



**中國交通建設股份有限公司**

**CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED**

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

(stock code: 1800)

**2008 INTERIM REPORT OF  
SHANGHAI ZHENHUA PORT MACHINERY COMPANY LIMITED**

Shanghai Zhenhua Port Machinery Company Limited (“ZPMC”), currently a 43.26%-owned subsidiary of China Communications Construction Company Limited, is listed on the Shanghai Stock Exchange and has published its interim report for the six months of 2008 on 27 August 2008 pursuant to the rules of the Shanghai Stock Exchange.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The 2008 interim report of ZPMC is attached to this announcement. All financial information as set out in ZPMC’s 2008 interim report is unaudited and has been prepared in accordance with the PRC accounting standards.

By order of the Board

**China Communications Construction Company Limited**

**LIU Wensheng**

*Joint Company Secretary*

27 August 2008

*As at the date of this announcement, the Directors of the Company are ZHOU Jichang, MENG Fengchao, FU Junyuan, LU Hongjun<sup>#</sup>, YUAN Yaohui<sup>#</sup>, CHAO Tien Yo<sup>#</sup>, KOO Fook Sun, Louis<sup>#</sup>, ZHANG Changfu and ZOU Qiao<sup>#</sup>.*

<sup>#</sup> *Independent non-executive Directors*

**Shanghai Zhenhua Port Machinery Co., Ltd.  
(600320, 900947)**

**Interim Report 2008**



**Aug. 27, 2008**

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## I. Important Notice

**(I) The Company's board of directors, supervisory board, its directors, supervisors and senior executives guarantee that the report contains no fraud record, misleading statement or serious omission and are willing to bear individual and joint responsibilities to the authenticity, accuracy and completeness of its content.**

**(II) All directors of the Company were present at the board meeting.**

**(III) The financial report in this Interim Report is not audited.**

**(IV) There exists no fund occupancy by large shareholders.**

**(V) The Company's responsible person and Board Chairman Mr. Zhou Jichang, responsible person in charge of finance and President Mr. Guan Tongxian, and responsible person of Financial Department (Chief Financial Controller) Mr. Wang Jue hereby declare that the financial reports in this Interim Report are true and complete.**

**This report is presented in duplicates, one in Chinese, the other in English. Should any discrepancy arise between the two versions, the Chinese one shall prevail.**

## II. Company Profile

### (I) General profile of the Company

- 1. Statutory Chinese name of the Company:** 上海振华港口机械（集团）股份有限公司  
**Statutory Chinese Abbreviation:** 振华港机  
**English name of the Company:** Shanghai Zhenhua Port Machinery Company Limited  
**English Abbreviation:** ZPMC
- 2. A-share of the Company listed at:** Shanghai Stock Exchange  
**Short form of A-share:** Zhenhua Port Machinery  
**A-share code:** 600320  
**B-share of the Company listed at:** Shanghai Stock Exchange  
**Short form of B-share:** Zhenhua B-share  
**B-share code:** 900947
- 3. Registered Address:** 3470, Pudong Road South, Shanghai  
**Office Address:** 3470, Pudong Road South, Shanghai  
**Post Code:** 200125  
**Website:** <http://www.zpmc.com>.  
**E-mail:** [ZPMC@public.sta.net.cn](mailto:ZPMC@public.sta.net.cn).
- 4. Corporate legal representative:** Zhou Jichang
- 5. Secretary of the Board of Directors:** Wang Jue  
**Tel:** 50390727  
**FAX:** 58397000  
**E-mail:** IR@zpmc.com  
**Contact Address:** 3470, Pudong Road South, Shanghai  
**Representative of securities affairs:** Li Min  
**Tel:** 50390727  
**FAX:** 58397000  
**E-mail:** IR@zpmc.com  
**Contact Address:** 3470, Pudong Road South, Shanghai
- 6. Company's information disclosed on:** Shanghai Security News  
Wen Wei Po (Hong Kong)  
**Internet website designated by CSRC for publishing annual report of the Company:**  
<http://www.sse.com.cn>.  
**Interim Report available at:** Security and Law Department of the Company
- 7. Other related information:**  
**Date of the first business registration:** February 14, 1992  
**Address of the first business registration:** 3470, Pudong Road, South, Shanghai  
**Business License No. of the Enterprise Legal Representative:** QiGuHuZongZi No. 023817  
**Tax Registration License:** 310042607206953  
**Organizational code:** 60720695-3  
**Name of domestic CPA's engaged by the Company:**  
PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.  
**Office Address of the engaged CPA's:** 11F., No. 202, Hubin Road, Shanghai

**(II) Major financial data and index:**

**1. Major accounting data and financial index:**

Unit: RMB Yuan

	End of report period	End of prior year	Increase over end of prior year (%)
Total assets	40,265,742,650	29,115,331,106	38.30
Owner's equity (or: Shareholder's equity)	11,484,881,062	11,113,874,846	3.34
Net asset per share	3.58	3.47	3.17
	Report period (Jan. – Jun.)	Same period prior year	Increase over same period prior year (%)
Operating profit	947,112,232	1,089,471,154	-13.07
Total profit	1,065,513,855	1,089,757,960	-2.22
Net profit	1,029,317,751	990,217,536	3.95
Net profit after deducting non-recurring gains/losses	932,228,420	989,959,411	-5.83
Basic EPS	0.32	0.32	0
Basic EPS after deducting non-recurring gains/losses	0.29	0.32	-9.38
Diluted EPS	0.32	0.32	0
Earnings ratio over net assets (%)	8.96	15.81	Down 6.85 points
Net cash flow from operating activities	-5,276,768,760	832,692,308	-733.70
Net cash flow per share from operating activities	-1.65	0.27	-711.11

Note: In October 2007, the Company publicly issued RMB common shares amounting to 125,515,000 shares. At end of 2007, total capital stock was increased from 3,081,840,000 shares to 3,207,355,000 shares. Therefore total capital stock end of same period prior year was 3,081,840,000 shares, while total capital stock end of current report period and end of prior year is 3,207,355,000 shares.

**2. Non-recurring gains/losses:**

Unit: RMB yuan

Non-recurring gains/losses	Amount year start till end of report period
Gains/losses from disposal of non-current assets	-17,697
Governmental subsidy into current P/L except for those related closely with Company's operation or enjoyed by national standard quota.	24,786,960
Other net non-operating income and expenses except for above	72,320,068
Total	97,089,331

### III. Equity Movement and Shareholder's Profile

#### (I) Statements of share movement

In report period, neither the total number of shares nor the stock structure undertook any change.

#### (II) Shareholders profile

##### 1. Particulars about number of shareholders and shareholding profile

Unit: share

Total shareholders at the end of report period						402,866	
Shareholding status by top 10 shareholders							
Name of shareholders	Nature of shareholders	Proportion (%)	Total shares	Increase/decrease in this report period	Shares with sales limitation	Shares pledged or frozen	
CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.	State corporate	24.94	799,926,818	0	437,442,000	0	
ZHEN HUA ENGINEERING COMPANY LIMITED	Overseas corporate	17.98	576,675,000	0	576,675,000	0	
INVESCO FUND SICAV	Overseas corporate	1.06	33,977,930	5,244,730	0	Unknown	
TOYO SECURITIES ASIA LTD. A/C CLIENT	Overseas corporate	1.03	33,055,428	-3,988,554	0	Unknown	
HKSBSCB A/C BARING BROTHERS (GUERNSEY) LTD. S/A BARING H.K. FUND	Overseas corporate	0.57	18,314,959	-9,077,000	0	Unknown	
NAITO SECURITIES CO., LTD.	Overseas corporate	0.52	16,644,682	-806,850	0	Unknown	
OPPENHEIMER DEVELOPING MARKETS FUND	Overseas corporate	0.50	16,035,805	16,035,805	0	Unknown	
FullGoal Tianrui Favorable Regions Selected Mixed Open-ended Securities Investment Fund	Others	0.48	15,297,463	4,606,782	0	Unknown	
Shanghai Stock Exchange 50 Tradable Open-ended Index Securities Investment Fund	Others	0.46	14,869,427	4,717,640	0	Unknown	
Fortune SGAM Trade-selected Stock-type Securities Investment Fund	Others	0.46	14,702,310	-2,815,494	0	Unknown	
Particulars about top 10 shareholders of shares without sales limitation							
Name of shareholders			Shares without sales limitation		Type of shares		
CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.			362,484,818		RMB Common Shares		
INVESCO FUND SICAV			33,977,930		Domestically Listed Foreign shares		
TOYO SECURITIES ASIA LTD. A/C CLIENT			33,055,428		Domestically Listed Foreign shares		
HKSBSCB A/C BARING BROTHERS (GUERNSEY) LTD. S/A BARING H.K. FUND			18,314,959		Domestically Listed Foreign shares		
NAITO SECURITIES CO., LTD.			16,644,682		Domestically Listed Foreign shares		
OPPENHEIMER DEVELOPING MARKETS FUND			16,035,805		Domestically Listed Foreign shares		
FullGoal Tianrui Favorable Regions Selected Mixed Open-ended Securities Investment Fund			15,297,463		RMB Common Shares		

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Shanghai Stock Exchange 50 Tradable Open-ended Index Securities Investment Fund	14,869,427	RMB Common Shares
Fortune SGAM Trade-selected Stock-type Securities Investment Fund	14,702,310	RMB Common Shares
JPMORGAN FUNDS	13,214,650	Domestically Listed Foreign shares
Explanation on the associated relationship or consistent action	The Company is not aware of whether they have associated relationship among the top 10 holders of circulating shares or belong to the consistent actionists as defined in <i>Administrative Rules on Disclosure of Information on Stock Change of Listed Company's Shareholders</i> .	

Note: Among above mentioned top 10 shareholders, CHINA COMMUNICATIONS CONSTRUCTION CO., LTD. and ZHEN HUA ENGINEERING COMPANY LIMITED are related parties, ultimate controller being CHINA COMMUNICATIONS CONSTRUCTION Group CO., LTD. The Company is not aware of whether other shareholders have associated relationship or belong to the consistent actionists as defined in *Administrative Rules on Disclosure of Information on Stock Change of Listed Company's Shareholders*.

Number of shares held by top 10 shareholders of shares with sales limitation and the sales limitation  
Unit: share

N o.	Shareholders with sales limitation	Number of shares with limitation held	Trading conditions		Sales Limitation
			Tradable Time	Added tradable shares	
1.	CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.	437,442,000	Mar. 20, 2009	437,442,000	The original non-circulating shares held by China Communications Construction Co. Ltd., the only non-circulating share holder related to the Company involved in the share merger reform, is forbidden to be traded or transferred within 12 months from implementation date of the stock reform. Upon expiration of the limitation, in case the original non-circulating shares are traded at stock exchange, the sold amount shall not exceed 5% of the total shares within 12 months, not exceed 10% within 24 months.

Profile on the agreed-upon holding time of strategic investors or general legal persons engaging in allocated new shares:

Strategic investors or general legal persons	Holding time agreed upon
CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.	Trading is forbidden within 3 months from the listing of the Company's new issues; share thus involved: 3,300,000 shares
National Social Security Fund 401 portfolio	Trading is forbidden within 3 months from the listing of the Company's new issues; share thus involved: 1,650,000 shares
National Social Security Fund 405 portfolio	Trading is forbidden within 3 months from the listing of the Company's new issues; share thus involved: 1,584,000 shares
National Social Security Fund 501 portfolio	Trading is forbidden within 3 months from the listing of the Company's new issues; share thus involved: 1,247,400



	shares
Huatai Property Insurance Co., Ltd. - Stable Portfolio	Trading is forbidden within 3 months from the listing of the Company' s new issues; share thus involved: 165,000 shares

Note: On Oct. 15, 2007, the Company issued 125,515,000 common RMB shares, listed on Oct. 23, 2007. Based on the Company's administrative measure on the allocation, offline A-class purchase gained the allocation, not to be traded within 3 months. The shares have been circulating from Jan. 23, 2008.

## **2 Change of ultimate shareholder and actual controller**

No change concerning the Company' s ultimate controller and actual controller has ever incurred in report period.

## **IV. Directors, Supervisors and Senior Executives**

### **(I) Change of shareholding profile of directors, supervisors and senior executives**

During the report period, there exists no change in the shareholding profile of directors, supervisors and senior executives.

### **(II) Particulars about appointment or dismissal of directors, supervisors and senior executives**

During the report period, there exists no such event as the appointment or dismissal of directors, supervisors and senior executives.

## V. Board of Directors Report

### (I) Discussion and analysis of general operations of the Company

#### 1. Principal activities:

The Company is engaged in the engineering, fabrication and sales of large-scale port handling equipment, engineering vessels, large-scale metal structures and its parts and accessorial parts, as well as lease of self-manufactured cranes and sales of self-manufactured products; the Company's specialized fully-erected crane-carrying vessels can undertake international marine transportation business; specialized contracts for metal structures engineering project.

#### 2. Brief information on the operational status of the Company

Despite of a series of unfavorable conditions in the first half year including pricing soaring of raw materials, RMB appreciation and bad weather, the management of the Company had overcome all such difficulties through seriously fulfilling the development strategies and operational thoughts proposed at year start by the board of directors. The Company holds still the set policies including "life use-guaranty, promotion of domestic parts, fulfilling of offshore-with-no-debts project". Meanwhile the established brand advantage is further utilized to explore on marine heavy-industry market. In report period, the Company won plenty of large contracts from both home and overseas market, having broken the record of number of orders in-hand.

The Company continued to increase investment in infrastructure construction, at the same time, attached great importance to environment protection and the People First principle. It worked hard on self-innovation to increase its software strength. Managers at all levels are urged to move from executive type to innovative type to ensure the fulfillment of the operational targets of first half 2008, to reach an operating income of 10,634,770,000 yuan, net profit of 1,029,320,000 yuan, up 14.93% and 3.95% respectively over same period prior year, with export taking 92.2% and domestic sales taking 7.8%. The second half year's production tasks are progressing as scheduled, laying solid foundation for the fulfillment of the annual goal.

#### 3. Operational difficulties and their countermeasures

During the report period, the Company has met with a couple of difficulties in the operations, as manifested in the following areas:

- ① Fluctuation of international exchange rate, esp. the lasting strength of RMB, has exercised some impact on the fulfillment of established contracts of the Company, despite of the consideration the Company had made at the quoting stage.
- ② Inflation leads to the rising of costs for raw materials (esp. steel) and labor, which have brought the Company great pressure with product costs.
- ③ Worse weather conditions such as snowstorms, typhoons, rainy days (22 days this year) have brought great difficulties to outdoor operation, especially to welding, installation, testing etc.

In view of this, the Company has adopted the following solutions:

- ① The Company has been prepared with exchange rate fluctuation risks. On the one hand, the Company set up special work group to research on possibilities, such as establishing Euro contracts, adding USD liability proportion, adopting time foreign exchange value-maintenance, foreign

exchange contract factoring, increasing prepayment from clients and earlier clearing of foreign exchange etc. to lower risks, therefore rate being fixed for orders amounting to 3.4 billion USD expected to be fulfilled the whole year. On the other hand, consideration has been made about the appreciation of RMB towards USD at the time of quoting, RMB rate being fixed at the time of contracting, with price being increased to some extent.

② Facing inflation, the Company had entered purchase contract with suppliers at year start, for instance, anticipating future steel demand in future and pre-ordering next year's futures, to avoid risks due to steel price soaring. The fixing of steel resources and price guaranteed the increase of profit of this year and next year. Facing inflation, the Company on the one hand had signed time contracts with steel suppliers last year, having fixed price of 950,000 tons out of more than 1,000,000 tons of steel expected to be used this year, while actively preparing for steel resources for next year. On the other hand, facing the pressure of labor cost rise, the company has been trying to lower the impact by exploring other potentials and increasing productivity of labor.

③ Facing bad weather conditions, the Company managed to overcome such activities by innovating procedures, improving worker's working conditions, such as improving ventilating facilities, proving cold drinks, preparing for flooding etc. On the other hand, the Company has been improving production efficiency through shift turns and working more on no-rain days.

#### 4. Analysis of the financial status and operational results of the Company during the report period

##### (1) Analysis of asset composition, financial status and cash flow

Item	June 30, 2008	December 31st, 2007	Increase	Increase ratio (%)
Tradable financial assets	234,132,584	442,306,963	-208,174,379	-47.07
Advances	7,469,062,461	3,614,304,534	3,854,757,927	106.65
Short-term loans	11,742,803,535	4,731,976,771	7,010,826,764	148.16
Tradable financial liabilities	700,791,339	131,973,504	568,817,835	431.01
Bills payable	1,177,926,972	2,640,611,925	-1,462,684,953	-55.39
Settled but work not completed	4,424,009,028	2,185,656,339	2,238,352,689	102.41
Taxes payable	-137,884,437	53,297,354	-191,181,791	-358.71
Non-current liabilities due within one year	0	65,856,800	-65,856,800	-100.00

##### Analysis:

- A. Tradable financial assets decreased due to decrease of estimated gains from fair value because of partial delivery of time foreign exchange contracts signed with banks upon expiration.
- B. Advances increased due to advances for fixing purchase price of steel and increase of advance proportion to key suppliers. Plenty of contracts were established in the year and higher demand for steel is expected. Therefore the Company made advances to ensure supply. Because of increase of contracts in current period, more demand for steel is expected, and the Company prepaid suppliers for purchase of steel to ensure supply.
- C. Short-term loans increased due to advances for fixing purchase price of steel and increase of advance proportion to key suppliers.
- D. Tradable financial liabilities increased due to increase of loss in report period from estimated fair value of time foreign exchange contracts that the company established with banks for avoiding the risks of foreign currency exchange rates.
- E. Bills payable decreased due to payoff of commercial bills upon expiration in report period.
- F. Increase of 'settled but work not completed' item is due to increase of building contracts as a result of business growth in report year.

- G. Decrease of taxes payable is due to increase of refundable input VAT tax amount as a result of increase of purchase in report period.
- H. Decrease of non-current liabilities due within one year is due to payoff upon expiration of bank loans due within one year.

Item	Jan. to Jun., 2008	Jan. to Jun., 2007	Increase	Increase ratio (%)
General expenses	361,189,435	183,240,452	177,948,983	97.11
Financial expenses	-90,145,652	206,882,135	-297,027,787	-143.57
Asset devaluation loss	14,519,859	40,584,904	-26,065,045	-64.22
Gains from fair-value movement	-466,658,755	178,617,948	-645,276,703	-361.26
Non-operating income	137,477,121	7,816,410	129,660,711	1658.83
Non-operating expenses	19,075,498	7,529,604	11,545,894	153.34
Corporate tax	44,344,889	96,552,136	-52,207,247	-54.07

**Analysis:**

- A. Increase of general expenses is due to increase investment on R&D as a result of expansion of business.
- B. Decrease of financial expenses is mainly due to gains from foreign exchange because of partial delivery of time foreign exchange contracts signed with banks upon expiration.
- C. Decrease of asset devaluation loss is mainly due to decrease of bad debt provision in report period.
- D. Decrease of Gains from fair-value movement due to increase of net loss of fair value movement at end of report period as a result of more time foreign exchange contract with bank in report period to avoid influence from foreign exchange rate fluctuation.
- E. Increase of non-operating income is mainly due to net income from movement of Zhangjiang Base in report period.
- F. Increase of non-operating expenses is mainly due to increase of donations in report period.
- G. Decrease of corporate tax is due to increase of exempted or refunded corporate tax of the Company for purchase of home-made equipment.

Item	Jan. to Jun., 2008	Jan. to Jun., 2007	Increase	Increase ratio (%)
Net cash flow from operating activities	-5,276,768,760	832,692,308	-6,109,461,068	-733.70
Net cash flow from investment activities	-2,891,122,918	-1,577,549,122	-1,313,573,796	83.27
Net cash flow from capital-raising activities	8,752,649,572	629,381,311	8,123,268,261	1290.68
Net addition of cash and cash equivalent	584,757,894	-115,475,503	700,233,397	-606.39

**Analysis:**

- A. Net cash flow from operating activities is decreased by 734% against same period prior year, mainly due to increase of operating cash flow-out as a result of increasing advances for steel purchase and advance proportion by fixing steel price through signing steel purchase contracts with key suppliers, to ensure supply and to avoid price-soaring risks in a stage when supply is insufficient and price keeps soaring.
- B. Net cash flow from investment activities is increased by 83% against same period prior year, mainly due to growth in business scale and increase of investment in fixed assets.
- C. Net cash flow from capital-raising activities is of 1291% growth against same period prior year because of big growth in bank borrowings as a result of increasing advances for steel purchase and advance proportion by fixing steel price through signing steel purchase contracts with key

suppliers. In addition, more current fund is demanded due to expansion of infrastructure construction.

- D. Net increase of cash and equivalent is of 606% increase against same period prior year, mainly due to increase of sales and faster collection of capital in report period.

## (II) Major operations and operational status of the Company

### 1 Major operations specified in industry and product

Unit: RMB yuan

Industry or product	Major operating income	Major operating cost	Gross margin (%)	Increase of major operating income over same period prior year (%)	Increase of major operating cost over same period prior year (%)	Increase of major operating gross margin over same period prior year (%)
Container crane	8,784,630,353	7,499,891,493	14.62%	5.42%	4.59%	Up 0.67 point
Bulk-cargo machinery & parts	1,219,904,779	1,116,594,727	8.47%	61.19%	61.45%	Down 0.15 point
Marine heavy equipment	240,504,118	174,185,447	27.57%	-	-	New product, no comparison available
Shipping transportation	48,000,000	34,388,760	28.36%	383.50%	312.37%	Up 12.36 points
Total	10,293,039,250	8,825,060,427	14.26%	13.11%	12.13%	Up 0.75 points

Among which, the related transaction resulting from the sales of products or provision of labor services by the Company to its controlling shareholder and subsidiaries amounted to RMB 231,893,400 yuan.

### 2 Major operations in region

Unit: RMB yuan

Region	Major operating income	Growth over same period prior year (%)
Mainland, China(Exporting)	2,732,897,179	20.04
Asia (Excluding Mainland, China)	3,866,054,723	84.83
America	2,033,213,906	54.73
Mainland, China	802,777,984	-43.28
Europe	730,470,816	-51.20
Africa	127,624,642	-43.28
Total	10,293,039,250	13.11

Note: The item recognized as "Mainland, China (Exporting)" in the table sets out the related major operating income arising from the operation that the Company exports its products to its subsidiary in Hong Kong, Zhenhua Port Machinery Group (Hong Kong) Co., Ltd., who in turn sells to domestic customers.

### 3. Other operations exercising major impact on net profit

Unit: RMB yuan

Other operations	Gains/losses	Ratio in net profit (%)
Waste steel sales	196,141,836	19.05

Material sales	7,616,478	0.74
Equipment lease and others	12,027,952	1.17
Total	215,786,266	20.96

### (III) Investment of the Company during the report period

#### 1. Use of raised capital

Within the report period, the Company did not raise any fund or use any fund raised in previous period.

#### 2. Particulars about projects funded by non-raised fund

During the report period, the 11 significant projects in construction funded by non-raised capital include the Infrastructure construction of Changxing Base, the Base large machinery and engineering equipment, reconstruction of Nantong Base, reconstruction of headquarters building, construction of tow and barge boats, office building on Dongfang Road, reconstruction of Zhenhua vessels No. 23, 24, 25, 26 and 28. As of June 30<sup>th</sup>, 2008, the investment, progress and yielding of these projects are as follows:

RMB 876.68 million yuan was invested in report period in the Infrastructure construction of Changxing Base, and 97% was completed.

RMB 99.95 million yuan was invested in report period in the Base large machinery and engineering equipment and 62% was completed.

RMB 794.86 million yuan was invested in report period in the reconstruction of Nantong Base and 74% was completed.

RMB 19.25 million yuan was invested in report period in reconstruction of headquarters building and 74% was completed.

RMB 23.33 million yuan was invested in report period in the construction of tow and barge boats and 95% was completed.

RMB 14.41 million yuan was invested in report period in the construction of office building on Dongfang Road and 55% was completed.

RMB 41.45 million yuan was invested in report period in the reconstruction of Zhenhua vessel No. 23 and 91% was completed.

RMB 58 million yuan was invested in report period in the reconstruction of Zhenhua vessel No. 24 and 81% was completed.

RMB 108.84 million yuan was invested in report period in the reconstruction of Zhenhua vessel No. 25 and 40% was completed.

RMB 139.34 million yuan was invested in report period in the reconstruction of Zhenhua vessel No. 26 and 51% was completed.

RMB 129.71 million yuan was invested in report period in the reconstruction of Zhenhua vessel No. 28 and 48% was completed.

Other insignificant amounts were invested in technical reconstruction and minor supplementary projects. The above mentioned projects have significantly mitigated the tension of productivity and enhance the production capacity and effectiveness of the Company. Relevant yielding can be identified through the comparison of the major operating income and profit between the report period and the same period of the previous year.

## VI. Substantial Events

### (I) Corporation governance status

During the report period, the Company has focused on standardizing routine operation, enforcing information disclosure and the investor relationship management and safeguarding of the legal interests of minor shareholders according to the Company Law, Securities Law, and Rules for Listed Securities, Article of Associations and other regulations promulgated by CSRC. The Company truthfully followed the *Notice on Related Issues Concerning the Strengthening of Special Activities of Corporate Governance* issued by CSRC (CSRC [2008] No. 27), conducted self-check ups and evaluations on the corrections and improvement conducted in the first half year. By far, problems to be corrected within specified time have all been solved, other long-lasting problems have achieved good progress, related issues of which are posted on *Shanghai Securities News* and designated website. Now more than one-third of the board members are independent directors. Special committees under the board have been established. Procedures of the board, the supervisory board and the general shareholder's meeting have been revised according to requirements. Management system on fund raising, information disclosure management, special committee working procedures, investor relation management standards and detailed working procedures for president have been established. The Company is working hard on the perfecting of corporate governance structure and establishing modern enterprise standards. The actual management status of the Company primarily complies with related documents promulgated by CSRC.

### (II) Particulars about the implementation of profit distribution plan during the report period

The 2007 annual profit distribution plan was passed on the 2007 Shareholder's General Meeting dated May 8, 2008, which was disclosed in *Shanghai Securities Daily* and *Hong Kong Wen Wei Po* dated May 9<sup>th</sup>, 2008. As audited by PriceWaterhouseCoopers Zhong Tian CPAs Co., Ltd according to the CAS, the net profit realized in consolidated financial statements in Year 2007 was RMB 2,004,572,836 yuan, parent company's net profit RMB 2,054,958,545 yuan. Net profit realized by parent company is RMB 2,054,958,545 yuan according to the CAS, from which 10% is withdrawn as public reserve, amounting to 205,495,855 yuan. According to the Articles of Association of the Company, profit distributable for this period is based on the net profit realized in the consolidated financial statements amounting to RMB2,004,572,836 yuan. And the remaining profits distributable is RMB1,799,076,981 yuan, plus the closing balance of retained net profit of RMB 1,063,846,457 yuan, the total accumulated profit distributable in Year 2007 is RMB 2,862,923,438 yuan. 2007 profit distribution preplan is: based on stock capital of 3.207355 billion shares on Dec. 31, 2007, cash dividend of 1.7 yuan (before tax) for every 10 shares is distributed, total cash dividends distributed amounting to 545,250,350 yuan. Remaining of 2,317,673,088 yuan is transferred to the following year.

In accordance with the resolution passed on the 2007 Annual Shareholder's General Meeting, the Company published the dividend distribution announcements in *Shanghai Securities News* and *Hong Kong Wen Wei Po* dated Jun. 19, 2008 and implemented the said plan on July 7th, 2008.

### (III) Particulars about substantial lawsuits and arbitrations



There exist no substantial lawsuits and arbitrations during the report period.

#### (IV) Asset transactions

##### 1. Asset acquisition

On Apr. 8, 2008, the Company held its 11<sup>th</sup> meeting of the 4<sup>th</sup> board of directors, which reviewed and passed proposals including *Proposal on Plan for Non-public Issue of Stocks of the Company*, announcement of which was published on *Shanghai Securities News* and *Hong Kong Wen Wei Po* on Apr. 9, 2008. In order to fulfill commitments made by the Company's controlling shareholder, CHINA COMMUNICATIONS CONSTRUCTION CO., LTD. (hereafter "China Communications Construction") in 2007 at the time of public added issue, solve the problem of same-trade competition between the Company and China Communications Shanghai Port Machinery Plant Co., Ltd. (hereafter "SPMP"), further enhance the core competitiveness of the Company, the Company was about to purchase 100% stake of SPMP and 60% stake of Shanghai Jiangtian Industrial Co., Ltd. held by China Communications Construction through issuing of non-public A-shares. China Communications Construction also made the following commitment: it would not reduce any of all the shares of Zhenhua Port Machinery it held including those held by its wholly-owned or controlled subsidiaries within 36 months starting from Apr. 8, 2008. At present the said additional issue is under way.

#### (V) Substantial related transactions in the report period

##### 1. Related transactions in connection with routine operations

(1) Significant related transactions involving purchase of goods, acceptance of labor and other out-flows:

Unit: RMB yuan

Related Party	Transaction	Pricing	Price	Amount	Ratio in same transaction (%)	Settlement	Market price	Impact on profit
China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd.	Building docks and production workshop for the Company	Market price of same kind of product		115,073,400				
China Communications Shanghai Port Machinery Manufacturing Plant Co.,	Providing steel structure product processing for the Company	Market price of same kind of product		20,307,692				
China Communications Shanghai Harbor Engineering Design Research Institute	Providing designing of dock construction for the Company	Market price of same kind of product		12,160,000				

1) China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd., other related party, builds docks and workshops for the Company.

- 2) China Communications Shanghai Port Machinery Manufacturing Plant Co., the Parent Company's wholly-owned subsidiary, provides steel structure product processing for the Company.  
3) China Communications Shanghai Harbor Engineering Design Research Institute, other related party, provides designing of dock construction for the Company.

(2) Significant related transaction of selling commodities, providing service and other out-flow

Unit: RMB yuan

Related Party	Transaction	Pricing	Price	Amount	Ratio in same transaction (%)	Settlement	Market price	Impact on profit
CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.	Purchase of port machinery from the Company	Market price of same kind of product		2,978,240				
Shanghai Port Machinery Heavy Industry Co., Ltd.	Purchase of manufacturing raw material from the Company	Market price of same kind of product		77,105,503				
China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd.	Providing equipment leasing service for the Company	Market price of same kind of product		1,668,520				
China Communications No. 2 Navigation Engineering Bureau Co., Ltd.	Providing equipment leasing service for the Company	Market price of same kind of product		2,600,000				

- 1) CHINA COMMUNICATIONS CONSTRUCTION CO., LTD., the Parent Company, Purchases port machinery from the Company.  
2) Shanghai Port Machinery Heavy Industry Co., Ltd., other related party, purchases manufacturing raw materials from the Company.  
3) China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd, other related party, provides equipment leasing service for the Company.  
4) China Communications No. 2 Navigation Engineering Bureau Co., Ltd., the Parent Company's wholly-owned subsidiary, provides equipment leasing service for the Company.

Note: Apr. 10, 2007, the Company's 2007 First Provisional Shareholder's General Meeting passed the *Proposal on Establishing Frame Agreement on Routine Related Transactions between the Company and CHINA COMMUNICATIONS CONSTRUCTION CO., LTD.* The Company entered into frame agreement with Chin Communications Construction on related transactions 2007-2009 during which time related transactions in daily major operations between the Company & its subsidiaries and Chine Communications Construction might incur and in such cases the management is regarded as having been authorized by the shareholder's general meeting for such deeds on condition that related transaction amount not exceeded 2.5 billion yuan.

2 Non-operating related credits and liabilities

Unit: yuan

Related Party	Relation	Fund provided to related party		Related party provides fund to the Company	
		Current	Balance	Current	Balance

		Amount		Amount	
China Communications Construction	Parent Company				55,987,417
Total					55,987,417

Current amount of fund provided to controller and its subsidiaries by the listed Company is 0 yuan, balance being 0 yuan.

Reasons for related credits and liabilities:

Related liabilities of 55,987,417 yuan are incurred between the Company and China Communications Construction, i.e. the Company's payable dividends for 2007 to China Communications Construction.

### **(VI) Trusteeships**

On Apr. 8, 2008 the Company held its 11<sup>th</sup> meeting of the 4<sup>th</sup> board of directors, which reviewed and passed the *Proposal China Communications Construction Co. Ltd. entrusted Shanghai Zhenhua Port Machinery Co., Ltd. to manage China Communications Shanghai Port Machinery Manufacturing Plant Co., Ltd. and Shanghai Jiangtian Industrial Co., Ltd.*, resolutions of which were posted on Shanghai Securities News and Hong Kong Wen Wei Po on Apr. 9, 2008. In order to fulfill the commitment made by China Communications Construction Co., Ltd. (hereafter "China Communications Construction") in the added issue in 2007 and solve the problem that the Company and China Communications Shanghai Port Machinery Plant Co., Ltd. (hereafter "SPMP", thus to enhance the Company's core competitiveness, the Company is about to purchase 100% stake of SPMP and 60% stake of Shanghai Jiangtian Industrial Co., Ltd. from China Communications Construction through non-public issue of A-shares. In order to maintain normal operation of SPMP and Jiangtian Industrial in this non-public issue event, meanwhile to ensure smooth handover of SPMP and Jiangtian Industrial to the Company and China Communications Construction, the Company is about to enter into *Entrustment Agreement* with SPMP and Jiangtian Industrial. The agreement defines that during the entrustment the Company is entitled to exercise the right of shareholder to SPMP and Jiangtian Industrial and right of managing SPMP and Jiangtian Industrial in respective of staff, production, sales and finance etc. This agreement takes effect on the signature day by the legal representatives or their representatives of the Company and China Communications Construction, effective until the time when SPMP and Jiangtian Industrial are transferred under the name of the Company with the completion of current non-public issue. At present the issue is under way. The effectiveness of the Entrustment Agreement is subject to approval by the shareholders general meeting.

### **(VII) Contracting**

In report period, there are no contracting events occurred in the Company.

### **(VIII) Leases**

In report period, there are no leases event occurred in the Company.

### **(IX) Guarantees**

In report period, there's no financial guarantee event occurred in the Company.

**(X) Entrust financing**

In report period, there's no entrusted financing event occurred in the Company.

**(XI) Other substantial contracts**

The Company established contract on supply of large steel structures with Fluor Limited, announcement of which was posted on Shanghai Securities News and Hong Kong Wen Wei Po on Jun. 5, 2008.

**(XII) Implementation of commitments**

1. Commitments made by the Company and its shareholders holding above 5% shares

Commitment in the stock reform and the fulfillment

In the stock reform in March 2006, China Communications Construction Group Co., Ltd., the Company's former controller, promised not to trade or transfer the non-circulating shares it held within 12 months from the day when the shares obtained the right for circulation on A-share market. After the 12 months, the former non-circulating shares can be traded at the stock exchange on condition that the sales will not exceed 5% within 12 months, 10% within 24 months of total former Zhenhua Port Machinery shares. On Oct. 9, 2006, CHINA COMMUNICATIONS CONSTRUCTION CO., LTD., the Company's controller shareholder, produced the Company its letter of commitment, promising to continue the commitment to Zhenhua Port Machinery made by China Communications Construction Group when it became the shareholder of Zhenhua Port Machinery.

By far, China Communications Construction has fulfilled its commitments.

Commitments made at the time of issue and the fulfillment:

While the Company added issue of A-shares in 2007, in respective of avoid same-trade competition, China Communications Construction made commitment to the Company on Jul. 20, 2007:

1. The company hereunder confirms the company and any of its affiliated companies are at present not conducting any operations that would seriously affect the performing result of the issuer.
2. The company hereunder promises that the company and any of its affiliated companies will not in the future conduct any operations that would seriously affect the performing result of the issuer until the company no longer is the controlling shareholder of the issuer.
3. The company hereby promises that the company is to reorganize the business between the issuer and Shanghai Port Machinery Heavy Industry Co., Ltd. by proper means at proper time within 3 years from the time when current commitments are made, to solve the problem that Shanghai Port Machinery Heavy Industry Co., Ltd. shares similar business with the issuer.

On Sep. 1, 2007, China Communications Construction proposed the further planning and time schedule for reorganizing similar business between Shanghai Port Machinery Heavy Industry Co., Ltd. and the company: China Communications Construction will produce concrete planning through internal coordination for solving the problem that Shanghai Port Machinery Heavy Industry Co., Ltd. shares similar business with the company before Jul. 31, 2007, after Shanghai Port Machinery Heavy Industry Co., Ltd. finishes its movement for the sake of the World Expo. The method of reorganizing includes but not excluding acquisition, oriental added issue, business change of Shanghai Port Machinery Heavy Industry Co., Ltd., which is to be fulfilled before July of 2010.

4. In order to fulfill the commitment and solve the problem that the Company and China Communications Shanghai Port Machinery Plant Co., Ltd. (hereafter "SPMP", with Shanghai Port Machinery Heavy Industry Co., Ltd. being its controlled subsidiary) shares similar business, thus to enhance the Company's core competitiveness, the Company is about to purchase 100% stake of SPMP and 60% stake of Shanghai Jiangtian Industrial Co., Ltd. from China Communications Construction through non-public issue of A-shares. On April 8, 2008, the Company held its 11<sup>th</sup> meeting of the 4<sup>th</sup> board of directors, which reviewed and passed the *Proposal on the Company's Planning for Non-public Issue of Shares*, announcement of which was posted on Shanghai Securities News and Hong Kong Wen Wei Po on April 9, 2008. At present the oriental issue is under way.

Other commitments to medium and minor shareholders of the Company and the fulfillment:

On April 8, 2008, the Company held its 11<sup>th</sup> meeting of the 4<sup>th</sup> board of directors, which reviewed and passed the *Proposal on the Company's Planning for Non-public Issue of Shares*. On the same day, the Company received a notice from CHINA COMMUNICATIONS CONSTRUCTION CO., LTD. (hereafter "China Communications Construction"), saying China Communications Construction promised, as required by stipulations of CSRC, not to transfer its purchase of the non-public issue of A-shares within 36 months from the issue day. In addition, China Communications Construction also promised not to reduce within 36 months from April 8, 2008 on any of the whole shares of Zhenhua Port Machinery held by China Communications Construction and its wholly-owned or controlled subsidiaries.

By far, CHINA COMMUNICATIONS CONSTRUCTION CO., LTD. has strictly followed its commitments.

**(XIII) Particulars about penalties and corrective actions imposed by CSRC over directors, supervisors, senior managers, shareholders and actual controller**

During the report period, the Company, the Board of Directors and directors have not been checked by CSRC, given administration punishment and circling comment, and publicly criticized by Securities Exchange.

**(XIV) Miscellaneous events, their impacts and solutions**

- 1) Additional commitment made in 2008 by shareholders of the Company holding above 5% stake for limited sales of shares

On Apr. 8, 2008, the Company received notice from China Communications Construction, saying China Communications Construction promised not to reduce within 36 months from April 8, 2008 on any of the whole shares of Zhenhua Port Machinery held by China Communications Construction and its wholly-owned or controlled subsidiaries.

2. Explanation of other significant events

On Sep. 15, 2007 the 6<sup>th</sup> meeting of the 4<sup>th</sup> board of directors made solutions approving the establishment of Shanghai Zhenhua Port Machinery Steel Structure Co., Ltd., registered capital 150,000 USD, Shanghai Zhenhua Port Machinery Group (Hong Kong) Co., Ltd., the Company's controlled subsidiary, holding 49% stake. As directors from the Company and its controlled subsidiary take more than 51% of the total board members and actually control operation of the said

company, it is taken into the consolidated financial statements from Jan. 1, 2008 on.

**(XV) Information disclosure index**

Website for info disclosure and inquiry path	Refer to the website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ) and input the securities code of this Company (600320 or 900947 for details.	
Events	Papers and Pages	Date
2008-01 Announcement on Approval of Application for Issue of Short-term Financing Bonds	Shanghai Securities News D15 Hong Kong Wen Wei Po B10	2008-1-8
2008-02 Reminding Announcement on Listing of Added Issue of Offline A-type Shares	Shanghai Securities News D26 Hong Kong Wen Wei Po B13	2008-1-18
2008-03 Announcement on Listing of Circulating Shares with Sale Limitation	Shanghai Securities News B2 Hong Kong Wen Wei Po A14	2008-3-26
2008-04 Significant Events and Suspension of Trading	Shanghai Securities News Cover 10 Hong Kong Wen Wei Po A19	2008-3-28
2008-05 Progress on Significant Events	Shanghai Securities News A28 Hong Kong Wen Wei Po A22	2008-4-4
2008-06 Announcement on Convening of 11 <sup>th</sup> Meeting of 4 <sup>th</sup> Board of Directors & Notice for Convening of 2007 Annual Shareholder's General Meeting, 2007 Annual Report Abstract	Shanghai Securities News D17 Hong Kong Wen Wei Po B41	2008-4-9
2008-07 Preplan for Non-public Issue of A-shares	Shanghai Securities News D17 Hong Kong Wen Wei Po B41	2008-4-9
2008-08 Announcement on Significant Events	Shanghai Securities News D17 Hong Kong Wen Wei Po B41	2008-4-9
2008-09 Announcement on Resolutions of 5 <sup>th</sup> Meeting of 4 <sup>th</sup> Board of Directors	Shanghai Securities News D17 Hong Kong Wen Wei Po B41	2008-4-9
2008-10 Announcement on Postponing of 2007 Annual Shareholder's General Meeting	Shanghai Securities News D4 Hong Kong Wen Wei Po A48	2008-4-25
2008-11 Announcement on Resolutions of 12 <sup>th</sup> Meeting of 4 <sup>th</sup> Board of Directors; Abstract of 2008 First Quarter Report	Shanghai Securities News D93 Hong Kong Wen Wei Po A47	2008-4-29
2008-12 Announcement on Resolutions of 2007 Annual Shareholder's General Meeting	Shanghai Securities News D12 Hong Kong Wen Wei Po A33	2008-5-9
2008-13 Announcement on Donations to Sichun's Quake-shaken Areas	Shanghai Securities News A15 Hong Kong Wen Wei Po A29	2008-5-19
2008-14 Clearance Announcement	Shanghai Securities News D11 Hong Kong Wen Wei Po B13	2008-5-21
2008-15 Announcement on Significant Contract —— Fluor Limited	Shanghai Securities News D9 Hong Kong Wen Wei Po B2	2008-6-5
2008-16 Announcement on Approval of Exemption of Corporate Taxes	Shanghai Securities News D8 Hong Kong Wen Wei Po A12	2008-6-11
2008-17 Announcement on Dividends	Shanghai Securities News D7 Hong Kong	2008-6-19

Shanghai Zhenhua Port Machinery Company Limited  
Interim Report 2008

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Distribution for 2007	Kong Wen Wei Po B13	
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## **VII. Financial Report**

**I. The Interim Report Financial Statements of the Company has not been audited.**

**II. Financial statements and notes to financial statements are attached.**



## **VIII. Reference**

- 1. Original interim report with signature of legal representative of the Company;**
- 2. Original financial statements with signatures and chops of legal representative, CFO and Accounting Manager of the Company;**
- 3. Original documentation disclosed on papers designated by CSRC.**

**Zhou Jichang**  
**Chairman of the Board of Directors**  
**Shanghai Zhenhua Port Machinery Co., Ltd.**

**Aug. 27, 2008**

# Shanghai Zhenhua Port Machinery Co. Ltd.

## Balance Sheet as of Jun. 30, 2008

Unit: RMB yuan

Assets	Jun. 30, 2008 Consolidated (Unaudited)	Dec. 31, 2007 Consolidated	Jun. 30, 2008 Parent Company (Unaudited)	Dec. 31, 2007 Parent Company
<b>Current Assets</b>				
Currency capital	1,807,602,429	1,283,979,612	1,506,957,440	1,130,671,788
Tradable financial assets	234,132,584	442,306,963	234,132,584	442,306,963
Bills receivable	17,518,269	6,000,000	17,518,269	6,000,000
Account receivable	5,854,147,107	3,660,436,464	4,974,762,405	3,710,736,438
Advances	7,469,062,461	3,614,304,534	7,411,455,066	3,358,928,620
Other receivables	387,100,553	233,619,294	2,895,857,859	2,363,530,430
Stock	2,468,553,465	1,640,574,558	2,457,344,562	1,633,876,103
Completed not settled	8,956,494,923	7,824,459,550	8,137,252,439	7,231,828,675
Other current assets				
<b>Total current assets</b>	<b>27,194,611,791</b>	<b>18,705,680,975</b>	<b>27,635,280,624</b>	<b>19,877,879,017</b>
<b>Non-current assets</b>				
Long term equity investment	46,120,493	46,370,049	1,331,509,259	651,209,259
Fixed assets	6,572,518,868	5,956,862,376	3,889,238,186	3,774,812,149
Construction in progress	4,344,525,530	2,683,906,427	2,750,604,053	1,863,973,602
Intangible assets	1,862,032,800	1,602,957,413	1,519,615,562	1,532,032,736
Deferred corporate tax assets	245,933,168	119,553,866	245,829,702	119,451,050
Other non-current assets				
<b>Total non-current assets</b>	<b>13,071,130,859</b>	<b>10,409,650,131</b>	<b>9,736,796,762</b>	<b>7,941,478,796</b>
<b>Total assets</b>	<b>40,265,742,650</b>	<b>29,115,331,106</b>	<b>37,372,077,386</b>	<b>27,819,357,813</b>

Enterprise legal representative: Zhou Jichang  
Accounting department responsible person: Wang Jue

Responsible person incharge of accounting: Guan Tongxian

# Shanghai Zhenhua Port Machinery Co. Ltd.

## Balance Sheet as of Jun. 30, 2008 Cont'd

Unit: RMB yuan

Liabilities and Shareholder's Equity	Jun. 30, 2008 Consolidated (Unaudited)	Dec. 31, 2007 Consolidated	Jun. 30, 2008 Parent Company (Unaudited)	Dec. 31, 2007 Parent Company
<b>Current liabilities</b>				
Short-term loan	11,742,803,535	4,731,976,771	9,453,664,535	3,874,562,771
Tradable financial liabilities	700,791,339	131,973,504	659,121,339	56,713,504
Bills payable	1,177,926,972	2,640,611,925	1,177,926,972	2,640,611,925
Short-term bonds payable	2,295,016,667		2,295,016,667	
Accounts payable	1,430,360,673	1,478,791,188	1,362,390,547	1,421,923,723
Prepayment	272,464,731	152,215,124	270,786,597	150,523,094
Settles but not completed	4,424,009,028	2,185,656,339	4,424,009,028	2,185,656,339
Employee salary payable	107,065,759	166,278,072	106,581,984	164,710,032
Taxes payable	-137,884,437	53,297,354	-160,559,783	29,113,735
Dividends payable	55,987,417	199,993,500	55,987,417	199,993,500
Other payables	871,518,551	674,906,012	795,707,597	579,593,445
Non-current liabilities due within one year		65,856,800		65,856,800
Other current liabilities				
<b>Total current liabilities</b>	22,940,060,235	12,481,556,589	20,440,632,900	11,369,258,868
Non-current liabilities				
Long term loans	5,585,732,350	5,226,197,400	5,425,732,350	5,226,197,400
Deferred corporate tax liabilities	64,735,513	95,742,421	16,052,092	57,839,018
Other non-current liabilities				
<b>Total non-current liabilities</b>	5,650,467,863	5,321,939,821	5,441,784,442	5,284,036,418
<b>Total liabilities</b>	28,590,528,098	17,803,496,410	25,882,417,342	16,653,295,286
<b>Shareholder's equity</b>				
Capital stock	3,207,355,000	3,207,355,000	3,207,355,000	3,207,355,000
Capital reserve	3,743,451,974	3,856,513,159	3,743,451,974	3,856,513,159
Less: shares in stock				
surplus reserve	1,187,083,249	1,187,083,249	1,187,083,249	1,187,083,249
Undistributed profit	3,346,990,839	2,862,923,438	3,351,769,821	2,915,111,119
Total owner's equity belong to parent c	11,484,881,062	11,113,874,846	11,489,660,044	11,166,062,527
Minority interest	190,333,490	197,959,850		
Total owner's equity	11,675,214,552	11,311,834,696	11,489,660,044	11,166,062,527
Total liabilities and owner's equity	40,265,742,650	29,115,331,106	37,372,077,386	27,819,357,813

Enterprise legal representative: Zhou Jichang  
Accounting department responsible person: Wang Jue

Responsible person incharge of accounting: Guan Tongxian

## Shanghai Zhenhua Port Machinery Co. Ltd.

### P&L Statements 6 Months Ended Jun. 30, 2008

Unit: RMB yuan

Item	Jan. to Jun. 2008	Jan. to Jun., 2007	Jan. to Jun., 2008	Jan. to Jun., 2007
	Consolidated (Unaudited)	Consolidated (Unaudited)	Parent Company (Unaudited)	Parent Company (Unaudited)
<b>I. Operating income</b>	10,634,772,673	9,253,300,346	10,224,698,177	9,107,666,034
Less: operating cost	8,903,639,867	7,883,408,932	8,716,565,554	7,811,953,358
operating tax and addition	16,767,766	14,387,827	861,305	484,249
selling expenses	15,030,411	16,856,839	15,030,411	16,856,839
general expenses	361,189,435	183,240,452	271,335,367	138,908,097
financial expenses	-90,145,652	206,882,135	-123,609,776	197,583,023
asset devaluation provision	14,519,859	40,584,904	14,519,859	40,584,904
Add: Gains from fair value movement (loss in	-466,658,755	178,617,948	-424,988,755	177,456,281
Investment income (loss in "-")	-	2,913,949	-	2,913,949
<b>II. Operating profit (loss in "-")</b>	947,112,232	1,089,471,154	905,006,702	1,081,665,794
Add: non-operating income	137,477,121	7,816,410	129,227,124	884,780
Less: non-operating expenses	19,075,498	7,529,604	18,857,028	7,466,906
<b>III. Total profit (total loss in "-")</b>	1,065,513,855	1,089,757,960	1,015,376,798	1,075,083,668
Less: Corporate tax expenses	44,344,889	96,552,136	33,467,746	94,783,208
<b>IV. Net profit (net loss in "-")</b>	1,021,168,966	993,205,824	981,909,052	980,300,460
Net profit belonging to shareholders of p	1,029,317,751	990,217,536	981,909,052	980,300,460
Minority interest	-8,148,785	2,988,288		
<b>V. EPS</b>				
(I) Basic EPS	0.32	0.32		
(II) Diluted EPS	0.32	0.32		

Enterprise legal representative: Zhou Jichang  
Accounting department responsible person: Wang Jue

Responsible person incharge of accounting: Guan Tongxian

## Shanghai Zhenhua Port Machinery Co. Ltd.

## Consolidated Shareholder's Equity Movement Statements 6 Months Ended Jun. 30, 2008

Unit: RMB yuan

Item	Shareholder's Equity Belonging to Parent Company						Minority interest	Total shareholder's equity
	Capital stock	Capital reserve	Less: shares in stock	Surplus reserve	Undistribute profit	Foreign currency statements translation difference		
Starting balance on Jan. 1, 2007	3,081,840,000	261,780,835		981,587,394	1,526,122,457		191,084,742	6,042,415,428
Movement in 2007								
Net profit					2,004,572,836		6,875,108	2,011,447,944
Proceeds directly into shareholder's equity								
Net movement of fair value of financial assets available for sale								
Impact of movement of other owner's equity of investee on equity basis								
Corporate tax impact related to shareholder's equity		(32,856,596)						(32,856,596)
Hedging reserve		219,043,975						219,043,975
Sub-total		186,187,379			2,004,572,836		6,875,108	2,197,635,323
Added or Lessed capital from owners								
Added by owner	125,515,000	3,408,544,945						3,534,059,945
Amount of share payment into owner's equity								
Others								
Profit Distribution								
Accrued surplus reserve				205,495,855	(205,495,855)			
Distribution to shareholders					(462,276,000)			(462,276,000)
Dividends distributed								
Internal transfer within equity								
Capital reserve into capital stock								
Surplus reserve into capital stock								
Surplus reserve compensation on loss								
Others								
Closing balance on Dec. 31, 2007	3,207,355,000	3,856,513,159		1,187,083,249	2,862,923,438		197,959,850	11,311,834,696
Starting balance on Jan.1, 2008	3,207,355,000	3,856,513,159		1,187,083,249	2,862,923,438		197,959,850	11,311,834,696
Movement in Jan. to Jun. 2008								
Net profit					1,029,317,751		(8,148,785)	1,021,168,966
Proceeds directly into shareholder's equity								
Net movement of fair value of financial assets available for sale								
Impact of movement of other owner's equity of investee on equity basis								
Corporate tax impact related to shareholder's equity		16,804,504						16,804,504
Hedging reserve		(129,865,689)						(129,865,689)
Sub-total		(113,061,185)			1,029,317,751		(8,148,785)	908,107,781
Added or Lessed capital from owners								
Added by owner							522,425	522,425
Amount of share payment into owner's equity								
Others								
Profit Distribution								
Accrued surplus reserve								
Distribution to shareholders					(545,250,350)			(545,250,350)
Dividends distributed								
Internal transfer within equity								
Capital reserve into capital stock								
Surplus reserve into capital stock								
Surplus reserve compensation on loss								
Others								
Closing balance on Jun. 30, 2008	3,207,355,000	3,743,451,974		1,187,083,249	3,346,990,839		190,333,490	11,675,214,552

Enterprise legal representative: Zhou Jichang

Responsible person incharge of accounting: Guan Tongxian

Accounting department responsible person: Wang Jue

Shanghai Zhenhua Port Machinery Co. Ltd.

Parent Company's Equity Movement Statements 6 Months Ended Jun. 30, 2008

Unit: RMB yuan

Item	Capital stock	Capital reserve	shares in	Surplus reserve	profit	Total shareholder's equity
Starting balance on Jan. 1, 2007	3,081,840,000	261,780,835		981,587,394	1,527,924,429	5,853,132,658
Movement in 2007						
Net profit					2,054,958,545	2,054,958,545
Proceeds directly into shareholder's equity						
Net movement of fair value of financial assets available for sale						
Impact of movement of other owner's equity of investee on equity basis						
Corporate tax impact related to shareholder's equity		(32,856,596)				(32,856,596)
Hedging reserve		219,043,975				219,043,975
Sub-total		186,187,379			2,054,958,545	2,241,145,924
Added or Lessed capital from owners	125,515,000	3,408,544,945				3,534,059,945
Added by owner						
Amount of share payment into owner's equity						
Others						
Profit Distribution						
Accrued surplus reserve				205,495,855	(205,495,855)	
Distribution to shareholders					(462,276,000)	(462,276,000)
Dividends distributed						
Internal transfer within equity						
Capital reserve into capital stock						
Surplus reserve into capital stock						
Surplus reserve compensation on loss						
Others						
Closing balance on Dec. 31, 2007	3,207,355,000	3,856,513,159		1,187,083,249	2,915,111,119	11,166,062,527
Starting balance on Jan. 1, 2008	3,207,355,000	3,856,513,159		1,187,083,249	2,915,111,119	11,166,062,527
Movement in Jan. to Jun. 2008						
Net profit					981,909,052	981,909,052
Proceeds directly into shareholder's equity						
Net movement of fair value of financial assets available for sale						
Impact of movement of other owner's equity of investee on equity basis						
Corporate tax impact related to shareholder's equity		16,804,504				16,804,504
Hedging reserve		(129,865,689)				(129,865,689)
Sub-total		(113,061,185)			981,909,052	868,847,867
Added or Lessed capital from owners						
Added by owner						
Amount of share payment into owner's equity						
Others						
Profit Distribution						
Accrued surplus reserve						
Distribution to shareholders					(545,250,350)	(545,250,350)
Dividends distributed						
Internal transfer within equity						
Capital reserve into capital stock						
Surplus reserve into capital stock						
Surplus reserve compensation on loss						
Others						
Closing balance on Jun.30, 2008	3,207,355,000	3,743,451,974		1,187,083,249	3,351,769,821	11,489,660,044

Enterprise legal representative: Zhou Jichang  
responsible person: Wang Jue

Responsible person incharge of accounting: Guan Tongxian      Accounting department

Shanghai Zhenhua Port Machinery Co. Ltd.

Cash Flow Statements 6 Months Ended Jun. 30, 2008

Unit: RMB yuan

Item	Jan. to Jun. 2008 Consolidated (Unaudited)	Jan. to Jun. 2007 Consolidated (Unaudited)	Jan. to Jun. 2008 Parent Company (Unaudited)	Jan. to Jun. 2007 Parent Company (Unaudited)
<b>I. Cash flow from operating activities</b>				
Cash from sales of commodities and services	11,698,213,396	8,346,333,262	12,242,385,420	8,335,686,220
Tax refund received	587,886,966	380,674,727	582,417,053	375,555,646
Cash from other operation related activities	436,012,985	58,067,105	436,012,985	109,132,093
<b>Sub total cash flow-in</b>	12,722,113,347	8,785,075,094	13,260,815,458	8,820,373,959
Cash paid for commodities and services	17,078,977,061	7,324,707,677	17,421,739,918	7,294,636,842
Cash paid for/to staff	454,059,824	327,943,649	352,662,407	281,970,632
Taxes and fees paid	320,537,236	154,618,309	233,151,531	128,156,599
Other cash payment for other operation-related activities	145,307,986	145,113,151	130,234,704	134,904,434
<b>Sub total cash flow-out</b>	17,998,882,107	7,952,382,786	18,137,788,561	7,839,668,507
<b>Net cash flow from operating activities</b>	-5,276,768,760	832,692,308	-4,876,973,103	980,705,452
<b>II. Cash flow from investment activities</b>				
Cash from collection of investment				
Cash from collection of investment income		2,913,949		2,913,949
Net cash receipt from disposal of fixed assets and construction in progress	50,158,280	108,610	158,280	108,610
Othe cash receipt related to investment activities	31,143,186	51,191,763	31,143,186	
<b>Sub total cash flow-in</b>	81,301,466	54,214,322	31,301,466	3,022,559
Cash paid for purchase of fixed assets, intangible assets and other long-term investments	2,972,424,384	1,630,993,074	1,226,796,532	1,268,542,185
Cash paid for investment		770,370	680,300,000	579,982
Othe cash paid for investment-related activities				
<b>Sub total cash flow-out</b>	2,972,424,384	1,631,763,444	1,907,096,532	1,269,122,167
<b>Net cash flow from investment activities</b>	-2,891,122,918	-1,577,549,122	-1,875,795,066	-1,266,099,608
<b>III. Cash flow from capital raising activities</b>				
Cash from investment absorption				
Cash from loans	13,253,179,796	4,129,173,699	11,318,499,796	3,598,398,699
Othe cash receipt related to capital-raising activities				
<b>Sub total cash flow-in</b>	13,253,179,796	4,129,173,699	11,318,499,796	3,598,398,699
Cash paid for clearing debts	3,653,658,215	3,238,612,713	3,310,703,215	3,088,612,713
Cash paid for distributed dividends, profit or interest	846,872,009	261,179,675	817,607,681	252,655,652
Othe cash paid for capital raising-related activities				
Including: cash paid to minority shareholders for capital reduction				
<b>Sub total cash flow-out</b>	4,500,530,225	3,499,792,388	4,128,310,896	3,341,268,365
<b>Net cash flow from capital-raising activities</b>	8,752,649,572	629,381,311	7,190,188,900	257,130,334
<b>IV. Impact of exchange rate change on cash or equivalent</b>				
<b>V. Net addition of cash and cash equivalent</b>	584,757,894	-115,475,503	437,420,731	-28,263,822
Add: starting balance of cash and cash equivalent	1,086,928,243	726,693,946	933,620,417	477,003,670
<b>VI. Closing balance of cash and cash equivalent</b>	1,671,686,137	611,218,443	1,371,041,148	448,739,848

Enterprise legal representative: Zhou Jichang  
Accounting department responsible person: Wang Jue

Responsible person incharge of accounting: Guan Tongxian

## I. General information

Shanghai Zhenhua Port Machinery Co., Ltd. (hereinafter “the Company” or “Parent Company”) was established in Shanghai, on 8 September 1997 as part of an exercise to reorganise 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. 22, 2007. The said issuances were listed at Shanghai Stock Exchange respectively on Oct. 23, 2007 and Jan. 23, 2008 for trading. With completion of the added issuances, total capital stock of the Company has been raised to 3,207,355,000 shares, par value 1 yuan, totally amounting to 3,207,355,000 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 Communications Construction (Group) Co. Ltd. (hereafter called “China Communications Group”). In accordance with the *Reply to Issue Concerning Listing of China Communications Construction Group 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 China Communications Group, and in addition to the *Reply to Approve China Communications 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 Gongsizi [2006] No. 227), on Oct. 8, 2006 China Communications Group solely established China Communications Construction Co. Ltd. (hereafter “China Communications Company”), and invested the stock rights of the Company it held into the newly established China Communications Company. With completion of reorganization, China Communications Company thus becomes the controlling shareholder of the Company.



On Mar. 24, 2006, the Company issued the *ZPMC Bulletin on Implementation of Stock Reform Plan*, by which China Communications Group, the Company's State Corporate Shareholder of Non-circulating Shares, agreed to pay a total consideration of 108,855,000 shares on the basis of 2.5 shares for every 10 to circulating A-share holders as of the stock right registration day (i.e. Mar. 27, 2007). The considered shares from the stock reform were put into market for circulating on Mar. 29, 2006. For the listing of shares with sales conditions, see Note VII (23).

The Company and its subsidiaries (together called "the Group") are engaged in design, building, sales and installation of heavy port 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.

This financial report is disclosed on Aug.25, 2008 upon approval by the Company's board of directors.

## **II. Basis of preparation for financial statements**

From Jan. 1, 2007 the Company implements Enterprise Accounting Standards – Basic Standards and 38 concrete accounting standards issued by Ministry of Finance on Feb. 15, 2006, and guidelines and explanation of the accounting standards, and other related stipulations (hereafter called "Enterprise Accounting Standards").

## **III. Declaration on abiding by the Enterprise Accounting Standards**

The Group and the Company follow the requirements of enterprise accounting standards in preparing consolidated and parent company's financial reports on Jan. to Jun. of 2008, which authentically and completely reflect the Group and the Company's financial status on Jun. 30 of 2008 and the operating result and cash flow during Jan. to Jun. of 2008.

## **IV. Major accounting policies and accounting estimates**

### (1) Accounting year

Calendar year, from January 1 till December 31.

### (2) Monetary Currency

RMB is the monetary currency.

### (3) Foreign currency translation

#### (a) Foreign currency translation

Except for accounting of foreign currency capital, transactions denominated in foreign currencies are translated into RMB by the 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 arising from these translations are taken to the income statement, with exception that gains/losses related to special foreign currency fund borrowing during fixed assets purchase period are capitalized. Foreign currency of non-monetary items valued by fair value are translated into RMB on the spot exchange rate of the date of fair value recognition, difference from translation directly booked into current income statement as fair value movement.

On B/S day, non-monetary foreign current items valued by historical cost are translated still by the spot exchange rate of transaction day.

Foreign currency capital is booked in RMB translated by the spot exchange rate on the day of payment. Translation difference arising from different rates of related capital entry and paid-in capital entry is booked into capital reserve.

(b) Foreign currency statements translation

All assets and liabilities in the foreign currency balance statements of the Group's overseas subsidiaries consolidated into the Group are translated into RMB at the exchange rate at sight on B/S day. Shareholders equity is translated into RMB at the exchange rate at sight on the day of the transaction, except for undistributed profit, which is confirmed by the amount in the profit distribution statement after translation. Entries reflecting occurrence amount in the income statements and profit distribution statements are translated into RMB at average exchange rates for the year, differences thus occurred are taken into the translation difference item in the balance sheet.

Foreign currency cash flow and overseas subsidiary's cash flow are translated by annual average rate. Impact of rate movement on cash is individually reflected in cash flow statements.

(4) Cash and cash equivalents

Cashes in the cash flow statement means cash on hand and deposits held at call with banks; cash equivalents comprise investment due within 3 months, with high liquidity, easily translated into affirmative amount of cash, and with little value change risk.

(5) Financial assets - receivables

Receivables refer to account receivable and other receivables. Possible bad debt loss is accounted on provision basis. Receivables are recorded by the net value of actual occurrence deducting bad debt provision.

(a) Account receivable

Account receivable consists of that from related parties and that from non-related parties.

Account receivable, due on B/S day as agreed in contract, proven not collectable or not possibly collectable, are fully provided for on individual confirmation basis. Besides, in case

account receivable exceeds collectable term, provision of bad debt is made by the term overdue. Details are as follows:

Term overdue	% of provision
1–6 months	-
7–12 months	10%
1–2 years	30%
2–3 years	50%
3 years above	100%

(b) Other receivables

The Group make special bad debt provision for other receivables by individual recognition.

(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 or discount of receivables

In case of account receivables and bills receivable or discount the company transfers to financial institutions with no retrospective rights retained, it shall be considered cash has been received from purchaser or labour receiver, the difference between the transaction amount and the moved receivables' book value and related taxes is taken into current period income statement.

(6) Derivative financial tool and hedging accounting

The Group is mainly engaged in exporting business. In order to avoid foreign exchange risks, the Company enters into time foreign exchange contract with many banks for long term loans on flexible interest rate. Swap contracts on interest rate are signed with banks to avoid flexible interest rate risks of long term loans.

Forward foreign exchange contracts and interest rate swap contracts are booked by actual cost and their fair value is evaluated by year end.

Time foreign exchange contract and interest rate swap contract, besides being hedging tool subject to hedging accounting, are both used as derivative tools, gains/losses of which at end-of-year are directly booked into current profit/loss statement.

In order to hedge, the Group designates partial forward foreign exchange contracts as hedging tool, fair value or cash flow movement expectation of which can offset the movement of the fair value or cash flow of hedged items.

The confirmation methods of evaluation gains/losses of end-of-year fair value of time foreign exchange contract and interest rate swap contract acted as derivative financial tools are classified on the basis of whether applicable to hedging accounting into the following:

Hedging is classified into fair value hedging and cash flow hedging. Only when fair value hedging and cash flow hedging simultaneously meet the following conditions can hedging accounting method be used:

- (a) When hedging starts, the Group has official designation of hedging relations (i.e. relations between hedging tool and hedged item) and has prepared official written documents of hedging relations, risk managing goals and hedging strategies.
- (b) The hedging expectation is highly effective and is in compliance with the risk managing strategy designated initially for the hedging relation by the Group.
- (c) In case of hedging cash flow of expected transaction, the expected transaction should most probably happen and it must put the Group against cash flow risk impacting eventual profit.
- (d) Effectiveness of hedging can be reliably valued.
- (e) The Group makes continuous valuation of the effectiveness of hedging and ensures the hedging is highly effective in the designated term of hedging relations.

Hedging is considered highly effective in case of meeting the following conditions simultaneously:

- (a) At the beginning of hedging and during later process, the hedging expectation will highly effectively offset fair value or cash flow movement caused by the hedging risks during the designated hedging term.
- (b) The actual offset effect ranges between 80% and 125%.

Gains or losses valued by fair value at period end of the hedging tool for fair value are directly accounted into current income statement.

Gains or losses valued by fair value at period end of the hedging tool for cash flow are differentiated into effective hedging and non-effective hedging, the former booked into hedging reserve in capital reserve while the latter into current income statement. When the future transaction or promise incurs and is confirmed as an asset or liability, the valued gains/losses booked into hedging reserve in capital reserve will be transferred into cost of the related asset or liability; when the future transaction or promise incurs and is not confirmed as an asset or liability, the valued gains/losses booked into hedging reserve in capital reserve will be transferred into current income statement; when the future transaction does not incur, the valued gains/losses booked into hedging reserve in capital reserve will be transferred directly into current income statement.

(7) Stock

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

The cost of stock when delivered is calculated on the basis of weighted average.

When stock cost higher than net realizable value, the part less than the net realizable value is provided as devaluation provision. Stock devaluation 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.

#### (8) 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.

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.

- (a) 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.

- (b) For heavy ocean equipment, 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 contracted future activities.

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 can not be covered, it can be recognized as expenses immediately when it incurs; no contract revenue is confirmed.

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

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.

#### (9) Long term share investment

Long term share investment consists of those into the Company's subsidiaries and associates and others to be held longer than one year.

Subsidiary refers to an investee, in which the Group takes over 50% voting shares, or when the Company has great influence over investee's financial or operational decisions and earns from the investee's operational activities; 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.

Associate is an investee in which the Company takes 20% or above to 50% of investee's total voting shares, or the Company can exercise big influence over the investee's financial or operational decisions. Investment in associates is initially valued by real cost, and then followed in future valuing on equity basis. In case initial investment cost is higher than the publicly recognized asset fair value share in the investee at the time when investment is made, the difference is included in initial investment cost; in case initial investment cost is lower than the publicly recognized asset fair value share in the investee at the time when investment is made, the difference is included in current income statement while at the same time long term equity investment cost is adjusted.

Other equity investment to be held over one year means that the Group exercises no control, common control or great influence over the investee and the long term equity investment possesses no quotes on active market and its fair value can not be reliably valued. Cost method is adopted to the accounting of such investment.

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. Confirmed investment income is only limited to the distributed share of cumulative net profit of the investee from acceptance of the investment. Net profit or cash dividend exceeding the mentioned amount is confirmed as reverse of original investment cost.

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 devaluation loss, the loss is fully confirmed, unrealized gains/losses from which will not be setoff.

When collectable amount of long term equity investment is lower than its book value, the book valued is deducted to the collectable amount (see Note IV <13>).

#### (10) Fixed assets

Fixed assets consist of tangible assets related to operation with rather high individual value, for use of at least above one year owned or held for manufacturing goods, providing service, leasing or business management. Purchased or newly built fixed assets are booked according to the costs at acquisition. The fixed assets valued at the time when the Company was reorganized are booked in the valuation made by the state-owned assets administration 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.

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 devaluation provision have been made to fixed assets, the depreciation ratio and amount will be decided on the net book value after devaluation and the remained years for use.

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

	Expected years for use	Expected net residual value ratio	Annual depreciation ratio
House and building - costs	20 years	0%	5%
Manufacturing equipment	10 years	0%	10%
Transportation means (other than vessels)	5 years	0%	20%
Vessels	5-10 years	Based on international	Calculated in average years

		market price of wasted vessel steel	after purchase value less net residual value
Other equipment	5 years	0%	20%
Office equipment	5 years	0%	20%

Difference between disposal income from fixed assets sales, transfer, waste or damage and the book value and taxes is taken into non-operational income/expense.

When collectable amount of fixed assets is lower than its book value, the book value is deducted to the collectable amount (see Note IV <13>).

#### (11) 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 value is deducted to the collectable amount (see Note IV <13>).

#### (12) Intangible assets

Intangible assets consist of land use rights and software use cost. They are booked in really paid price or in the estimated value at the re-structuring of the Company, and are amortized in straight line method in the following expected years for use:

	Expected years for use
Land use rights	years of land use
Software use cost	5 years

Paid price in purchasing land and building is distributed between building and land use right. When difficult to distribute, it is recognized as fixed assets.

When collectable amount of intangible assets is lower than its book value, the book value is deducted to the collectable amount (see Note IV <13>).

#### (13) Asset devaluation

When signs of devaluation exist on B/S day with long term equity investment, fixed assets, construction in progress and intangible assets, simulating test is made to the devaluation. When test result shows collectable amount is lower than its book value, provision is made on basis of the difference and booked into devaluation loss. The collectable 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 devaluation 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 the said individual asset belongs is confirmed. Asset group refers to the minimum asset portfolio which independently generates cash in-flow.

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

(14) Loan expenses

Loan expenses such as interest and foreign exchange differences from loans for purchasing fixed assets are capitalized and calculated into that asset's cost, 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 resumes.

Auxiliary expenses of loans is capitalized upon incurrence when they incur before the purchased fixed assets reach expected condition for use; those incurred after are booked into current income statement.

Expenses of other loans are accounted into current period's income statement.

(15) Bonds payable

Bonds issued are recognized as liabilities in total real issuing price. Difference between bond issuing price and bond face value is booked as bond premium/discount, amortized in straight line method during bond existence period.

Bond premium/discount's amortization and issuing expenses are booked into current period income statement.

(16) Employee remuneration

Employee's remuneration consists of salary, bonus, allowance and subsidy, benefits, social security and housing fund, trade union fund and education fund and other expenses related to services provided by employees.

Staff remuneration is confirmed by employee service period and booked into related asset cost and expenses based on beneficial objects of the services provided by employees.

(18) Profit and dividends distribution

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

(19) 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 like provisional difference. 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 assets and deferred income tax liabilities generated from investment-related provisional difference of subsidiaries and associates are confirmed. However, when the Group is able to control the transferring time of the provisional difference and the provisional difference will most probably not be transferred back in the foreseeable future, they are not confirmed.

#### (20) 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 VAT, business discount, 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 IV <8>)
- (b) Income from ship transportation is recognized at the completion of the voyage.
- (c) Revenue from sales of parts in bulk is confirmed upon delivery.
- (d) Interest income is recognized by deposit term and real interest rate.
- (e) Subsidy income is recognized by the time of receiving.
- (f) Operating leasing income is recognized in leasing period by straight line method.

#### (21) Operating leases

When all risks and rewards related to assets ownership are still on the side of the lesser, the lease is recognized as operating lease. Operating lease expenses are recognized as current expenses on straight line basis within lease period.

(22) 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 inter company transactions, balance and unrealized profit on transactions between group companies are compensated. In the consolidated statements, minority interests refer to equity of consolidated subsidiaries which is not owned by the Group.

When there exists discrepancy between accounting policies adopted by subsidiaries and the Company, statements of subsidiaries are adjusted according to the Company's policies upon consolidation.

(23) Fair value confirmation of financial tools

Fair value of financial tools on active market is confirmed by quotes on active market. Fair value of financial tools not on active market is recognized by value-estimating technology. Value-estimating technology consists of market price utilized by voluntary transactional parties with consultation of familiar situations, present fair value of other financial assets similar in essence and discount of cash flow etc. While using value-estimate technology, use market parameter as much as possible, use parameter related specially to the Group as less as possible.

## **V Taxes**

Tax bearing of the Company and the Group is listed as follows:

(a) VAT

VAT is applicable to the Company's sales. Domestic sales output tax ratio is 17%, export sales output tax ratio is subject to "exemption, compensation, refund", refunding ratio is 17%.

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

(b) Business tax

Ocean shipping business of Shanghai Zhenhua Shipping Co., Ltd., the Company's subsidiary, applies to business tax, rate being 3%.

(c) Corporate income tax

National People's Congress passed on Mar. 16 *P. R. China's Enterprise Corporate Tax Law* (hereafter called "the new corporate tax law"), effective on Jan. 1, 2008.

The Company is sure to be qualified as a hi-tech enterprise. Therefore applicable tax rate is changed to 15% from Jan. 1, 2008. However, till Jun. 30, 2008, the Company has not been officially so qualified. Therefore, a temporary 18% rate is applied.

(1) Shanghai Zhenhua Port Machinery Pudong Co., Ltd. previously calculated its corporate tax at 15% rate. According to the new corporate tax law, subsidiaries of the group incorporated in Pudong New Area will gradually move to the rate of 25% in five years from 2008 to 2012. For the year 2008, an 18% rate is employed. (2007: 15%)

(2) Shanghai Zhenhua Port Machinery Changxing Spare Parts Co., Ltd. calculates its corporate tax at 25%. (2007: 33%)

(3) Shanghai Zhenhua Port Machinery Changxing Precision Forge Co., Ltd. calculates its corporate tax at 25%. (2007: 33%)

(4) Zhen Hua Engineering Co., Ltd. calculates its corporate tax at 17.5% rate. (2007: 17.5%)

(5) Shanghai Zhenhua Shipping Co., Ltd. calculates its corporate tax at 25% rate. (2007: 15%)

(6) Shanghai Zhenhua Port Machinery Group Floating Crane Co., Ltd. calculates its corporate tax at 25% rate. (2007: 15%)

(7) Nantong Zhenhua Heavy Equipment Manufacturing Co., Ltd. calculates its corporate tax at 25%. (2007: 15%)

(8) In accordance with the former *P. R. China's Law of Corporate Taxes of Enterprises with Foreign Investment and Foreign Enterprises*, Nantong Zhenhua Port Machinery Steel Structure Processing Co., Ltd. belongs to manufacturing enterprise with foreign investment registered in Nantong Economic and Technological Development Zone, therefore it adopted 15% corporate tax rate and enjoys favourable taxation policy of "two years' exemption and three years half". According to the new corporate tax law, the Company's enjoyable corporate tax shall gradually move to 25% in five years from 2008 to 2015. The year 2008 is the first year in which the company enjoys "half" taxation. Therefore the company adopts 9% corporate tax rate for the year 2008. (2007: n.a.)

(9) In accordance with the former *P. R. China's Law of Corporate Taxes of Enterprises with Foreign Investment and Foreign Enterprises*, Jiangyin Zhenhua Port Machinery Steel Structure Processing Co., Ltd. belongs to manufacturing

enterprise with foreign investment registered in Jiangyin Economic and Technological Development Zone, therefore it adopted 15% corporate tax rate and enjoys favourable taxation policy of “two years’ exemption and three years half”. The year 2008 is the second profitable year for Jiangyin Zhenhua Port Machinery Steel Structure Processing Co., Ltd. According to the new corporate tax law, the Company’s enjoyable corporate tax shall gradually move to 25% in five years from 2008 to 2015. The year 2008 is the first year in which the company enjoys “half” taxation. (2007: n.a.)

(10) Shanghai Zhenhua Port Machinery Steel Structure Co., Ltd. adopts a 25% corporate tax rate.

## VI. Controlled subsidiaries

Controlled subsidiary	Registered capital (yuan)	Business Scope	Investment from the Company (yuan)	Share ratio held by the Company		Consolidated or not
				direct	indirect	
ZPMC Pudong Co., Ltd.	5,000,000	manufacture & sales of Large container cranes & Gear-box gears	4,500,000	90%	-	Yes
ZPMC Changxing Spare Parts Co. Ltd.	5,500,000	manufacture & sales of Cranes and its spare parts	4,950,000	90%	-	Yes
Shanghai Zhenhua Changxing Precision Forge Co. Ltd.	5,000,000	precision Casting & metal cutting & cold processing	3,500,000	70%	-	Yes
ZPMC (Hong Kong) Co. Ltd.	HK\$5,000,000	Design, manufacture And sale of steel Structures and spare parts for cranes	-	99.99%	-	Yes
Shanghai Zhenhua Shipping Co. Ltd.	120,000,000	near ocean shipping, national costal and Changjiang M & L Shipping	66,000,000	55%	-	Yes
Shanghai Zhenhua Port Machinery Group Floating Crane Co. Ltd.	100,000,000	design, building, sales, leasing of floating cranes and port machinery	51,000,000	51%	-	Yes
ZPMC(M)SDN.BHD. (a)	Ringgit 100,000	no operating activities	Ringgit 2	100%	-	No
Jiangyin Zhenhua Labour Construction Co. Ltd. (b)	500,000	produce & sell port machinery spare parts, coating and installation projects	-	-	58.5%	No
Nantong Zhenhua Heavy Equipment Manufacturing Co., Ltd.	1,080,000,000	installation of large port facilities, engineering vessel and large metal structure and parts; gear-box, container	1,080,000,000	100%	-	Yes

Nantong ZPMC Steel Structure Processing Co., Ltd.	USD 100,000	field bridge, super-heavy bridge steel structure, marine heavy machinery equipment manufacturing; leasing of cranes; contracting of steel structure project	USD 75,000	75%	25%	Yes
Jingyin ZPMC Steel Structure Manufacturing Co., Ltd.	USD 100,000	manufacturing and installation of machinery, processing of steel structure, hardware processing, decaling and coating, contracting of machinery projects	USD 75,000	75%	25%	Yes
Shanghai Zhenhua Port Machinery Steel Structure Co., Ltd. (c)	USD 150,000	Manufacturing and sales of steel structures and port machinery parts	-	-	49%	Yes

- (a) By Dec. 31, 2007, there had been no operating activities in ZPMC (M) SDN.BHD, and therefore not consolidated.
- (b) Based on the shareholder's general meeting on Dec. 5, 2007, all shareholders unanimously agreed to cancel Jiangyin Zhenhua Labour Construction Co., Ltd., liquidation and legal formalities concerning the cancellation to be done by Jan. 30, 2008.
- (c) Shanghai Zhenhua Port Machinery Steel Structure Co., Ltd. was established in Dec. 2007 invested by the Company's controlled subsidiary - Shanghai Zhenhua Port Machinery Group (Hong Kong) Co., Ltd., who holds 49% stake. Since directors from the Company and its controlled subsidiaries take over 51% of the board members and actually exercises controlling rights over the operation of the company, it is consolidated from Jan. 1, 2008 on.

## VII. Notes to major items in the consolidated statements

### 1 Currency capital

	Jun. 30, 2008	Dec. 31, 2007
Cash	304,076	218,452
Cash at bank	1,664,764,813	1,080,728,064
Other cash capital	142,533,540	203,033,096
	<u>1,807,602,429</u>	<u>1,283,979,612</u>

Currency capital consists of the following foreign currency balance:

	Jun. 30, 2008			Dec. 31, 2007		
	Foreign currency amount	Excha nge rate	In RMB	Foreign currency amount	Exchan ge rate	In RMB
USD	92,916,208	6.8591	637,321,562	74,968,830	7.3046	547,617,316
Euro	28,300,400	10.8302	306,498,992	28,476,428	10.6669	303,755,210
HK dollar	155,914	0.8792	137,080	1,034,063	0.9364	968,297
Pound	483,939	13.6836	6,622,028	18,954	14.5807	276,363
Canadi an dollar	76,695	6.7807	520,046	9,790	7.4419	72,856
Australi an dollar	8,788	6.5964	57,969	6,577	6.4036	42,116
Japane se yen	475,594	0.0645	30,676	475,594	0.0641	30,486
Singap ore dollar	1,842	5.0405	9,285	2,828	5.0518	14,286
New Zealand dollar	625	5.2286	3,268	-	5.6589	-
			951,200,906			852,776,930

On Jun. 30, 2008, other currency capital mainly consists of bank deposits for L/C and bank guaranty letter.

### 2 Tradable financial assets and liabilities

	Jun. 30, 2008		Dec. 31, 2007	
	Assets	Liabilities	Assets	Liabilities
forward foreign exchange contract- cash flow hedging	73,126,194	-	182,434,296	-
forward foreign exchange contract- fair value estimated gains/losses	161,006,390	664,080,023	255,232,223	109,156,899
interest rate swap contract-fair value estimated gains/losses	-	36,711,316	<u>4,640,444</u>	22,816,605

234,132,584	700,791,339	442,306,963	131,973,504
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(a) Forward foreign exchange contract

On Jun. 30, 2008, in the forward foreign exchange contract established by the Group with bank but not due, total amount of principal in USD for RMB contract is USD 1,980,320,582; agreed exchange rate is 6.405 to 7.43; contract is due between Oct., 2008 and Apr. 29, 2009.

Contract principal Euro for RMB is Euro 650,000,000; contracted exchange rate is 9.9120 to 10.0471; contract is due in April, 2009.

Contract principal Euro for USD is Euro 800,000,000; contracted exchange rate is 1.54; contract is due April, 2009.

Contract principal RMB for USD is 336,814,800 yuan; contracted exchange rate is 0.1452 to 0.1457; contract is due between Jul. 2008 and Sep., 2008.

Contract principal USD for Euro is USD 153,430,300; contracted exchange rate is 0.6606 to 0.6670; contract is due between Jul. 2008 and Mar. 2009.

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

In the forward foreign exchange contract as cash flow hedging tools, the valid hedging of 89,178,285 yuan in the closing fair value estimated gains/losses is booked into capital reserve's hedging reserve (see Note VII <24>);

In the forward foreign exchange contract as derivative financial tools, the closing fair value estimated net losses are 429,947,439 yuan, booked into fair value movement losses (see Note VII <31>).

(b) Interest rate swap contract

On Jun. 30, 2008, estimated fair value gains/losses from the undue USD loan interest rate swap contract the Company established with the bank are shown as follows:

principal	due day	fair value estimated gains/(losses)
USD 120,000,000	2010-6-20	(1,749,070)
USD 200,000,000	2009-11-30	(34,962,246)
		(36,711,316)

For the interest rate swap contract as derivative financial tool, closing fair value estimated net loss is 36,711,316 yuan, booked into fair value movement loss. (See Note VII <31>)



Gains/losses of closing fair value estimation of above interest rate swap contracts are shown in the amount as confirmed by the transactional bank.

### 3 Accounts receivable

	Jun. 30, 2008	Dec. 31, 2007
Account receivable	6,053,433,942	3,862,287,204
Less: bad debt provision	(199,286,835)	(201,850,740)
	5,854,147,107	3,660,436,464

Accounts receivable aging and relevant bad debt provision:

	Jun. 30, 2008			Dec. 31, 2007		
	amount	Proportion (%)	bad debt provision	amount	Proportion (%)	bad debt provision
Aging						
Within one year	5,754,908,563	95	(8,743,924)	3,550,405,841	92	(16,763,586)
One to two years	84,048,858	1	(36,401,094)	157,124,769	4	(62,539,208)
Two to three years	152,294,661	3	(91,959,957)	91,456,548	2	(61,130,134)
Above three years	62,181,860	1	(62,181,860)	63,300,046	2	(61,417,812)
	6,053,433,942	100	(199,286,835)	3,862,287,204	100	(201,850,740)

2,553,893,155 yuan from above accounts receivables were already received in the period from Jul. 1 to Jul. 31, 2008.

On Jun. 30, 2008, for accounts receivable aging within one year, 10% bad debt provision is made by the Group based on related accounting policy.

On Jun. 30, 2008, for the total amount of 15,980,624 yuan accounts receivable aging between 1 to 2 years, which consists of those from Chili TPS bridge crane project, Panama MIT dock bridge crane project and Panama MIT dock tire crane project etc, the Group made full amount bad debt provision, because the Group think they are difficult to collect. In addition, the Group made 30% bad debt provision for account receivable aging between 1 to 2 years based on relevant accounting policy.

On Jun. 30, 2008, for the total amount of 31,625,252 yuan accounts receivable aging 2 to 3 years, consisting of that from Maersk New Jersey Bridge Crane project and American Long Beach Bridge Crane project, the Group has made full provision of bad debt, for the Group considers them not collectible. In addition, the Group made 50% bad debt provision for account receivable aging between 2 to 3 years based on relevant accounting policy.

On Jun. 30, 2008, for the total amount of accounts receivable aging above 3 years amounts to 62,181,860 yuan. The Group made 100% bad debt provision for accounts receivable aging between above 3 years based on relevant accounting policy.

On Jun. 30, 2008, accounts receivable amount from shareholders holding above 5% voting shares (including 5%) is shown as follows:

	Jun. 30, 2008	Dec. 31, 2007
China Communications Company	20,552,341	71,299,602

Closing account receivable from top 5 debtors amounts to 1,131,507,038 yuan, or 19% of total accounts receivable amount.

Accounts receivable includes the following foreign currency balance:

	Jun. 30, 2008			Dec. 31, 2007		
	Foreign currency amount	Excha nge rate	In RMB	Foreign currency amount	Exchan ge rate	In RMB
USD	594,696,412	6.8591	4,079,082,160	374,951,381	7.3046	2,738,869,858
Euro	105,470,082	10.8302	1,142,262,082	38,005,523	10.6669	405,401,113
Singapor e dollar	11,399,688	5.0405	57,460,127	36,528,926	5.0518	184,536,828
Saudi dollar	-		-	53,237,813	1.9485	103,733,879
Japanes e yen	82,141,664	0.0645	5,298,137	783,315,327	0.0641	50,210,512
Hong Kong dollar	50,018,981	0.8792	43,976,688	50,916,624	0.9364	47,678,327
Pound	3,811,156	13.6836	52,150,334	949,620	14.5807	13,846,124
Australia n dollar	-		-	1,140,000	6.4036	7,300,104
Canadia n dollar	3,150,000	6.7807	21,359,205			
Korean yen	6,965,152,980	0.00645	44,925,237			
			<u>5,446,513,970</u>			<u>3,551,576,745</u>

#### 4 Other receivables

	Jun. 30, 2008	Dec. 31, 2007
Other receivables	387,100,553	233,619,294
Less: bad debt provision		-
	<u>387,100,553</u>	<u>233,619,294</u>

Other receivables ages and corresponding special bad debt provision:

	Jun. 30, 2008			Dec. 31, 2007		
	amount	proportio n(%)	bad debt provision	amount	Proportio n (%)	bad debt provision
Aging						
Within one year	383,976,493	99	-	225,658,857	97	-
One to two years	868,880	0	-	5,303,171	2	-
Two to	1,999,920	1	-	1,552,500	1	-

three years						
Above three years	255,260	0	-	1,104,766	-	-
	<u>387,100,553</u>	<u>100</u>	<u>-</u>	<u>233,619,294</u>	<u>100</u>	<u>-</u>

Other receivables do not include any from shareholders holding 5% (inclusive) voting shares of the Company.

Closing other receivables from top 5 debtors amount to 329,098,831yuan, 85% of the total other receivables amount.

Other receivables include the follow foreign currency balance:

	Jun. 30, 2008			Dec. 31, 2007		
	Foreign currency amount	Exchange rate	In RMB	Foreign currency amount	Exchange rate	In RMB
USD	22,860,898	6.8591	156,805,185	15,689,534	7.3046	114,605,770

#### 5 Advances

	Jun. 30, 2008		Dec. 31, 2007	
	Amount	Proportion (%)	Amount	Proportion (%)
Aging				
Within one year	7,416,504,353	99	3,563,359,744	99
One to two years	49,996,669	1	50,468,656	1
Above 2 years	2,561,439	-	476,134	-
	<u>7,469,062,461</u>	<u>100</u>	<u>3,614,304,534</u>	<u>100</u>

On Jun. 30, 2008, of the advances, 6,761,291,053 yuan (Dec. 31, 2007: 2,773,523,586 yuan) is payment in advance for fixing the purchase price of 1,150,000 tons of steel from key steel suppliers as agreed in contracts.

Advances do not include any to shareholders holding 5% (inclusive) voting shares of the Company.

Advances include the follow foreign currency balance:

	Jun. 30, 2008			Dec. 31, 2007		
	Foreign currency amount	Exchange rate	In RMB	Foreign currency amount	Exchange rate	In RMB
USD	29,220,395	6.8591	200,425,611	31,282,393	7.3046	228,505,368
Euro	26,466,405	10.8302	286,636,459	30,380,198	10.6669	324,062,534
			487,062,070			552,567,902

#### 6 Inventories

Jun. 30, 2008

Dec. 31, 2007

raw materials and purchased parts	2,507,558,172	1,669,775,734
Less: Inventories devaluation provision	<u>(39,004,707)</u>	<u>(29,201,176)</u>
	<u>2,468,553,465</u>	<u>1,640,574,558</u>

Inventories devaluation provision moved as follows:

	2007 Dec.31,	Addition report period	Deduction report period	2008 Jun. 30,
raw materials and purchased parts	<u>29,201,176</u>	<u>9,803,531</u>	<u>-</u>	<u>39,004,707</u>

7 Work completed payment not settled/Payment settled work not completed

Work completed payment not settled –

	Jun. 30, 2008	Dec. 31, 2007
Accumulated cost incurred	25,474,519,671	20,721,417,451
Add: Accumulated margin confirmed	3,414,332,335	3,047,932,936
Less: Accumulated settled payment	(19,884,842,380)	(15,905,797,088)
Accumulated confirmed expected contract loss	<u>(47,514,703)</u>	<u>(39,093,749)</u>
	<u>8,956,494,923</u>	<u>7,824,459,550</u>

Payment settled work not completed –

	Jun. 30, 2008	Dec. 31, 2007
Accumulated settled payment	6,820,236,938	4,314,591,858
Less: Accumulated confirmed (margin)/losses	(206,736,434)	34,085,034
Accumulated cost incurred	(2,189,491,476)	(2,164,161,274)
Add: Accumulated confirmed expected contract loss	<u>-</u>	<u>1,140,721</u>
	<u>4,424,009,028</u>	<u>2,185,656,339</u>

Expected contract losses –

	Dec. 31, 2007	Addition report period	Deduction report period	Jun. 30, 2008
Work completed not settled	39,093,749	8,420,954		47,514,703
Settled work not completed	<u>1,140,721</u>	<u>(1,140,721)</u>		<u>-</u>
	<u>40,234,470</u>	<u>8,420,954</u>	<u>(1,140,721)</u>	<u>47,514,703</u>

On Jun. 30, 2008, total amount of contracts still in construction is about 50,804,482,015 yuan (excluding VAT) (Dec. 31, 2007: 47,786,805,309 yuan).

Probable fines in case of delay in delivery as contracted:

	Jun. 30, 2008	Dec. 31, 2007
bank issued valid guaranty letter	19,132,553,351	14,617,329,172
bank not issued guaranty letter	<u>1,221,226,810</u>	<u>896,683,165</u>
	<u>20,353,780,161</u>	<u>15,514,012,337</u>

8. Long term equity investment

	Jun. 30, 2008	Dec. 31, 2007
Unconsolidated subsidiary	4	4
Associated enterprises	-	549,556
Other long term equity investment	<u>46,120,489</u>	<u>45,820,489</u>
	<u>46,120,493</u>	<u>46,370,049</u>

There are no limits to cashability and earning return of the Group's long term equity investment.

(a) Unconsolidated subsidiary

Name of investee	Investment Period	Proportion in investee's registered capital		Initial investment amount
		2007 Dec.31,	2008 Jun.30,	
ZPMC (M) SDN. BHD.	2002-	100%	100%	4

Reasons why above mentioned companies are not consolidated will be given in Note VI.

(b) Associated enterprises

	initial investment	2007 Dec.31,	Consolidated	Jun. 30, 2008
Shanghai ZPMC Steel Structure Co., Ltd.	<u>549,556</u>	<u>549,556</u>	<u>(549,556)</u>	<u>-</u>

Reasons why above mentioned companies are not consolidated will be given in Note VI.

(c) Other long term equity investment

Name of investee	2007 Dec.31,	Addition report period	Deduction report period	2008 Jun. 30,
Zhonggang Shujun Co. Ltd.	25,520,489	-	-	25,520,489
Shanghai Zhenhua Port Machinery (Group) Fengcheng Brake Co. Ltd.	19,000,000	-	-	19,000,000
Shanghai Zhenhua Port Machinery (Group) Ningbo Transmission Machinery Co. Ltd.	300,000	-	-	300,000
Shanghai Zhenhua Port Machinery (Group) Shenyang Lift Co. Ltd.	500,000	-	-	500,000
Shanghai Zhenhua Port Machinery (Group) Longchang Lift Equipment Co. Ltd.	<u>500,000</u>	<u>300,000</u>	<u>-</u>	<u>800,000</u>
	<u>45,820,489</u>	<u>300,000</u>	<u>-</u>	<u>46,120,489</u>

9 Fixed assets and accumulative depreciation

	House and building	Production equipment	Office facilities	Transport vehicle	Other equipment	Total
Purchase value						
Dec. 31, 2007	2,532,777,849	1,934,751,282	89,285,546	3,345,811,381	33,063,773	7,935,689,831
Transfer from Construction in progress	97,176,552	123,367,975	10,102,568	420,113,902	7,485,508	658,246,505
other addition	147,563,870	137,099,532	2,280,501	66,291,432	3,704,554	356,939,889
Deduction report period	<u>(66,966,594)</u>	<u>(1,013,354)</u>	<u>(1,013,899)</u>	<u>(3,438,153)</u>	<u>(607,295)</u>	<u>(73,039,295)</u>
Jun. 30, 2008	<u>2,710,551,677</u>	<u>2,194,205,435</u>	<u>100,654,716</u>	<u>3,828,778,562</u>	<u>43,646,540</u>	<u>8,877,836,930</u>
Accumulative depreciation						
Dec. 31, 2007	530,041,350	710,131,335	59,179,573	660,759,892	18,715,305	1,978,827,455
Accrued current year	75,644,471	92,486,033	6,460,579	175,124,352	3,078,434	352,793,869
Deduction report period	<u>(20,618,524)</u>	<u>(951,268)</u>	<u>(986,115)</u>	<u>(3,140,060)</u>	<u>(607,295)</u>	<u>(26,303,262)</u>
Jun. 30, 2008	<u>585,067,297</u>	<u>801,666,100</u>	<u>64,654,037</u>	<u>832,744,184</u>	<u>21,186,444</u>	<u>2,305,318,062</u>
Net amount						
Jun. 30, 2008	<u>2,125,484,380</u>	<u>1,392,539,335</u>	<u>36,000,679</u>	<u>2,996,034,378</u>	<u>22,460,096</u>	<u>6,572,518,868</u>
Dec. 31, 2007	<u>2,002,736,499</u>	<u>1,224,619,947</u>	<u>30,105,973</u>	<u>2,685,051,489</u>	<u>14,348,468</u>	<u>5,956,862,376</u>

By Jun. 30, 2008, equipment with purchase value of 382,165,969 yuan (2007: 332,894,844 yuan) has been fully depreciated but still in use.

By Jun. 30, 2008, depreciation expenses booked into operating costs, operating expenses and general expenses are respectively 345,080,496 yuan, 1,196,061 yuan and 6,517,312 yuan (2007: 511,222,373 yuan, 1,771,914 yuan and 9,655,126 yuan).

10 Construction in progress

Construction	budget	2007	Addition report	Transfer into fixed	Other decrease	2008	Found source	Proportion of
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		Dec.31	period	assets		Jun. 30		investment in budget
Changxing base infrastructure	3,500,000,000	1,449,312,597	876,676,448	(94,873,590)	-	2,231,115,455	Raised and self-raised	97%
Base heavy machinery and engineering equipment in construction	750,000,000	265,847,125	99,954,476	-		365,801,601	Raised and self-raised	62%
Zhenhua No.23 rebuilding	190,000,000	155,697,723	41,451,856	(179,543,602)	-	17,605,977	Self-raised	91%
Zhenhua No.24 rebuilding	195,000,000	136,994,589	57,996,100	(157,764,919)	-	37,225,770	Self-raised	81%
Nantong base infrastructure construction	2,109,000,000	477,660,737	794,855,637	(187,921,457)	-	1,084,594,917	Raised and self-raised	74%
Barge building	284,000,000	110,259,026	23,334,798	(23,881,525)	-	109,712,299	Self-raised	95%
Head office building renewal	125,000,000	28,719,225	19,252,750	(14,058,709)	-	33,913,266	Self-raised	74%
Half-diving dock	80,000,000	18,422,567	25,309,824	-	-	43,732,391	Self-raised	55%
Zhangjiang site rebuilding	50,000,000	17,586,272	-	-	(17,586,272)	-	Self-raised	100%
Jiangyin site rebuilding	47,000,000	11,815,317	1,988,584	(202,703)	-	13,601,198	Self-raised	99%
Office building on Dongfang Road.	800,000,000	3,868,607	14,413,273	-	-	18,281,880	Self-raised	55%
Changxing Precision Forge Works	10,000,000	7,722,642	-	-	-	7,722,642	Self-raised	100%
Changzhou site rebuilding	8,900,000	-	3,325,000	-	-	3,325,000	Self-raised	96%
Zhenhua No.25 rebuilding	275,000,000	-	108,843,926	-	-	108,843,926	Self-raised	40%
Zhenhua No.26 rebuilding	275,000,000	-	139,343,627	-	-	139,343,627	Self-raised	51%
Zhenhua No.28 rebuilding	267,500,000	-	129,705,581	-	-	129,705,581	Self-raised	48%



total		2,683,906,427	2,336,451,880	(658,246,505)		(17,586,272)	4,344,525,530		
Including: capitalized loan expenses		2,881,101	15,614,342				18,495,443		

Capitalization rate employed in the first half of 2008 to confirm the capitalized amount is 6.77% (2007: 5.54%).

#### 11 Intangible assets

	Purchase price	2007 Dec.31,	Addition report period	Out-transfer report period	Amortization current period	Jun. 30, 2008	Cumulative amortization
Land use right	1,911,597,699	1,595,234,875	291,558,239	(18,436,320)	(16,094,923)	1,852,261,871	(44,218,040)
Software use fee	<u>10,902,741</u>	<u>7,722,538</u>	<u>2,700,000</u>	<u>-</u>	<u>(651,609)</u>	<u>9,770,929</u>	<u>(1,131,812)</u>
	<u>1,922,500,440</u>	<u>1,602,957,413</u>	<u>294,258,239</u>	<u>(18,436,320)</u>	<u>(16,746,532)</u>	<u>1,862,032,800</u>	<u>(45,349,852)</u>

## 12 Short term loan

	Jun. 30, 2008	Dec. 31, 2007
Credit loans		
- RMB loans	5,150,000,000	900,000,000
- USD loans	6,565,037,968	3,539,703,711
- Euro loans	27,765,567	292,273,060
	<u>11,742,803,535</u>	<u>4,731,976,771</u>

2008 RMB bank interest rate annual is 6.72% to 7.10% (2007: 5.27% to 6.72%) , USD and Euro annual rate is LIBOR+0.5% to LIBOR+3.5% (2007: LIBOR+0.5% to LIBOR+1.3%).

## 13 Bills payable

	Jun. 30, 2008	Dec. 31, 2007
Commercial acceptance drafts	546,230,898	1,561,560,557
Bank acceptance drafts	631,696,074	1,079,051,368
	<u>1,177,926,972</u>	<u>2,640,611,925</u>

## 14 Short term bonds payable

	total par value	discounted amount	Jan. 2008 issue	Jan. to Jun., 2008 discount amortization	Jun. 30, 2008
Short term financing bonds					
- issued in Jan., 2008	2,300,000,000	9,200,000	2,290,800,000	4,216,667	2,295,016,667

## 15 Accounts payable

On Jun. 30, 2008 the balance contains no payables to shareholders who hold 5% (inclusive) of the Company's voting share.

On Jun. 30, 2008, accounts payable aging above 1 year amount to 153,286,036 yuan (Dec. 31, 2007: 167,078,473 yuan), mainly being payables for equipment and project quality guaranty deposit. Because the contracted payment day is not due, final settlement has not been made.

Account payable includes the following foreign currency balance:

Jun. 30, 2008			Dec. 31, 2007		
Foreign currency amount	Exchange rate	In RMB	Foreign currency amount	Exchange rate	In RMB

USD	43,208,029	6.8591	296,368,192	47,783,375	7.3046	349,038,441
Euro	32,252,221	10.8302	<u>349,298,004</u>	26,681,969	10.6669	<u>284,613,895</u>
			<u>645,666,196</u>			<u>633,652,336</u>

#### 16 Prepayment

By Jun. 30, 2008, the balance contains no prepayments from shareholders who hold 5% (inclusive) of the Company's voting share.

By Jun. 30, 2008, no prepayment in the balance is older than 1 year.

Prepayment includes the following foreign currency balance:

	Jun. 30, 2008			Dec. 31, 2007		
	Foreign currency amount	Exchange rate	In RMB	Foreign currency amount	Exchange rate	In RMB
USD	23,109,104	6.8591	158,507,655	6,411,517	7.3046	46,833,567
Euro	2,959,245	10.8302	32,049,215	2,199,650	10.6669	23,463,447
Pound	1,131,592	13.6836	15,484,252	1,194,432	14.5807	17,415,655
HK dollar	897,643	0.8792	<u>789,208</u>	897,643	0.9364	<u>840,553</u>
			<u>206,830,330</u>			<u>88,553,222</u>

#### 17 Payables to employees

	2007 Dec.31,	Addition report period	Deduction report period	2008 Jun. 30
Salary, bonus, allowance and subsidy	151,770,000	353,038,509	414,660,222	90,148,287
Staff welfare	-	12,424,637	12,424,637	-
Social security	1,237,895	54,632,957	52,305,408	3,565,444
Including:				
medical insurance	221,402	14,556,779	13,938,891	839,290
pension	896,109	34,999,145	33,479,627	2,415,627
Unemployment fund	120,384	3,314,044	3,123,901	310,527
Labor injury fund	-	1,038,588	1,038,588	-
Birth insurance	-	724,401	724,401	-
Auxiliary pension	-	40,762,320	40,762,320	-
Housing fund	-	9,610,114	9,610,114	-
Trade union fund and employee education fund	<u>13,270,177</u>	<u>6,177,806</u>	<u>6,095,955</u>	<u>13,352,028</u>
	<u>166,278,072</u>	<u>476,646,343</u>	<u>535,858,656</u>	<u>107,065,759</u>

#### 18 Taxes payable

	Jun. 30, 2008	Dec. 31, 2007
Corporate tax payable	258,253,976	195,762,043
VAT to be compensated	(403,449,939)	(148,515,220)
Other taxes payable	<u>7,311,526</u>	<u>6,050,531</u>
	<u>(137,884,437)</u>	<u>53,297,354</u>

19 Dividends payable

	Jun. 30, 2008	Dec. 31, 2007
China Communications Company	55,987,417	111,843,900
Zhen Hua Engineering Co., Ltd.	-	86,501,250
Zhen Hwa Harbour Construction Co., Ltd.	-	1,648,350
	<u>55,987,417</u>	<u>199,993,500</u>

20 Other payables

	Jun. 30, 2008	Dec. 31, 2007
Estimated after-sales service cost	506,617,092	513,317,523
Compensation for land withdrawal to Zhangjiang Base (Note XII)	-	52,237,169
Loan interest	97,425,779	28,817,834
government subsidy	25,184,109	20,578,360
Contracting construction team deposit	53,386,856	19,112,255
Prepayment of wasted steel sales	8,049,546	6,795,971
VAT to be settled	130,766,303	2,322,028
Others	50,088,866	31,724,872
	<u>871,518,551</u>	<u>674,906,012</u>

By Jun. 30, 2008, other payables contain nothing to shareholders who hold 5% (inclusive) of the Company's voting share.

By Jun. 30, 2008, other payables aging above 1 year amount to 1,361,891 yuan (Dec. 31, 2007: 2,158,105 yuan), mainly being payables for deposit from constructing team.

21 Long term loans

	Jun. 30, 2008	Dec. 31, 2007
Guaranteed loans		
- USD loans	-	58,436,800
Credit loans		
- USD loans	4,461,844,550	4,276,843,300
- Euro loans	963,887,800	949,354,100
- RMB loans	160,000,000	7,420,000
	<u>5,585,732,350</u>	<u>5,292,054,200</u>
Less: Long term loans due within one year		
Guaranteed loans		
- USD loans	-	58,436,800
Credit loans		
- USD loans	-	-
- RMB loans	-	7,420,000
	<u>-</u>	<u>7,420,000</u>

-	65,856,800
5,585,732,350	5,226,197,400

By Jun. 30, 2008, the Company had paid credit loan interest by the quarter and credit loan principal shall be paid off between Aug. 20, 2009 and Nov. 9, 2010.

2008 long term loans' annual interest rate ranges from LIBOR+0.33% to LIBOR+0.9% (2007: LIBOR+0.33% to LIBOR+0.9%).

## 22 Deferred Corporate Income Tax Assets and Liabilities

### (a) Deferred Corporate Income Tax Assets

	Jun. 30, 2008		Dec. 31, 2007	
	Deferred corporate tax Assets	Compensable provisional difference	Deferred corporate tax Assets	Compensable provisional difference
Assets devaluation provision	59,508,534	297,542,668	42,453,422	283,022,811
Fair value movement	84,997,751	424,988,755	-	-
Depreciation of fixed assets	103,465	413,864	102,816	411,263
Accrued after-sales service cost	101,323,418	506,617,091	76,997,628	513,317,523
	<u>245,933,168</u>	<u>1,229,562,378</u>	<u>119,553,866</u>	<u>796,751,597</u>

### (b) Deferred corporate tax liabilities

	Jun. 30, 2008		Dec. 31, 2007	
	Deferred corporate tax Liabilities	Tax payable provisional difference	Deferred corporate tax Liabilities	Tax payable provisional difference
Depreciation of fixed assets	48,683,422	194,733,683	37,903,402	151,613,611
Fair value movement	16,052,091	89,178,287	57,839,019	385,593,459
	<u>64,735,513</u>	<u>283,911,970</u>	<u>95,742,421</u>	<u>537,207,070</u>

## 23 Capital Stock

	Dec. 31, 2007	Addition report period	Deduction report period	Jun. 30, 2008
Shares with sales limitation -				
State corporate shares	594,834,000		(157,392,000)	437,442,000
Domestic corporate shares	4,646,400		(4,646,400)	0
Overseas corporate	587,664,000			587,664,000

shares				
Shares with sales limitation in total	<u>1,187,144,400</u>			<u>1,025,106,000</u>
Shares without sales limitation -				
RMB common shares listed on domestic market	1,360,210,600	162,038,400		1,522,249,000
Foreign investment shares listed on domestic market	<u>660,000,000</u>			<u>660,000,000</u>
Shares without sales limitation in total	<u>2,020,210,600</u>			<u>2,182,249,000</u>
Shares in total	<u>3,207,355,000</u>	<u>162,038,400</u>	<u>(162,038,400)</u>	<u>3,207,355,000</u>

According to *Announcement on Listing of Stocks with Sale Limitation of ZPMC* posted on Mar. 26, 2008, 154,092,000 shares with sale limitation held by China Communications Company are listed from Mar. 31, 2008 on. By Jun. 30, 2008, 437,442,000 State corporate shares with sale condition held by China Communications Company and 587,664,000 overseas corporate shares with sale condition held by Zhen Hua Engineering Co., Ltd. and Zhen Hwa Harbor Construction Co., Ltd. have not yet been listed for trade.

According to the Zhenjian Faxing Zi (2007) No. 346 *Notice on the Approval of Public Issuance of Stock ZPMC* issued by China Securities Regulatory Commission on Sep. 29, 2007, the Company added 125,515,000 RMB common shares to domestic investors on Oct. 22, 2007, including 7,946,400 shares held by China Communications Company and some other domestic investors only to be traded in three months from the day of listing. The said shares are listed on Jan. 23, 2008.

#### 24 Capital reserve

	Dec.31, 2007	Addition report period	Deduction report period	Jun. 30, 2008
Capital stock premium	3,541,206,911		-	3,541,206,911
Other capital reserve —				
Hedging tool fair value movement (Note VII <2>)	219,043,974		(129,865,689)	89,178,285
Hedging tool fair value movement	(32,856,595)		16,804,504	(16,052,091)
Deferred corporate tax impact so related	129,118,869		-	129,118,869
Transfer from capital reserve based on former system	3,856,513,159		113,061,185	3,743,451,974

25 Surplus reserve

	Dec.31, 2007	Additional report period	Deduction report period	Jun. 30, 2008
Statutory surplus reserve	894,704,581		-	894,704,581
Discretionary surplus reserve	292,378,668		-	292,378,668
	<u>1,187,083,249</u>	<u></u>	<u>-</u>	<u>1,187,083,249</u>

26 Profit distribution

Based on board meeting resolutions on Apr. 8, 2008, the board suggests the Company to distribute 0.17 yuan cash dividends for every share to all shareholders. Based on the issued 3,207,355,000 shares, total cash dividends to be distributed will be 545,250,350 yuan.

27 Minority interest

Minority interest belonging to subsidiaries:

	Jun. 30, 2008	Dec. 31, 2007
Shanghai Zhenhua Shipping Co., Ltd.	137,677,487	145,669,212
Shanghai ZPMC Pudong Co., Ltd.	1,030,547	920,939
Shanghai ZPMC Changxing Spare Parts Manufacturing Co., Ltd.	618,826	609,434
Shanghai Zhenhua Changxing Precision Forge Co., Ltd.	1,798,132	1,782,306
Shanghai ZPMC Group Floating Crane Co., Ltd.	48,939,793	48,939,793
Jiangyin Zhenhua LaborConstruction Co., Ltd.	-	38,166
Shanghai ZPMC Steel Structure Co., Ltd.	268,705	-
	<u>190,333,490</u>	<u>197,959,850</u>

28 Operating income and operating cost

	Jan. to Jun., 2008	Jan. to Jun., 2007
Major operating income	10,293,039,250	9,100,065,012
Other operating income	341,733,423	153,235,334
	<u>10,634,772,673</u>	<u>9,253,300,346</u>

(a) Major operating income and major operating cost

(i) In products:

Jan. to Jun., 2008		Jan. to Jun., 2007	
Major operating	Major operating	Major operating	Major

	income	cost	income	operating cost
Container cranes	8,784,630,353	7,499,891,493	8,333,316,345	7,170,701,028
bulk parts	1,219,904,779	1,116,594,727	756,821,010	691,611,101
Ocean heavy equipment	240,504,118	174,185,447	-	-
Shipping transportation	48,000,000	34,388,760	9,927,657	8,339,232
	<u>10,293,039,250</u>	<u>8,825,060,427</u>	<u>9,100,065,012</u>	<u>7,870,651,361</u>

(ii) In regions:

	Jan. to Jun., 2008		Jan. to Jun., 2007	
	Major operating income	Major operating cost	Major operating income	Major operating cost
Mainland China (export) (1)	2,732,897,179	2,284,690,300	2,276,657,098	1,919,405,572
Asia (excluding Mainland China)	3,866,054,723	3,413,446,713	2,091,659,928	1,844,988,802
America	2,033,213,906	1,690,039,745	1,314,033,531	1,115,433,090
Mainland China	802,777,984	706,577,529	1,415,384,474	1,253,809,793
Europe	730,470,816	623,351,527	1,496,738,019	1,307,515,244
Africa	127,624,642	106,954,613	224,994,041	194,281,498
Oceania	-	-	280,597,921	235,217,362
	<u>10,293,039,250</u>	<u>8,825,060,427</u>	<u>9,100,065,012</u>	<u>7,870,651,361</u>

(I) In this part, amounts listed in Jan. to Jun. of 2008 and 2007 Mainland China (export) item refer to the major operating income and cost the Company exports to its subsidiary ZPMC Hong Kong Co., Ltd. and the latter sells to domestic customers.

(iii) Income from top 5 clients is 3,688,383,326 yuan, taking 36% of total sales income of the Group.

(b) Other operating income and cost

	Jan. to Jun., 2008		Jan. to Jun., 2007	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Sales of wasted steel	239,197,361	-	136,983,190	-
Sales of materials	85,667,003	76,378,615	10,069,297	9,568,178
Equipment leasing and others	16,869,059	2,200,825	6,182,847	3,189,393



	<u>341,733,423</u>	<u>78,579,440</u>	<u>153,235,334</u>	<u>12,757,571</u>
29	Financial expenses -- Net			
			Jan. to Jun., 2008	Jan. to Jun., 2007
Interests expenses -			416,360,890	254,037,479
Less: interest income			(14,182,088)	(9,190,731)
Foreign exchange loss			273,106,312	41,676,102
Less: foreign exchange income			(774,620,697)	(116,143,736)
Including: foreign exchange income from time contract due delivery			(405,784,985)	(14,519,400)
Amortization of short term financing bond discount (Note VII <14>)			4,216,667	31,950,000
Others			4,973,264	4,553,021
			<u>(90,145,652)</u>	<u>206,882,135</u>
30	Asset devaluation loss			
			Jan. to Jun., 2008	Jan. to Jun., 2007
Bad debt loss (Note VII <3>)			(2,563,905)	46,661,781
Inventories devaluation loss (Note VII <6>)			9,803,531	4,315,070
Expected contract loss (Note VII <7>)			<u>7,280,233</u>	<u>(10,391,947)</u>
			<u>14,519,859</u>	<u>40,584,904</u>
31	Fair value movement gains/(losses)			
			Jan. to Jun., 2008	Jan. to Jun., 2007
tradable financial assets -- Fair value movement gains (Note VII <2>)			234,132,584	180,823,704
tradable financial liabilities -- Fair value movement losses (Note VII <2>)			(700,791,339)	(2,205,756)
			<u>(466,658,755)</u>	<u>178,617,948</u>
32	Investment income			
			Jan. to Jun., 2008	Jan. to Jun., 2007
Dividends announced to be distributed by investee calculated on cost basis			-	2,913,949
			<u>-</u>	<u>2,913,949</u>
33	Corporate tax			
				Jan. to Jun., 2008
Current period corporate tax				184,926,595
Deferred corporate tax				<u>(140,581,706)</u>

	<u>44,344,889</u>
	Jan. to Jun., 2008
Profit in total	<u>1,065,513,855</u>
Corporate tax expenses calculated by the rate of 18%	191,792,494
Impact of new corporate tax on formerly confirmed deferred corporate tax balance	(31,489,543)
Non-taxable income	(3,255,055)
Non-deductible cost, expenses and loss	(6,537,890)
Impact of tax rate differences on corporate tax expenses	(64,446)
Impact of difference between current period's tax rate and the rate at time difference transfer on corporate tax expenses	(8,968,930)
Compensable loss of non-confirmed deferred corporate tax assets current period	9,017,548
Time difference of non-confirmed deferred corporate tax assets current period	(6,863,796)
Corporate tax exempted or deducted from purchase of domestic equipment	(99,285,493)
Corporate tax expenses	<u>44,344,889</u>

34 Non-operating income

	Jan. to Jun., 2008	Jan. to Jun., 2007
Net income from compensation for Zhangjiang base removal (a)	98,586,481	-
7500-ton barge crane core technology – governmental subsidy	30,228,000	-
Others	<u>8,662,640</u>	<u>7,816,410</u>
	<u>137,477,121</u>	<u>7,816,410</u>

(a) The Group's affiliated ZPMC Pudong Co., Ltd. entered into agreement with Shanghai Pudong New Area Zhangjiang Town Collective Assets Investment and Operation Management Co., Ltd. on the movement of ZPMC Pudong Co., Ltd.'s Zhangjiang Production Base due to Pudong New Area significant municipal projects. The movement had largely been completed by Jun. 30, 2008. Net income from compensation for the movement after deducting movement cost shall be 98,586,481 yuan.

35 Earning per share

(a) Basic Earning per share

Basic Earnings per share is calculated by dividing consolidated net profit belonging to common share holders of parent company by the weighted average number of common shares publicly issued by parent company:

	Jan. to Jun., 2008	Jan. to Jun., 2007
Consolidated net profit belonging to common		990,217,536

share holders of parent company	1,029,317,751	
weighted average number of common shares		
publicly issued by parent company	<u>3,207,355,000</u>	<u>3,081,840,000</u>
Basic Earnings per share	<u>0.32</u>	<u>0.32</u>

(b) Diluted Earnings per Share

There are not any diluted potential common shares in the Company. Therefore, diluted earnings per share equal basic earnings per share.

36 Cash flow statement notes

(a) Adjust net profit to cash flow in operating activities

	Jan. to Jun., 2008	Jan. to Jun., 2007
Net Profit	1,021,168,966	993,205,824
Add: assets devaluation provision	14,519,859	40,584,904
Fixed assets depreciation	352,793,869	256,725,712
Intangible assets amortization	16,746,532	2,934,258
Gains from disposal of fixed assets and other long term assets	(21,582)	(117,920)
Fair value movement ( gains ) / loss	466,658,755	(178,617,948)
financial expenses	(90,161,844)	277,269,003
Investment gains	-	(2,913,949)
Deferred corporate liabilities /(assets)	(157,386,211)	3,888,012
Stock (increase) / decrease	(1,960,014,280)	481,007,001
Addition of construction contract amount	2,238,352,689	316,587,701
Operating receivables increase	(6,017,890,491)	(1,364,427,807)
Operating payables increase	(1,161,535,022)	6,567,517
Net cash flow from operation activities	<u>(5,276,768,760)</u>	<u>832,692,308</u>

(b) Statement of changes in net addition of cash or cash equivalents

	Jan. to Jun., 2008	Jan. to Jun., 2007
Closing amount of cash or cash equivalents	1,671,686,137	611,218,443
Less: starting amount of cash or cash equivalents	<u>1,086,928,243</u>	<u>726,693,946</u>
Net addition of cash or cash equivalents	<u>584,757,894</u>	<u>(115,475,503)</u>

(c) Cash or cash equivalents

	Jan. to Jun., 2008	Jan. to Jun., 2007
--	--------------------	--------------------

Cash capital -		
Cash in hand	304,076	236,578
Bank deposits	1,664,764,813	589,943,312
Other cash capital	<u>142,533,540</u>	<u>95,986,536</u>
Less: other cash capital with limitation	<u>135,916,292</u>	<u>74,947,983</u>
Closing balance of cash or cash equivalents	<u>1,671,686,137</u>	<u>611,218,443</u>

## VIII. Notes to major items in the parent company's statements

1	Accounts receivable		
		Jun. 30, 2008	Dec. 31, 2007
	Accounts receivable	5,174,049,240	3,912,587,178
	Less: bad debt provision	(199,286,835)	(201,850,740)
		<u>4,974,762,405</u>	<u>3,710,736,438</u>

Accounts receivable aging and relevant bad debt provision:

	Jun. 30, 2008			Dec. 31, 2007		
	amount	proportion(%)	bad debt provision	amount	proportion(%)	bad debt provision
Aging						
Within one year	4,875,523,861	94	(8,743,924)	3,605,463,652	92	(16,763,586)
One to two years	84,048,858	2	(36,401,094)	157,124,769	4	(62,539,208)
Two to three years	152,294,661	3	(91,959,957)	88,580,948	2	(61,130,134)
Above three years	62,181,860	1	(62,181,860)	61,417,809	2	(61,417,812)
	<u>5,174,049,240</u>	<u>100</u>	<u>(199,286,835)</u>	<u>3,912,587,178</u>	<u>100</u>	<u>(201,850,740)</u>

2,553,893,155 yuan from above accounts receivables were already received in the period from Jul. 1 to Jul. 31, 2008.

On Jun. 30, 2008, of accounts receivable aging within one year, 10% bad debt provision is made for those aging between 7 to 12 months by the Group based on related accounting policy.

On Jun. 30, 2008, for the total amount of 15,980,624 yuan accounts receivable aging between 1 to 2 years, which consists of those from Chili TPS quayside container crane project, Panama MIT dock quayside container crane project and Panama MIT dock rubber tyred gantry crane project etc, the Group made full amount bad debt provision, because the Group think they are difficult to collect. In addition, the Group made 30% bad debt provision for account receivable aging between 1 to 2 years based on relevant accounting policy.

On Jun. 30, 2008, for the total amount of 31,625,252 yuan accounts receivable aging 2 to 3 years, consisting of that from Maersk New Jersey quayside container crane project and American Long Beach quayside container Crane project, the Group has made full provision of bad debt, for the Group considers them not collectible. In addition, the Group made 50% bad debt provision for account receivable aging between 2 to 3 years based on relevant accounting policy.

On Jun. 30, 2008, for the total amount of accounts receivable aging above 3 years amounts to 62,181,860 yuan. The Group made 100% bad debt provision for accounts receivable aging between above 3 years based on relevant accounting policy.

On Jun. 30, 2008, accounts receivable amount from shareholders holding above 5% voting shares (including 5%) is shown as follows:

	Jun. 30, 2008	Dec. 31, 2007
China Communications Company	<u>20,552,341</u>	<u>71,299,602</u>

Closing account receivable from top 5 debtors amounts to 1,131,507,038 yuan, or 22% of total accounts receivable amount.

## 2 Other receivables

	Jun. 30, 2008	Dec. 31, 2007
Other receivables	2,895,857,859	2,363,530,430
Less: bad debt provision	-	-
	<u>2,895,857,859</u>	<u>2,363,530,430</u>

Other receivables ages and corresponding special bad debt provision:

	<u>Jun. 30, 2008</u>			<u>Dec. 31, 2007</u>		
	amount	proportion (%)	bad debt provision	amount	Proportion (%)	bad debt provision
Aging						
Within one year	2,892,733,799	100	-	2,362,266,942	100	-
One to two years	868,880	-	-	1,025,000	-	-
Two to three years	1,999,920	-	-	37,500	-	-
Above three years	255,260	-	-	200,988	-	-
	<u>2,895,857,859</u>	<u>100</u>	<u>-</u>	<u>2,363,530,430</u>	<u>100</u>	<u>-</u>

As of Jun. 30, 2008, Other receivables do not include any from shareholders holding 5% (inclusive) voting shares of the Company.

Closing other receivables from top 5 debtors amount to 2,636,231,655 yuan, aging within 1 year, taking up 91% of the total other receivables amount.

## 3 Long term equity investment

	Jun. 30, 2008	Dec. 31, 2007
Subsidiaries	1,285,388,770	605,388,770
Other long term equity investment	46,120,489	45,820,489
	<u>1,331,509,259</u>	<u>651,209,259</u>

(a) Subsidiaries

	Initial investment	Addition of investment	Dec.31, 2007	Addition report period	Deduction report period	Jun. 30, 2008
Shanghai ZPMC Pudong Co., Ltd.	4,500,000	-	4,500,000	-	-	4,500,000
Shanghai ZPMC Changxing Spare Parts Manufacturing Co., Ltd.	4,950,000	-	4,950,000	-	-	4,950,000
Shanghai Zhenhua Changxing Precision Forge Co., Ltd.	3,500,000	-	3,500,000	-	-	3,500,000
ZPMC (Hong Kong)Co. Ltd.	-	-	-	-	-	-
ZPMC (M) SDN. BHD.	4	-	4	-	-	4
Shanghai Zhenhua Shipping Co., Ltd.	140,260,673	-	140,260,673	-	-	140,260,673
Shanghai ZPMC Group Floating Crane Co., Ltd.	51,000,000	-	51,000,000	-	-	51,000,000
Nantong Zhenhua Heavy Equipment Manufacturing Co., Ltd.	100,000,000	300,000,000	400,000,000	680,000,000	-	1,080,000,000
Nantong ZPMC Steel Structure Processing Co., Ltd.	598,110	-	598,110	-	-	598,110
Jingyin ZPMC Steel Structure Manufacturing Co., Ltd.	579,983	-	579,983	-	-	579,983
		<u>-</u>	<u>605,388,770</u>	<u>680,000,000</u>	<u>-</u>	<u>1,285,388,770</u>

(b) Other long term equity investment

Name of investee	Dec.31, 2007	Addition report period	Deduction report period	Jun. 30, 2008
CHEC Dredging Co. Ltd.	25,520,489		-	25,520,489
Shanghai Zhenhua Port Machinery (Group) Fengcheng Brake Co. Ltd.	19,000,000		-	19,000,000
Shanghai Zhenhua Port Machinery (Group) Ningbo Transmission Machinery Co. Ltd.	300,000		-	300,000
Shanghai Zhenhua Port Machinery (Group) Shenyang Lift Co. Ltd.	500,000		-	500,000
Shanghai Zhenhua Port Machinery (Group) Longchang Lift Equipment Co. Ltd.	500,000	300,000	-	800,000
	<u>45,820,489</u>	<u>300,000</u>	<u>-</u>	<u>46,120,489</u>



4 Operating income and cost

	Jan. to Jun., 2008	Jan. to Jun., 2007
Major operating income	9,885,765,645	9,090,012,338
Other operating income	338,932,532	17,653,696
	<u>10,224,698,177</u>	<u>9,107,666,034</u>

(a) Major operating income and major operating cost

	Jan. to Jun., 2008		Jan. to Jun., 2007	
	Major operating income	major operating cost	Major operating income	major operating cost
Container cranes	8,556,214,084	7,444,283,554	8,333,191,328	7,100,634,701
bulk parts	1,219,904,779	1,116,594,727	756,821,010	698,527,212
Ocean heavy equipment	109,646,782	79,411,837	-	-
	<u>9,885,765,645</u>	<u>8,640,290,118</u>	<u>9,090,012,338</u>	<u>7,799,161,913</u>

Income from top 5 clients is 3,688,383,326 yuan, taking 37% of total sales income of the Group.

(b) Other operating income and other business cost

	Jan. to Jun., 2008		Jan. to Jun., 2007	
	Other operating income	Other business cost	Other operating income	Other business cost
Sales of wasted steel	239,197,361	-	-	-
Sales of materials	85,667,004	75,510,074	10,069,297	9,568,178
Equipment leasing and others	14,068,167	765,362	7,584,399	3,223,267
	<u>338,932,532</u>	<u>76,275,436</u>	<u>17,653,696</u>	<u>12,791,445</u>

5 Investment income

	Jan. to Jun., 2008	Jan. to Jun., 2007
Dividends announced to be distributed by investee calculated on cost basis	-	2,913,949
	<u>-</u>	<u>2,913,949</u>

**IX. Related parties and related transaction**

(1) Parent company and subsidiaries

For details of subsidiaries, please see Note VI.

(a) Profile of parent company

		Registered address	Type of business
China Company	Communications	No. 88, C Andingmen Wai Street, Dongcheng District, Beijing	Harbor project contracting and related businesses

China Communications Construction Group Co., Ltd. is the ultimate controller of the Company.

(b) Parent company's registered capital and the movement

		Dec.31, 2007	Addition report period	Deduction report period	Jun. 30, 2008
China Company	Communications	14,825,000,000	-	-	14,825,000,000

(c) Parent company's holding proportion and voting proportion in the Company:

		Jun. 30, 2008 proportion	Jun. 30, 2008 voting proportion	Dec. 31, 2007 proportion	Dec. 31, 2007 voting proportion
China Company	Communications	24.94%	24.94%	24.94%	24.94%

Till Jun. 30, 2008, China Communications Company and its controlled Zhen Hua Engineering Co., Ltd. and Zhen Hwa Harbor Construction Co., Ltd. together hold 43.26% of the Company's stake (Dec. 31, 2007: 43.26%).

(2) Nature of related parties without controlling relations

	Relation with the Group
Zhen Hua Engineering Co., Ltd.	Controlled by the same parent company with the Company and holding 17.98% stake of the Company
Zhen Hwa Harbour Construction Co., Ltd.	Controlled by the same parent company with the Company and holding 0.34% stake of the Company
China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd.	Controlled by the same parent company
China Communications No. 2 Navigation Engineering Bureau Co., Ltd.	Controlled by the same parent company
China Communications Company Shanghai Port Machinery Manufacturing Plant Co.,	Controlled by the same parent company

Ltd.	
Shanghai Port Machinery Heavy Industry Co., Ltd.	Controlled by the same parent company
China Communications Shanghai Harbor Engineering Design Research Institute	Controlled by the same parent company

(3) Related transactions

Significant transactions with related parties:

(a) Pricing policy

Price of commodities the Group sold to related parties is based on market price.

(b) Selling products

	Jan. to Jun., 2008	Jan. to Jun., 2007
China Communications Company	2,978,240	218,396,898

(c) Selling materials

	Jan. to Jun., 2008	Jan. to Jun., 2007
Shanghai Port Machinery Heavy Industry Co., Ltd.	77,105,503	-

(d) Releasing income

	Jan. to Jun., 2008	Jan. to Jun., 2007
China Communications No. 2 Navigation Engineering Bureau Co., Ltd.	2,600,000	-
China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd.	1,668,520	-

(e) The following related party built docks and workshops for the Group:

	Jan. to Jun., 2008	Jan. to Jun., 2007
China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd.	115,073,400	-

(f) The following related party provides goods processing labour for the Group:

	Jan. to Jun., 2008	Jan. to Jun., 2007
China Communications Shanghai Port Machinery Manufacturing	-	-

Factory Co., Ltd.	20,307,692	
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(g) The following related party provides design labour for the Group:

	Jan. to Jun., 2008	Jan. to Jun., 2007
China Communications Shanghai Harbor Engineering Design Research Institute	12,160,000	-

(h) The Group paid dividends to the following related parties

	Jan. to Jun., 2008	Jan. to Jun., 2007
China Communications Company	111,843,900	-
Zenhua Engineering Co., Ltd.	86,501,250	-
Zhen HwaHarbor Construction Co., Ltd.	1,648,350	-
	<u>199,993,500</u>	<u>-</u>

(4) Balance of receivables and payables of related parties

Except for the accounts receivable from related parties and dividends payable to related parties listed in Note VII (3) and (19), other receivables and payables with related parties are as follows:

(a) Accounts receivable

	Jun. 30, 2008	Dec. 31, 2007
China Communications No. 2 Navigation Engineering Bureau Co., Ltd.	1,600,000	-

(b) Accounts payable

	Jun. 30, 2008	Dec. 31, 2007
China Communications Shanghai Harbor Engineering Design Research Institute	508,000	
China Communications No. 3 Navigation Bureau Xing'anji Construction Engineering Co., Ltd.	3,464,250	6,146,878

## X Promises

(1) Capital promises

List in the following is the capital expenses promises not yet confirmed in the financial statements but the contracts have been signed on the balance sheet date.

	Jun. 30, 2008	Dec. 31, 2007
House, building and equipment	<u>483,229,528</u>	<u>268,152,542</u>

(2) Operating leasing promises

According to non-revocable operating leasing contracts signed, the minimum rent to be paid is listed as follows:

	Jun. 30, 2008	Dec. 31, 2007
within 1 year	14,729,226	14,729,226
within 1 to 2 years	14,729,226	14,729,226
within 2 to 3 years	14,729,226	14,729,226
above 3 years	<u>143,007,761</u>	<u>150,372,374</u>
	<u>187,195,439</u>	<u>194,560,052</u>

(3) L/C promises

The company entrusted bank to issue several L/C's to purchase imported components or parts. By Jun. 30, 2008, payables under the L/C's amount to 2,136,889,901 yuan (Dec., 31, 2007: 1,988,246,982 yuan)

**XI Net profit after deducting non-recurring gains/losses**

	Jan. to Jun., 2008	Jan. to Jun., 2007
Net profit	1,029,317,751	990,217,536
Add: Gains from disposal of non-current assets	21,582	(67,290)
Less: Net income of other non-operating income	(118,423,205)	(219,516)
Impact of corporate tax for non-recurring gains/losses	<u>21,312,292</u>	<u>28,681</u>
Net profit after deducting non-recurring gains/losses	<u>932,228,420</u>	<u>989,959,411</u>

**XI Supplementary material**

(1) Net asset earning ratio and earnings per share calculated on weighted average and fully diluted

Unit: RMB yuan

Item	Profit Report Period	Net Asset Earning Ratio (%)		Earning per share (yuan/share)	
		Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit belonging to shareholders of parent company	1,029,317,751	8.96	8.85	0.32	0.32
Net profit after deducting non-recurring gains/loss	932,228,420	8.11	8.01	0.29	0.29

(2) Jun. 30, 2008 assets devaluation provision statements

Unit: RMB yuan

Item	Dec. 31, 2007		Addition Report Period		Deduction Report Period						Jun. 30, 2008	
	Consolidated	Parent Company	Consolidated	Parent Company	reverse due to asset appreciation		transfer out due to other reasons		total		Consolidated	Parent Company
					Consolidated	Parent Company	Consolidated	Parent Company	Consolidated	Parent Company		
I. total bad debt provision	201,850,740	201,850,740	-	-	2,563,905	2,563,905	-	-	2,563,905	2,563,905	199,286,835	199,286,835
Including: accounts receivables	201,850,740	201,850,740	-	-	2,563,905	2,563,905	-	-	2,563,905	2,563,905	199,286,835	199,286,835
Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
II. short term investment devaluation provision total	-	-	-	-	-	-	-	-	-	-	-	-
Including: share investment	-	-	-	-	-	-	-	-	-	-	-	-
Bond investment	-	-	-	-	-	-	-	-	-	-	-	-
III. total stock devaluation provision	29,201,176	29,201,176	9,803,531	9,803,531	-	-	-	-	-	-	39,004,707	39,004,707
Including: stocked goods	-	-	-	-	-	-	-	-	-	-	-	-
Raw materials	29,201,176	29,201,176	9,803,531	9,803,531	-	-	-	-	-	-	39,004,707	39,004,707
IV. Expected contract loss	40,234,470	40,234,470	7,280,233	7,280,233	-	-	-	-	-	-	47,514,703	47,514,703
V. total long term investment devaluation provision	-	-	-	-	-	-	-	-	-	-	-	-
Including: long term share investment	-	-	-	-	-	-	-	-	-	-	-	-
Long term liability investment	-	-	-	-	-	-	-	-	-	-	-	-
VI. Fixed assets devaluation total	-	-	-	-	-	-	-	-	-	-	-	-
Including: housing, building	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-	-	-	-	-	-
VII. intangible assets devaluation provision	-	-	-	-	-	-	-	-	-	-	-	-
Including: patents	-	-	-	-	-	-	-	-	-	-	-	-
Trade mark rights	-	-	-	-	-	-	-	-	-	-	-	-

VIII. Construction in progress devaluation provision	-	-	-	-	-	-	-	-	-	-	-	-
IX. Entrusted loan devaluation provision	-	-	-	-	-	-	-	-	-	-	-	-
X. Total	271,286,386	271,286,386	17,083,764	17,083,764	2,563,905	2,563,905	-	-	2,563,905	2,563,905	285,806,245	285,806,245