	15%	(78,072,185)	15%	367,863,879	10%	(51,134,670)	14%
two to three years	168,781,101	5%	(50,634,330)	30%	124,339,852	4%	(37,301,956)	30%
three to four years	113,881,656	3%	(55,440,828)	49%	72,290,207	2%	(35,605,104)	49%
four to five years	48,339,809	1%	(33,521,705)	69%	61,043,316	2%	(44,361,142)	73%
above five years	467,174,263	13%	(467,174,263)	100%	405,627,013	11%	(405,627,013)	100%
	<u>3,503,260,021</u>	<u>100%</u>	<u>(688,286,163)</u>	<u>20%</u>	<u>3,525,476,370</u>	<u>100%</u>	<u>(576,612,618)</u>	<u>16%</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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XIV Notes to major items in the Company's statements (continued)

(1) Accounts receivable (continued)

(e) As of Dec. 31, 2015, accounts receivable with bad debt provision, with not big single amount but being tested separately for impairment as follows:

	book value balance	bad debt provision	proportio n	Reason
Accounts receivable 1	50,365,000	(50,365,000)	100%	counter-party seriously lacks funds
Accounts receivable 2	25,974,465	(25,974,465)	100%	Contract dispute
Accounts receivable 3	20,530,426	(20,530,426)	100%	Contract dispute
Accounts receivable 4	18,235,736	(18,235,736)	100%	Contract dispute
Accounts receivable 5	16,150,830	(16,150,830)	100%	Contract dispute
Accounts receivable 6	9,758,221	(9,758,221)	100%	Contract dispute
Accounts receivable 7	7,260,803	(7,260,803)	100%	Contract dispute
Accounts receivable 8	6,946,886	(6,946,886)	100%	Contract dispute
Accounts receivable 9	4,266,328	(4,266,328)	100%	Contract dispute
Accounts receivable 10	3,334,330	(3,334,330)	100%	Contract dispute
	<u>162,823,025</u>	<u>(162,823,025)</u>	<u>100%</u>	

(f) In the returned or collected bad debt provision this year. The key return or collection amount is shown as below:

	Reason for return or collection	Former bad debts basis and rationality	Return or collection amount	Return mode
Accounts receivable 1	Vigorous recovery	Anticipated not possible to recover	2,200,000	monetary capital
Accounts receivable 2	Vigorous recovery	Anticipated not possible to recover	1,500,000	monetary capital

Shanghai Zhenhua Heavy Industries Co., Ltd.

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Accounts receivable 3	Vigorous recovery	Anticipated not possible to recover	1,297,800	monetary capital
Accounts receivable 4	Vigorous recovery	Anticipated not possible to recover	1,050,000	monetary capital
Accounts receivable 5	Vigorous recovery	Anticipated not possible to recover	1,000,000	monetary capital
			<u>7,047,800</u>	

XIV. Notes to major items in the Company's statements (continued)

(1) Accounts receivable (continued)

(g) As of Dec. 31, 2015, the account receivable summary analysis of top 5 arrear is shown as following:

	Balance	Bad debt provision amount	Proportion in total accounts receivable
Total amount of top 5 account receivables	<u>3,094,418,881</u>	-	<u>39%</u>

(2) Other receivables

	Dec. 31, 2015	Dec. 31, 2014
Subsidiary current accounts	10,700,493,210	8,107,242,962
Tax for unsettled payment receivable	138,270,252	181,016,553
Export tax rebate	101,381,047	150,221,658
Temporary loan product on-site service	82,048,741	49,154,799
Customs guarantee deposit	104,071,196	69,159,590
Bid bond payments	45,670,321	35,531,409
Receivables employees mutual aid funds	45,396,044	54,992,148
Leasing payment receivable	33,484,980	32,965,403
Unit borrower receivable	18,428,368	20,544,798
Asset disposal payment	10,000,000	10,000,000

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

receivable from related party		
Others	44,433,836	27,373,689
	<u>11,323,677,995</u>	<u>8,738,203,009</u>
Less: bad debt provision	(18,581,021)	(16,776,791)
	<u>11,305,096,974</u>	<u>8,721,426,218</u>

(a) Other receivables debt age analysis as follows:

	Dec. 31, 2015	Dec. 31, 2014
within one year	11,225,646,626	8,662,980,841
one to two years	55,855,439	20,087,289
two to three years	4,952,612	5,770,684
three to four years	980,855	2,648,467
four to five year	686,960	33,797,497
above five years	35,555,503	12,918,231
	<u>11,323,677,995</u>	<u>8,738,203,009</u>

XIV. Notes to major items in the Company's statements (continued)

(2) Other receivables (continued)

(a) Other receivables debt age analysis as follows (continued):

As of Dec. 31, 2015, the receivable is 19,679,148 Yuan (Dec. 31, 2014 : 111,249,296 Yuan) which is overdue but not decreased. Based on the financial state and the credit record, the Company believes that the payment can be collected. The account age analysis of the receivable is as following:

	Dec. 31, 2015	Dec. 31, 2014
Seven to twelve months	3,887,989	106,664,839
one to two years	13,328,425	3,585,875
two to three years	2,242,441	126,599
three to four years	90,428	260,961
four years to five years	129,865	611,022
	<u>19,679,148</u>	<u>111,249,296</u>

(b) Other receivables classified in category as follows:

	Dec. 31, 2015				Dec. 31, 2014			
	book value balance		bad debt provision		book value balance		bad debt provision	
	amount	Proportion in total	amount	Provision proportion	amount	Proportion in total	Amount	Provision proportion
Big amount,	-	-	-	-	-	-	-	-
single amount,	-	-	-	-	-	-	-	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

provided for bad debt separately								
Total bad debt provision accrued in groups								
Credit risk portfolio								
- cash deposit (excluding quality deposit)	149,741,517	1%	-	-	104,691,000	1%	-	-
- Employee's loan and reserve fund	127,444,785	1%	-	-	104,146,946	1%	-	-
- Others	11,035,051,318	98%	(7,140,646)	-	8,517,315,098	98%	(4,726,826)	-
Single amount, though not significant, separate provision for bad debt made	11,440,375	-	(11,440,375)	100%	12,049,965	-	(12,049,965)	100%
	<u>11,323,677,995</u>	<u>100%</u>	<u>(18,581,021)</u>	<u>-</u>	<u>8,738,203,009</u>	<u>100%</u>	<u>(16,776,791)</u>	<u>-</u>

XIV. Notes to major items in the Company's statements(continued)

(2) Other receivables(continued)

- (c) As of Dec. 31, 2015, the Company did not accrue bad debt provision for other receivables with big single amount, and provided for bad debt separately.
- (d) In the total bad debt provision accrued in groups, the portfolio with debt age analysis method is as follows:

	Dec. 31, 2015				Dec. 31, 2014			
	book value balance		bad debt provision		book value balance		bad debt provision	
	amount	Proportion in total	amount	Provision ratio	amount	Proportion in total	amount	Provision ratio
One to six months	11,008,231,524	100%	-	-	8,401,338,976	99%	-	-
Seven to twelve months	3,927,262	-	(39,273)	1%	107,742,262	1%	(1,077,423)	1%
one to two years	15,680,501	-	(2,352,076)	15%	4,218,676	-	(632,801)	15%
two to three years	3,203,485	-	(961,044)	30%	180,855	-	(54,256)	30%
three to four years	180,855	-	(90,427)	50%	521,922	-	(260,961)	50%
four to five years	519,460	-	(389,595)	75%	2,444,088	-	(1,833,066)	75%
above five years	3,308,231	-	(3,308,231)	100%	868,319	-	(868,319)	100%
	<u>11,035,051,318</u>	<u>100%</u>	<u>(7,140,646)</u>	<u>-</u>	<u>8,517,315,098</u>	<u>100%</u>	<u>(4,726,826)</u>	<u>-</u>

- (e) As of Dec. 31, 2015, other receivables analysis for the single amount, though not significant, separate provision for bad debt is as follows:

book value balance	bad debt provision	Provision ratio	Reason
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Other receivables1	5,540,286	(5,540,286)	100%	Contract cancelled
Other receivables2	3,037,042	(3,037,042)	100%	Contract cancelled
Other receivables3	1,692,765	(1,692,765)	100%	Contract cancelled
Other receivables4	1,170,282	(1,170,282)	100%	Contract cancelled
	<u>11,440,375</u>	<u>(11,440,375)</u>	<u>100%</u>	

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
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XIV. Notes to major items in the Company's statements(continued)

(2) Other receivables(continued)

(f) As of Dec. 31, 2015, top 5 accounts receivable balance that are collected by arrears as follows:

	Nature	Amount	Age	Proportion in total accounts receivable	bad debt provision
Company A	Temporary debit of subsidiary	2,521,927,692	Within one year	22%	-
Company B	Temporary debit of subsidiary	2,375,267,363	Within one year	21%	-
Company C	Temporary debit of subsidiary	1,506,297,530	Within one year	13%	-
Company D	Temporary debit of subsidiary	1,283,337,049	Within one year	11%	-
Company E	Temporary debit of subsidiary	1,144,708,573	Within one year	10%	-
		<u>8,831,538,207</u>		<u>77%</u>	<u>-</u>

(g) As of Dec. 31, 2015, the company has no government subsidies confirmed as receivables. (Dec. 31, 2014: N/A).

(3) Long term equity investment

	Dec. 31, 2015	Dec. 31, 2014
Subsidiary (a)	5,793,119,602	5,285,834,533
Joint ventures (b)	174,636,916	163,250,280
Associates (c)	1,422,428,308	756,146,822
	<u>7,390,184,826</u>	<u>6,205,231,635</u>

The Company has no limit of long-term investment to cash-in.

XIV. Notes to major items in the Company's statements(continued)

(3) Long term equity investment (continued)

(a) Subsidiaries

	Dec. 31, 2014	Addition or deduction of this year	Dec. 31, 2015

Shanghai Zhenhua Heavy Industries Co., Ltd.

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		Addition or deduction of investment	
Shanghai Zhenhua Port Machinery Heavy Industry Co., Ltd.	4,950,000	-	4,950,000
Shanghai Zhenhua Heavy Industries Machinery Co., Ltd.	5,014,200	-	5,014,200
Shanghai Zhenhua Port Machinery (Hong Kong) Co., Ltd.	-	-	-
Shanghai Zhenhua Shipping Co., Ltd.	140,260,673	-	140,260,673
Shanghai Zhenhua Heavy Industries (Group) Zhangjiagang Port Machinery Co., Ltd.	4,518,000	-	4,518,000
Nantong Zhenhua Heavy Industry Equipment Manufacturing Co., Ltd.	854,936,900	-	854,936,900
Nantong Zhenhua Heavy Industry Steel Structure Processing Co., Ltd.	598,110	-	598,110
Jiangyin Zhenhua Port Machinery Steel Structure Manufacturing Co., Ltd.	579,983	-	579,983
Shanghai Zhenhua Heavy Industry General Equipment Co., Ltd.	2,201,086,744	-	2,201,086,744
Shanghai Zhenhua Heavy Industries Group (Nantong) Transmission Machinery Co., Ltd.	300,000,000	-	300,000,000
Shanghai Zhenhua Heavy Industries Group (Nantong) Co., Ltd.	300,000,000	-	300,000,000
Shanghai Zhenhua Heavy Industries Electric Co., Ltd.	50,000,000	-	50,000,000
ZPMC GmbH Hamburg	207,940	-	207,940
ZPMC Netherlands B.V.	149,717	2,185,082	2,334,799
Shanghai Zhenhua Heavy Industries Vessel Transport Co., Ltd.	100,000,000	-	100,000,000
Shanghai Zhenhua Testing Technology Consulting Co., Ltd.	7,000,000	-	7,000,000
ZPMC Lanka Company (Private) Limited	6,183,978	-	6,183,978
Nanjing Ningao New Channel Construction Co., Ltd.	1,090,000,000	8,000,000	1,098,000,000
Shanghai Zhenhua Heavy Industries Qidong Marine Co., Ltd	203,000,000	-	203,000,000
ZPMC Engineering Africa (Pty) Ltd.	3,084,000	-	3,084,000
ZPMC Korea Co., Ltd.	2,876,209	-	2,876,209
ZPMC Engineering (India) Private Limited	2,953,200	-	2,953,200
ZPMC Australia Company Pty Limited	2,708,500	-	2,708,500
ZPMC North America Inc.	1,850,430	16,714,090	18,564,520
ZPMC Southeast Asia Holding Pte. Ltd.	3,875,949	-	3,875,949
ZPMC Brazil Holdings Ltda.(Note 5 (2))	-	2,985,272	2,985,272
ZPMC Limited Liability Company(Note 5 (2))	-	4,357,626	4,357,626
CCCC Liyang City Investment Construction Co., Ltd(Note 5 (2))	-	183,000,000	183,000,000
CCCC Tianhe Co., Ltd(Note 5 (1))	-	242,542,999	242,542,999
CCCC Investment Development Qidong Co., Ltd (Note 5 (2))	-	47,500,000	47,500,000
	<u>5,285,834,533</u>	<u>507,285,069</u>	<u>5,793,119,602</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

XIV. Notes to major items in the Company's statements (continued)

(3) Long term equity investment (continued)

(b) Joint ventures

	Dec. 31, 2014	Addition or deduction of this year		Dec. 31, 2015	Impairment provision
		Addition or deduction of investment	Net gains after adjusting on equity		
Jiangsu LongYuan Zhenhua Marine Engineering Co., Ltd.	162,922,641	-	8,654,848	171,577,489	-
ZPMC Mediterranean Liman Makinalari Ticaret Anonim Sirketi	327,639	-	2,731,788	3,059,427	-
	<u>163,250,280</u>	<u>-</u>	<u>11,386,636</u>	<u>174,636,916</u>	<u>-</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

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(Unless otherwise specified, the amount units is RMB)

XIV. Notes to major items in the Company's statements(continued)

(3) Long term equity investment (continued)

(c) Associates

	Dec. 31, 2014	Addition or deduction of this year				Dec. 31, 2015	Impairment provision
		Addition or deduction of investment	addition or deduction of investment	Net gains after adjusting on equity	Declaring to release cash dividend or profit		
CCCC Marine Engineering Vessel Technology Research Centre Co., Ltd	15,079,243	-	189,957	-	-	15,269,200	-
Shanghai Zhenhua Heavy Industries (Group) Changzhou Paint Co., Ltd.	15,030,294	-	1,956,549	-	(1,680,000)	15,306,843	-
CCCC Estate Yixing Co., Ltd.	174,686,810	-	10,975	-	-	174,697,785	-
CCCC Financial Rental Co., Ltd	551,350,475	540,000,000	50,390,223	-	-	1,141,740,698	-
China Communications Construction USA Inc. (Note 4 (13)(b)(ii))	-	76,206,000	(2,048,615)	1,256,397	-	75,413,782	-
	756,146,822	616,206,000	50,499,089	1,256,397	(1,680,000)	1,422,428,308	-

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

XIV. Notes to major items in the Company's statements (continued)

(4) Operating revenue and operating cost

	2015	2014
Major operating income	20,816,918,328	21,787,540,224
Other operating income	<u>1,052,971,485</u>	<u>1,008,007,863</u>
	<u>21,869,889,813</u>	<u>22,795,548,087</u>
	2015	2014
Major operating cost	18,021,832,539	18,862,864,786
Other operating cost	<u>1,048,137,783</u>	<u>982,442,205</u>
	<u>19,069,970,322</u>	<u>19,845,306,991</u>

(a) Operating revenue and operating cost

	2015		2014	
	Major operating income	Major operating cost	Major operating income	Major operating cost
Container cranes	14,856,548,107	12,151,678,786	12,209,323,000	10,374,686,526
Heavy equipment	3,085,784,614	3,140,472,952	4,746,257,265	4,149,358,322
Bulk machinery	1,994,845,361	1,901,125,005	3,572,087,888	3,477,985,297
Steel structures and related income	<u>879,740,246</u>	<u>828,555,796</u>	<u>1,259,872,071</u>	<u>860,834,641</u>
	<u>20,816,918,328</u>	<u>18,021,832,539</u>	<u>21,787,540,224</u>	<u>18,862,864,786</u>

(c) Other operating income and other operating costs

(d)

	2015		2014	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Sales of materials	775,268,362	858,260,360	719,948,839	780,758,903
Equipment leasing and others	<u>277,703,123</u>	<u>189,877,423</u>	<u>288,059,024</u>	<u>201,683,302</u>
	<u>1,052,971,485</u>	<u>1,048,137,783</u>	<u>1,008,007,863</u>	<u>982,442,205</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

XIV. Notes to major items in the Company's statements(continued)

(4) Operating revenue and operating cost (continued)

(c) Operating income from top 5 clients

The income from top 5 clients is 2,908,072,609 Yuan (2014: 3,029,606,375 Yuan), taking 13% of total sales income of the Company. (2014: 13%), Details as follows:

	Operating revenue	Proportion in total operating revenue of the Company (%)
Company A	834,840,444	4%
Company B	625,815,227	3%
Company C	527,726,911	2%
Company D	503,776,173	2%
Company E	415,913,854	2%
	<u>2,908,072,609</u>	<u>13%</u>

(5) Investment gains

	2015	2014
Investment gains during holding available-for-sale financial assets	393,033,507	278,843,280
Gains from disposal of financial assets available for sales	34,083,478	75,078,789
Long term equity investment (loss)/gains on equity basis (Note 14.(3))	61,885,725	26,846,917
Financial assets profits available for sale calculated by cost method	9,465,520	1,103,460
Cash dividends distributed by the subsidiaries	789,100	1,160,044
Investment gains from disposal of subsidiaries	-	68,774
	<u>499,257,330</u>	<u>383,101,264</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Notes of 2015 Financial Statements

(Unless otherwise specified, the amount units is RMB)

XIV. Notes to major items in the Company's statements(continued)

(6) Supplementary information of accounting policies change

(a) Adjust net profit to cash flow in operating activities

	2015	2014
Net profit	214,947,606	344,581,636
Add/(less): assets impairment provision	634,618,962	548,851,542
Fixed assets and real estate as investment depreciation	563,202,254	588,945,530
Intangible assets and real estate as investment amortization	49,544,923	43,948,438
Disposal of fixed assets, intangible assets and other long-term assets income	(1,060,294)	(5,825,281)
Fair value change loss	19,402,267	109,771,041
Financial expense	1,541,640,234	1,197,636,958
Investment gains	(499,257,330)	(383,101,264)
Deferred corporate tax assets/liabilities decrease/(increase)	13,227,627	(19,145,369)
Inventories(increase)/ decrease	(1,377,428,119)	87,836,790
Building contract amount increase	(1,544,276,536)	(2,148,611,836)
Operating receivables increase	(4,007,049,883)	(2,129,970,927)
Operating payables increase	1,821,152,533	2,482,068,725
Net cash flow from operation activities	<u>(2,571,335,756)</u>	<u>716,985,983</u>

(b) Net cash movement

	2015	2014
Closing cash balance	1,806,066,316	1,272,228,765
Less: starting cash balance	<u>(1,272,228,765)</u>	<u>(2,736,478,139)</u>
Net cash (decrease)/ increase	<u>533,837,551</u>	<u>(1,464,249,374)</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Supplementary information of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)

I Non-recurring profit and loss statements

	2015	2014 (reclassification)
Non-current assets disposal net profit	9,338,797	13,948,136
Government subsidy accounted in current profit and loss	22,847,200	20,316,889
Fair value change profit and loss generated by holding transaction financial assets and transaction financial debt; investment profit and loss obtained from disposal of transaction financial assets and transaction financial debt and financial assets available for sales	445,766,951	286,253,779
Current P/L from subsidiary early period to consolidation day under the same control	55,523,666	15,289,013
Other operating revenue and expense net amounts except for items above	<u>15,490,536</u>	<u>15,164,034</u>
	548,967,150	350,971,851
Income tax influence amount	(90,577,182)	(59,244,729)
Minority shareholder rights influence amount(post tax)	<u>(31,568,397)</u>	<u>(9,922,714)</u>
	<u>426,821,571</u>	<u>281,804,408</u>

Non-recurring profit and loss statements preparation basis

It is in accordance with the regulations specified in Information Disclosure Explanatory Public Notice of Company Issuing Securities No. 1—Non-recurring Profit and Loss [2008], the non-recurring profit and loss refers to the transaction and profit & loss without direct relationship to the normal operation of the Company, or related to the normal operation but it will influence the correct judgment of the operation performance and profitability made by the users of the statements.

II Net assets profit ratio and gain (loss)per share

	Weighted average net asset gain ratio (%)		Gain/(loss) per share			
			Basic gain/(loss) per share		Diluted gain/(loss) per share	
	2015	2014 (reclassification)	2015	2014 (reclassification)	2015	2014 (reclassification)
Net profit attributed to common shareholders	1.41%	1.36%	0.05	0.05	0.05	0.05
Net loss deducted the non-recurring profit and loss attributed to common shareholders	<u>(1.45%)</u>	<u>(0.54%)</u>	<u>(0.05)</u>	<u>(0.02)</u>	<u>(0.05)</u>	<u>(0.02)</u>

Shanghai Zhenhua Heavy Industries Co., Ltd.

Supplementary information of 2015 Financial Statements
(Unless otherwise specified, the amount units is RMB)