



中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685

Annual Report 2015



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The Board, the Supervisory Committee, Directors, Supervisors and senior management of CSSC Offshore & Marine Engineering (Group) Company Limited (the “Company” or “COMEC”) confirm that information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.

All Director of the Company attended the 28th meeting of the eighth session of the Board held on 24 March 2016, of which Mr. Yang Li, non-executive Director, appointed Mr. Wang Jun, non-executive Director, to attend and vote at the meeting on his behalf, and Mr. Wang Guozhong, non-executive Director, appointed Mr. Han Guangde, executive Director, to attend and vote at the meeting on his behalf. The annual report for 2015 was unanimously approved at the meeting.

Han Guangde, the person in charge of the Company, Chen Qiongxian, the Accounting Director and Hou Zengquan, the Accounting Manager (accountant in charge), have declared that they guarantee the trueness, accuracy and completeness of the financial statements contained in this annual report.

Shinewing Certified Public Accountants (special general partnership) have reviewed this annual report and issued standard opinions without qualifying opinions.

The Audit Committee of the Company has reviewed and confirmed the financial report of the Company for 2015.

Profit distribution proposal or proposal for capitalisation of capital reserves for the reporting period considered by the Board: Based on the total share capital of the Company of 1,413,506,378 shares, cash bonus of RMB0.3 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB42,405,191.34 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for the year. This profit distribution proposal is subject to the approval at the 2015 annual general meeting.

This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute an undertaking by the Company to its investors. Investors should be aware of the investment risks.

No controlling shareholder or related party of the Company has misappropriated funds of the Company and no guarantee has been provided by the Company in violation of the required decision-making procedures.

This annual report is prepared in both Chinese and English. In case of discrepancy, the Chinese version shall prevail.

## I. DEFINITIONS

Unless otherwise stated, the terms set out in this Report shall have the following meanings:

### Definitions of Frequently Used Terms

DWT (deadweight tonnage)	deadweight capacity with ton as unit
CSSC	China State Shipbuilding Corporation
Company	CSSC Offshore & Marine Engineering (Group) Company Limited
Group	CSSC Offshore & Marine Engineering (Group) Company Limited and its subsidiaries
CSSC HK	CSSC (Hong Kong) Shipping Company Limited, an overseas subsidiary wholly-owned by CSSC
CSSC Finance	CSSC Finance Company Limited, a non-banking financial institution wholly-owned by China State Shipbuilding Corporation
Huangpu Wenchong	CSSC Huangpu Wenchong Shipbuilding Company Limited, a wholly-owned subsidiary of the Company
GSI	Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company
GSI Yangzhou	GSI Yangzhou Co., Ltd., a wholly-owned subsidiary of the Company
Wenchong Shipyard	Guangzhou Wenchong Shipyard Co., Ltd, a wholly-owned subsidiary of Huangpu Wenchong
Shanghai Lingxiang	Shanghai Lingxiang Equity Investment Co., Ltd., a company indirectly held as to 50% by China State Shipbuilding Corporation
Guangzhou Shipyard Industrial	Guangzhou Shipyard Industrial Co., Ltd., a wholly-owned subsidiary of Shanghai Lingxiang
Guangzhou Shipyard Shipping	Guangzhou Shipyard Shipping Co., Ltd., a wholly-owned subsidiary of Shanghai Lingxiang
Jiangsu Shenghua	Jiangsu Shenghua Shipbuilding Company Limited
ShineWing	Shinewing Certified Public Accountants (special general partnership)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Yangzhou Kejin	Yangzhou Kejin Shipyard Co., Ltd.
CSSC Chengxi	CSSC Chengxi Shipbuilding Co., Ltd., a subsidiary of China State Shipbuilding Corporation

## II. IMPORTANT RISK WARNINGS

The relevant risks which might exist have been described in this report in details, please refer to Section IV Report of Directors for the risks that the Company might face.

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### I. COMPANY INFORMATION

Chinese name of the Company	中船海洋與防務裝備股份有限公司
Chinese abbreviation of the Company	中船防務
English name of the Company	CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED
English abbreviation of the Company	COMEC
Legal Representative of the Company	Han Guangde

### II. CONTACT PERSON AND METHODS

	Secretary to the Board	Joint Company Secretary	Authorized Securities Representative
Name	Shi Weidong	Li Zhidong	Yu Wenbo
Contact address	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Tel	020-81636688	020-81636688	020-81636688
Fax	020-81896411	020-81896411	020-81896411
E-mail	shiw@d@comec.cssc.net.cn	lizd@comec.cssc.net.cn	yuwb@comec.cssc.net.cn

### III. GENERAL INFORMATION

Registered and office address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Zip code	510382
Correspondence address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China
Telephone:	(8620) 81636688
Website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

### IV. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media designated for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing the annual report	www.sse.com.cn
Place for the inspection of the annual report of the Company	Office of the Board
The website of The Stock Exchange of Hong Kong Limited	www.hkexnews.hk

### V. INFORMATION OF THE COMPANY'S SHARES

#### Information on the Company's shares

Types of shares	Place of listing of the Shares	Stock abbreviation	Stock code	Stock abbreviation before changes
A Shares	Shanghai Stock Exchange	COMEC	600685	GUANGZHOU SHIP
H Shares	The Stock Exchange of Hong Kong Limited	COMEC	00317	GSI

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name Office address Names of signing accountant	ShineWing Certified Public Accountants (Special General Partnership) 8/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC Liang Xiaoyan, Zhao Xueping
Accounting firm engaged by the Company (overseas)	Name Office address Names of signing accountant	ShineWing Certified Public Accountants (Special General Partnership) 8/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC Liang Xiaoyan, Zhao Xueping
Financial advisor performing continuous monitoring and guidance duties during the reporting period	Name Office address Signing officers of financial advisors Period of continuous monitoring and guidance	CITIC Securities Company Limited A/F, Merchants Bank Tower, No. 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province Zhu Yexin, He Yang 3 March 2015 to 11 April 2016
Legal adviser appointed by the Company (domestic):	Name Office address	SG&CO PRC Lawyers 15/F, 21st Century Building, 210 Century Avenue, Lujiazui, Shanghai
Legal adviser appointed by the Company (overseas):	Name Office address	Herbert Smith Freehills 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share registrar and transfer office:	A shares: Office address: H shares: Office address:	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai Hong Kong Registrars Limited 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

#### (i) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2015	2014		Change (%)		2013	
		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Operating income	25,519,239,791.42	21,046,990,626.80	9,530,740,881.74	21.25	167.76	15,782,505,007.73	5,838,268,514.19
Net profit attributable to shareholders of the Company	98,320,709.38	423,698,774.72	151,496,768.77	-76.79	-35.10	49,818,627.94	-218,566,980.38
Net profit attributable to shareholders of the Company after exceptional items	-1,619,637,867.68	-605,663,205.66	-604,811,205.72	Not applicable	Not applicable	-164,165,500.70	-163,391,324.54
Net cash flow from operating activities	-1,058,252,073.77	106,457,757.60	855,224,351.73	Not applicable	Not applicable	-2,289,064,598.21	-21,974,600.43
	End of 2015	End of 2014		Change (%)		End of 2013	
		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment
Net assets attributable to shareholders of the Company	10,318,048,242.46	8,662,233,821.71	5,629,276,024.16	19.12	83.29	8,040,804,624.94	3,909,563,777.47
Total assets	48,995,954,305.21	43,741,099,087.43	23,670,093,365.62	12.01	107.00	42,534,486,289.75	21,558,861,223.94
Total equity at the end of the period	1,413,506,378.00	1,030,534,651.00	1,030,534,651.00	37.16	37.16	643,080,854.00	643,080,854.00

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### (ii) Key financial indicators

Unit: Yuan Currency: RMB

Key financial indicators	2015	2014		Change (%)		2013		2012	2011
		After adjustment	Before adjustment	After adjustment	Before adjustment	After adjustment	Before adjustment		
Basic earnings per share (RMB/share)	0.0709	0.3253	0.1470	-78.20	-51.77	0.0382	-0.2121	0.0161	0.81
Diluted earnings per share (RMB/share)	0.0709	0.3253	0.1470	-78.20	-51.77	0.0382	-0.2121	0.0161	0.81
Basic earnings per share, net of exceptional items (RMB/share)	-1.2291	-0.6487	-0.6261	Not applicable	Not applicable	-0.2553	-0.2541	-0.0600	0.59
Weighted average returns on net assets (%)	0.99	4.46	2.75	Decrease of 3.47 percentage points	Decrease of 1.76 percentage points	0.65	-5.19	0.25	13.31
Return on net assets on weighted average basis, net of exceptional items (%)	-17.86	-11.30	-11.09	Decrease of 6.56 percentage points	Decrease of 6.77 percentage points	-4.01	-4.06	-0.94	9.70

Explanation on the major accounting data and financial indicators of the company at the end of the reporting period

Note:

- In 2014, the Company's total share capital amounted to 1,030,534,651 shares and its basic earnings per share were RMB0.1470/share. In 2015, the Company's total share capital amounted to 1,413,506,378 shares and its basic earnings per share were RMB0.0709/share. The Company completed the acquisition of Huangpu Wenchong during the reporting period and included it into the scope of consolidation. The consolidated financial statements were prepared under common control, and the comparative financial statements were adjusted retrospectively. Including: Net profit attributable to shareholders of the Company decreased by 35.1% year-on-year before retrospective adjustments and decreased by 76.79% year-on-year after retrospective adjustments.
- For business combination under common control during the Reporting Period, in calculating weighted average returns on net assets, net assets of the acquirer were weighted starting from the beginning of the reporting period; in calculating weighted average returns on net assets after deduction of exceptional items, net assets of acquirer were weighted starting from the next month of the date of combination. In calculating weighted average returns on net assets during the comparative period (i.e. comparing with the corresponding period of last year), net profit and net assets of acquirer were weighted starting from the beginning of the comparative period; in calculating weighted average returns on net assets after deduction of exceptional items during comparative period, net assets of the acquirer shall not be weighted (weighting is zero).

### VIII. MAJOR FINANCIAL DATA OF 2015 BY QUARTER

Unit: Yuan Currency: RMB

Financial data	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operating income	3,934,320,497.59	6,875,398,739.88	6,332,484,267.86	8,377,036,286.09
Net profit attributable to shareholders of the Company	-203,676,106.34	-321,317,447.77	-422,092,738.85	1,045,407,002.34
Net profit attributable to shareholders of the Company, net of exceptional items	-152,094,829.40	-437,237,984.40	-390,944,676.64	-639,360,377.24
Net cash flow from operating activities	-3,285,049,395.09	-213,608,341.90	-1,282,179,849.12	3,722,585,512.34

## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### IX. EXCEPTIONAL ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Exceptional items	Amount of 2015	Note (where applicable)	Amount of 2014	Amount of 2013
Profits or losses from disposal of non-current assets	-3,211,071.04	-	-216,843.97	-237,470.71
Documents approved by whom exceeded the authority or non-officially approved, or return and reduce of tax occasionally		-	-	-
Government subsidy included in profit and loss for the period, except for those closely relevant to normal business of the company, conformed to requirements of State policy, granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standard	192,692,782.78	-	59,236,732.79	36,826,679.13
Capital occupation fee received from non-financial entities included in profit or loss for the current period		-	-	-
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures		-	-	-
Profit or loss from exchange of non-monetary assets		-	-	-
Profit or loss from entrusted investments or asset management	34,828,675.78	-	-	-
Provision for impairment on assets due to force majeure events, such as natural disasters		-	-	-
Profit and loss from debt restructuring		-	-	-
Corporate restructuring costs, such as employee relocation expenses and integration costs		-	-	-
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		-	-	-
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date	-36,332,145.48	-	310,099,331.01	-154,125,768.25
Profit or loss from other contingencies which are not related to the Company's normal operations		-	-	-
Gains or Losses from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operation	-196,831,173.89	-	-55,660,753.13	235,678,568.04
Reversal of provision for impairment for receivables that had been subject to individual impairment assessment		-	349,110.49	223,137.14
Profit or loss from entrusted loans		-	-	-
Profit or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		-	-	-
Effect of one-time adjustment to profit or loss for the current period according to the requirements of tax and accounting laws and regulations on profit or loss for the current period		-	-	-
Entrusted fee income from entrusted operations		-	-	-
Other non-operating profits and losses apart from above items	4,617,023.08	-	561,242,962.82	10,085,619.34
Other profit and loss items falling within the definition of exceptional items	2,054,974,131.69	Note	331,997,753.15	-
Effect of non-controlling interests	-805,077.83	-	-706,896.35	195,979,613.55
Effect of income tax	-331,974,568.03	-	-176,979,416.43	-110,446,249.60
Total	1,717,958,577.06	-	1,029,361,980.38	213,984,128.64

Note: Other profit and loss items falling within the definition of exceptional items represent the gain on disposal of subsidiaries.



## SECTION II COMPANY OVERVIEW AND MAJOR FINANCIAL INDICATORS

### X. ITEMS MEASURED AT FAIR VALUE

*Unit: Yuan Currency: RMB*

Name of project	Beginning balance	Ending balance	Change	Amount of impact on current profit
Financial assets at fair value through profit or loss	17,905,895.15	13,063,411.11	-4,842,484.04	41,892,361.15
Available-for-sale financial assets	3,714,513.60	3,517,862.88	-196,650.72	1,056,117.37
Financial liabilities at fair value through profit or loss	56,475,710.29	181,241,917.70	-124,766,207.41	-233,600,239.56
Total	-34,855,301.54	-164,660,643.71	-129,805,342.17	-190,651,761.04

Note: Amount of impact on current profit include gain on change in fair value and investment income.

### I. PRINCIPAL ACTIVITIES, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD

#### (i) Principal activities of the Company

During the reporting period, the Company successfully completed the material asset reorganisation by incorporating the core military assets of Huangpu Wenchong. As a result, the Company's position as the world's leading manufacturer of handy-size tankers and the largest manufacturer of military auxiliary ships has been further enhanced and its ability to build military ships and maritime engineering equipment has been further improved, achieving overall optimization and comprehensive development in its military ships, civil ships and offshore engineering business. Currently the Company owns three wholly-owned subsidiaries namely GSI, Huangpu Wenchong and GSI Yangzhou which are principally engaged in asset management; investment management, design, develop, manufacture, repair, modify, lease and sale of ship and ship accessories, marine engineering and equipment, transportation equipment, environmental protection equipment, electrical and electronic equipment, and metal structures and components, and import and export business.

#### (ii) Business model

During the reporting period, the Company completed the material assets reorganisation and its business model has been changed. The Company's transfer its relevant physical business, assets and equity interest in relevant subsidiaries to GSI, a wholly-owned subsidiary of the Company, is in the progress.

As a controlling platform company, the Company currently focuses on asset operation and investment management and does not participate in the specific production, operation and management of its subsidiaries, which are still principally engaged in manufacturing and providing customers with high-quality products through research and development of ships, seeking orders and implementing customised order production.

#### (iii) Analysis of change in factors driving business revenue

During the reporting period, the Company realised operating income of RMB25,519 million, representing a year-on-year increase of 21.25%, mainly due to the injection of high-quality core military assets of Huangpu Wenchong and enhanced production efficiency throughout streamlining the production process of its subsidiaries. The Company obtained new shipbuilding orders with a contract value of RMB23,080 million and delivered 75 ships, with the number of special ships and civil ships delivered setting new annual records, mainly due to the injection of high-quality core military assets of Huangpu Wenchong and the enhanced ability to obtain new shipbuilding orders as a result of strengthened technical research and development by its subsidiaries to develop the ship market.

#### (iv) Industry overview

According to China Ship Industry Economy and Market Research Center, in 2015, new shipbuilding contracts for 1,357 ships with 95,821,000 DWT were concluded, representing year-on-year decreases of 37.2% and 21.2%, respectively. The global shipping market continued its weak momentum and BDI indicator reached its new low. In terms of orders for ship types, the performance of three major ship types varied. The bulk carrier market was gloomy while the oil tanker and containership markets were active.

In terms of competition among shipbuilders, comprehensive competition among China, Korea and Japan was fierce. The significant depreciation of Japanese yen and sharp decline in prices of crude oil since 2014 have had profound impacts on the landscape of the ship offshore engineering market. In view of the weak offshore engineering market, since 2015 major shipbuilders in Korea put more efforts in securing orders for traditional ships to maintain the number of shipbuilding orders, while the number of orders secured by Japanese shipbuilders significantly increased as a result of depreciation of Japanese yen and the introduction of green environment-friendly ships. Facing the pressure from both Japanese and Korean enterprises, the PRC shipbuilders recorded weak performance. In 2015, China, Korea and Japan secured new shipbuilding orders of 29,157,000 DWT, 32,463,000 DWT and 28,865,000 DWT, respectively, accounting for 30.4%, 33.9% and 30.1% of global total, respectively, while China's market share was lower than 45% for previous years.

Upon completion of the material assets reorganisation, the Group is the largest and strongest production base of dredging engineering ships and feeder containerships in the PRC in terms of civil products. As for full range of oil tanker products, the Group occupies the leading position in the PRC and is at the first-class level in the world. Its ships with high technology and high added value such as ro-ro passenger ships, semi-submerged ships enjoy great reputation in the market. In terms of military products, the Group is the most important production and support facility of military ships and special supporting ships of the PRC navy in southern China.

### II. NOTE ON MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

In line with its future development positioning and the operation model of an investment holding company and in order to more effectively conduct various production and operation of the subsidiaries of the Company: (1) the assets and liabilities relating to the production and operation of the Company, based on their carrying value as at 31 December 2015, were transferred to GSI, a wholly-owned subsidiary of the Company. (2) 12 subsidiaries and 3 investees of the Company were transferred to GSI, a wholly-owned subsidiary of the Company. The transfer of assets and adjustment to shareholding in its subsidiaries involves no legal risks and will not result in loss of assets or affect normal production and operation of the Company. Currently the relevant transfer is in the progress. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 5 November 2015 and 29 December 2015.

### III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

- (i) **Product advantage.** The injection of the core military assets of Huangpu Wenchong has further enhanced the Company's position as the world's leading manufacturer of handy-size tankers and the largest manufacture of military auxiliary ships and its ability to build military ships and maritime engineering equipment, achieving overall optimization and comprehensive development in its military ships, civil ships and offshore engineering business. As for key products, the Group continued its research and development and innovations by improving its original ship type, design and process and improving the performance of its products in view of market changes and customers' needs in order to better meet the needs of its customers. In addition, it extended product offering based on its products with competitive strengths to create product series in order to actively guide the market and deeply explore and meet customers' needs.
- (ii) **Technical advantage.** Both GSI and Huangpu Wenchong are hi-tech enterprises in the PRC and own national enterprise technical centres. As at the end of 2015, the Group had obtained 529 patents and owned over 2,000 designers. With continuously enhanced investment in research and development and commitments to self-development, the Company developed multiple types of new green, energy-saving and environment-friendly ships such as like oil tanker, chemical cargo ship, ro-ro ship, ro-ro passenger ship, semi-submerged ship, pipe laying and lifting ship and large rescue ship. With multiple technical indicators leading in the industry, the Company's ship research and development, design and building technology has reached the world's advanced level, providing technical support for the Company's operation and development.
- (iii) **Brand advantage.** The Group enjoys great reputation in the global ship industry. GSI is known for manufacturing high value-added ships such as handy-size tankers and semi-submerged ships, and has developed polar module carriers based on its semi-submerged ships, which can sail through icy area by breaking ice. Huangpu Wenchong occupies leading position in terms of multi-purpose deepwater survey ships, platform supply ships and dredging ships.
- (iv) **Market advantage.** Caring, customised and forward-looking customer services have enabled the Group's principal business and products to capture large market share in domestic and overseas industries. In particular, it occupies the leading position in the world in terms of tankers, semi-submerged ships, ro-ro passenger ships and dredging engineering ships and the leading position in the PRC in terms of military ships, public service ships, over 1,000 ton maritime police ship series and a new generation of large ocean rescue ships. Its R550-D drilling platform is currently one of the most effective platforms built in the PRC and its newly built asphalt ships and transport ships in the past five years occupy the leading position in the PRC market.

The aforesaid competitive advantages will support the sustainable development of the Company. In addition, the Company focused on new development and exploration of new growth drivers, continued to strengthen its core competitiveness including research and development ability, building technology, high-end talents and integration capability, to improve efficiency and quality and to lower cost, in order to enhance the profitability of the Company and maximize returns to its shareholders.

### I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the organizational structure of the Company changed following the completion of the material asset reorganisation. The Company became a holding platform company according to its positioning for future development. Currently, the Company has three wholly-owned subsidiaries, namely GSI, Huangpu Wenchong and GSI Yangzhou.

In 2015, amid the overall downturn in global ship market, the fierce competition at home and abroad, the decrease in new shipbuilding orders secured in China and the losses across the industry for all domestic shipbuilding companies, the Group dared to face challenges and seek breakthroughs by positively adapting to and grasping the trend for the new normal for economic development of China. It centered around the needs of development strategy for comprehensive transformation and adhered to its strategic directions of “insisting on maintaining stable core operations, performance-oriented development, enhanced management and putting quality first” by making great efforts to adjust its structure, change its development model and maintain stable operating income, which has helped maintaining the normal and sustainable development of the Group:

- (i) In 2015, the operating income of the Group amounted to RMB25,519 million, representing an increase of 21.25% compared with last year; total profit amounted to RMB470 million, representing an increase of 25.55% compared with last year; net profit attributable to the shareholders of the listed company amounted to RMB98 million, representing a decrease of 76.79% compared with last year (with retrospective adjustments made to the figures for last year).
- (ii) Improved presence with asset organization. During the reporting period, in line with national policies, the Company continued to strengthen its strategic planning for future development. Upon completion of acquisition of 100% equity interest in formerly CSSC Guangzhou Longxue Shipbuilding Co., Ltd. and making a breakthrough in production capacity bottleneck, the Company successfully completed the material asset reorganisation in 2015 by incorporating the high-quality core military assets of Huangpu Wenchong. As a result, the Group's position as the world's leading manufacturer of handy-size tankers and military auxiliary ships has been further enhanced and its ability to build military ships and maritime engineering equipment has been further improved, achieving overall optimisation and comprehensive development of its military ships, military auxiliary ships, civil ships and offshore engineering business, as well as the strong growth of its military business. Its profitability of core shipbuilding business and thus its overall strengths, competitiveness and risk resistance capacity has been increased.
- (iii) Remarkable results achieved in operation and securing orders. In the face of the complex and sluggish shipbuilding market, the Group actively utilised its own brand and technology advantages by closely following national policies and striving to capture global market information, and was able to achieve remarkable results in operation and securing orders. In 2015, the Group secured shipbuilding orders amounting to over RMB23.0 billion, among which the orders for military products achieved a major breakthrough and entered into a new level. This has consolidated the position of the Company in the military ship market and provided strong support for the production of the Company in the future. In respect of civil ship operation, despite the serious situation such as the downturn in ship market and the intense market competition, the Company was still able to record strong performance in product transformation and securing orders for high-end products by securing orders for 50 ships with a total contract value of approximately RMB10.9 billion. In addition, by combining moving steadily with venturing to explore, the Company took the initiative to deepen the integration of its internal resources and strengthen its industry presence, and further advanced its strategic thinking of “larger ship owner, good ship owner”.
- (iv) Steady improvement in production efficiency. In recent years, the Company made continuous consolidations. Given the management of multiple factories, significant personnel adjustment together with the relocation of Liwan Factory, the production and management of the Company faced constant pressure. Whether the Company will be able to rationalize its management process and maintain its control over production process is directly related to the overall development of the Company. Through management measures adopted such as continuously strengthening production safety, quality management and workforce reform, actively promoting planning and development, improving corporate management and coordinating the management of production resources, during the reporting period, the Company achieved its goal of steady improvement in production efficiency and gradual increase in production.
- (v) Successful completion of equity transfer. According to the requirements of Guangzhou's urban planning of “discouraging secondary industries and developing tertiary industries” and in line with the Company's future development strategies, the Company has launched production capacity transfer and disposal of the relevant assets. During the reporting period, the Company listed its 100% equity interest in Guangzhou Shipyard Shipping for sale at a price of no less than RMB1,319 million, together with asset income compensation of RMB1,076 million and asset relocation compensation of RMB1,134 million. Shanghai Lingxiang Equity Investment Co., Ltd. successfully acquired these equity interest and made payment in accordance with agreed terms as scheduled. As such, following its disposal of 100% equity interest in Guangzhou Shipyard Industrial Co., Ltd. in 2014, the Company successfully disposed of the land and properties of its Liwan Factory.

In general, through deepening the allocation of internal resources and continuous enhancement in production management, its production efficiency continued to improve. Currently the Company has basically finished its strategic planning and industrial adjustment in southern China. The core competitiveness and industry position of the Company has been significantly improved. Amid the special times of continuous downturn and consolidation of the ship market, the Company will continue to strive to make breakthroughs. In line with the policies of “Industrial made 2025” and adhering to its goal of high-end manufacturing, the Company will continue to pursue its sustainable development.

## II. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

During the reporting period, the Company successfully completed the material asset reorganisation by incorporating the core military assets of Huangpu Wenchong. As a result, the Company's position as the world's leading manufacturer of handy-size tankers and the largest manufacturer of military auxiliary ships has been further enhanced and its ability to build military ships and maritime engineering equipment has been further improved, achieving overall optimization and comprehensive development in its military ships, civil ships and offshore engineering business. Currently the Company owns three wholly-owned subsidiaries namely GSI, Huangpu Wenchong and GSI Yangzhou which are principally engaged in asset management; investment management, design, develop, manufacture, repair, modify, lease and sale of ship and ship accessories, marine engineering and equipment, transportation equipment, environmental protection equipment, electrical and electronic equipment, and metal structures and components, and import and export business.

During the reporting period, the Company completed the material asset reorganisation. Following retrospective adjustments to the figures for last year in the consolidated financial statements, operating income amounted to RMB25,519 million, representing an increase of 21.25% compared with last year; total profit amounted to RMB470 million, representing an increase of 25.55% compared with last year; profit attributable to the shareholders of the listed company amounted to RMB98 million. During the year, the building of 75 ships/ships of 2,766,600 DWT was completed; new shipbuilding orders with a contract value of RMB23.08 billion were obtained, of which the orders for ships with high added-value, high technology ships and military product ships showed a trend of growth.

### (i) Analysis of principal business

#### Analytical Statement on Changes of Related Items in Income Statement and Cash Flow Statement

Unit: Yuan Currency: RMB

Item	Current year	Last year	Change (%)
Operating income	25,519,239,791.42	21,046,990,626.80	21.25
Operating costs	24,821,158,371.84	20,374,289,745.91	21.83
Selling expenses	210,814,276.68	94,550,943.28	122.96
Administrative expenses	1,453,253,072.82	1,352,000,340.32	7.49
Financial expenses	336,489,851.01	29,569,154.39	1,037.98
Net cash flows from operating activities	-1,058,252,073.77	106,457,757.60	Not applicable
Net cash flows from investing activities	192,912,258.77	-363,314,417.56	Not applicable
Net cash flows from financing activities	1,527,227,165.86	351,986,256.86	333.89
Research and development expenses	769,697,455.10	612,494,310.51	25.67

#### 1. Analysis of income and cost

During the reporting period, the Group's principal business segments include shipbuilding business (including offshore engineering business), ship maintenance, steel structure engineering, electromechanical products and other business. The composition of its principal business by product and by region is as follows:

##### (1) Principal business by industry, by product and by region

#### Information of principal businesses by product

Unit: Yuan Currency: RMB

Product	Operating income	Operating cost	Gross profit margin (%)	Change of operating income compared with that of last year (%)	Change of operating cost compared with that of last year (%)	Change of gross profit margin compared with that of last year (%)
Shipbuilding business (including offshore engineering)	23,455,556,253.70	22,997,921,562.81	1.95	20.67	21.73	Decrease of 0.85 percentage points
Ship maintenance	325,085,211.89	272,290,249.41	16.24	68.21	41.72	Increase of 15.66 percentage points
Steel structure engineering	877,728,423.35	826,665,071.09	5.82	116.39	123.42	Decrease of 2.96 percentage points
Electromechanical products and others	586,498,380.99	518,173,933.25	11.65	-9.39	-19.50	Increase of 11.10 percentage points

## Information of principal businesses by region

Region	Operating income	Operating cost	Gross profit margin (%)	Change of operating income compared with that of last year (%)	Change of operating cost compared with that of last year (%)	Change of gross profit margin compared with that of last year (%)
China (including Hong Kong, Macau and Taiwan)	15,357,756,253.15	14,001,201,497.44	8.83	13.21	11.97	Increase of 1.01 percentage points
Other regions in Asia	1,366,451,925.85	1,587,187,170.66	-16.15	62.98	78.61	Decrease of 10.16 percentage points
Europe	6,383,139,684.49	6,496,695,029.26	-1.78	49.01	43.93	Increase of 3.59 percentage points
Oceania	1,818,632,261.02	2,152,893,717.68	-18.38	537.36	679.45	Decrease of 21.58 percentage points
North America	252,583,712.91	244,225,161.85	3.31	-64.68	-67.91	Increase of 9.76 percentage points
Africa	60,232,770.37	127,939,217.38	-112.41	-93.60	-88.62	Decrease of 93.01 percentage points
South America	6,071,662.14	4,909,022.29	19.15	-88.86	-83.72	Decrease of 25.54 percentage points
Total	25,244,868,269.93	24,615,050,816.56	2.49	22.05	22.47	Decrease of 0.34 percentage points

### Explanation on principal businesses by industry and by product

During the reporting period, the Group's income from principal businesses amounted to RMB25,245 million, representing an increase of 22.05% compared with last year; gross profit from principal businesses amounted to RMB630 million, representing an increase of 7.58% compared with last year, mainly due to the increase in gross profit from ship maintenance, steel structures and electromechanical products compared with last year. As for product mix, income from shipbuilding and offshore engineering business contributed 92.91% of total income, representing a decrease of 1.06 percentage points compared with last year, and the percentage of income from ship maintenance, steel structures and electromechanical products increased compared with last year.

#### (a) Shipbuilding (including offshore engineering) business

During the period, income from offshore engineering business amounted to RMB23,456 million, representing an increase of 20.67% compared with last year, mainly due to the increase in the number of ships under construction and the increased percentage of completion as a result of increased production capacity.

#### (b) Ship maintenance business

During the period, income from ship maintenance business amounted to RMB325 million, representing an increase of 68.21% compared with last year, mainly attributable to the increase in the number of addition and renovation projects during the year.

#### (c) Steel structure engineering business

During the period, income from steel structure engineering business amounted to RMB878 million, representing an increase of 116.39% compared with last year, mainly attributable to the new "City of Dreams" project.

#### (d) Electromechanical products and other business

During the period, income from electromechanical products and other business amounted to RMB586 million, representing a decrease of 9.39% compared with last year, mainly attributable to the decrease in sales of shearing machines and elevators due to sluggish market sentiment.

(2) *Analysis of production and sales volume*

Principal product	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Ship and offshore engineering (ton)	2,766,564	2,766,564	0	40.75	40.75	0
Steel structure engineering (ton)	62,186	62,186	0	69.20	69.20	0
Electromechanical products						
Including: Shearing press (unit)	737	637	108	-7.99	-23.35	12.5
Elevators (unit)	550	550	0	-15.90	-15.90	0

Explanation on production and sales volume

As for ship and offshore engineering business, during the reporting period, production volume and sales volume increased by 40.75% year-on-year, as a result of the injection of the core military assets of Huangpu Wenchong which further improved its ability to build and deliver ships and offshore engineering products. As for steel structure engineering, during the reporting period, production volume and sales volume increased by 69.20% year-on-year, mainly due to the new "City of Dreams" project.

(3) *Cost analysis*

### By product

*Unit: RMB ten thousand*

Product	Cost composition	Amount of current period	Proportion among total cost this year (%)	Amount in the corresponding period of last year	Proportion among total cost during the corresponding period of last year (%)	Change of amount of current period compared with that of last year (%)	Description
Shipbuilding business (including offshore engineering business)	Direct materials	1,610,362.60	65.42	1,360,265.87	67.68	18.39	Increase in production
	Processing costs	735,304.05	29.87	635,472.62	31.62	15.71	Increase in production
	Impairment loss	-45,874.49	-1.86	-106,486.99	-5.30	-56.92	Provision for impairment written off
Ship maintenance	Direct materials	11,983.50	0.49	4,044.54	0.20	196.29	Increase in production
	Processing costs	15,245.52	0.62	15,169.06	0.75	0.50	Increase in production
	Impairment loss	-	-	-	-	-	-
Steel structure engineering	Direct materials	30,976.56	1.26	15,823.97	0.79	95.76	Increase in production
	Processing costs	51,689.95	2.10	21,175.85	1.05	144.10	Increase in production
	Impairment loss	-	-	-	-	-	-
Electromechanical products and others	Direct materials	24,606.94	1.00	33,611.87	1.67	-26.79	Decrease in production
	Processing costs	28,564.54	1.16	31,951.35	1.59	-10.60	Decrease in production
	Impairment loss	-1,354.09	-0.06	-1,191.58	-0.06	13.64	Provision for impairment written off
Total		2,461,505.08	100.00	2,009,836.56	100.00	22.47	

### 2. Expenses

During the reporting period, the Group's total expenses amounted to RMB2,001 million, representing an increase of 35.53% from last year, details of which are as follows:

- (1) Selling expenses during the period amounted to RMB210.81 million and increased by 122.96% from last year, mainly due to the increase in shipbuilding income during the year, provision made for maintenance fee according to the progress and increase in the write-back of ship maintenance fee for ships expiring maintenance period in last year;
- (2) Administrative expenses during the period amounted to RMB1,453.25 million and increased by 7.49% from last year, mainly due to the increase in research and development expenses from last year;
- (3) Finance costs during the period amounted to RMB336.49 million and increased by 1,037.98% from last year, mainly due to the depreciation of Renminbi and the decrease in income from existing funds.

### 3. Research and development expenditure

*Breakdown of research and development expenditure*

	<i>Unit: RMB</i>
Research and development expenditure recorded in expenses during the period	769,697,455.10
Research and development expenditure capitalised during the period	0
Total research and development expenditure	769,697,455.10
Percentage of total research and development expenditure over operating income (%)	3.02
Number of research and development staff	1,972
Number of research and development staff over total number of staff (%)	27
Percentage of research and development expenditure capitalised (%)	0

*Description*

During the reporting period, the Company actively pushed forward technological innovations and deeply explored its technological potential. As a result, its overall technological research and development capability continued to improve, with a total of 174 technological research and development projects, including 47 key technological research and development projects for the year. In respect of external projects, the cooperation with scientific research institutes was strengthened. In addition, in light of the requirements for the strategic transformation of the Company, the efforts put in and support for maritime engineering equipment, polar deck ships, semi-submersible engineering ships, luxury Ro/Ro passenger ships, dredging ships, and non-ship products was reinforced.

### 4. Cash flows

During the reporting period, net cash flow from operating activities of the Group amounted to RMB-1,058 million, representing a year-on-year decrease of RMB1,165 million, mainly due to poor collection of receivables for civil ship contracts, decrease in advances for ship progress fees, and collection mainly concentrated around ship delivery; net cash flow from investing activities amounted to RMB193 million, representing a year-on-year increase of RMB556 million, mainly due to disposal of assets of Guangzhou Shipyard Shipping and change in restricted assets; net cash flow from financing activities amounted to RMB1,527 million, representing a year-on-year increase of RMB1,175 million, mainly due to long-term loans.

#### (ii) Explanation of significant change in profit due to non-principal business

On 13 November 2015 GSI listed its 100% equity interest in Guangzhou Shipyard Shipping for sale on Shanghai Assets and Equity Exchange at a total transaction price of no less than RMB3,529 million (including consideration for equity transfer of no less than RMB1,319 million, compensation for assets income of RMB1,076 million and compensation for asset relocation of RMB1,134 million). On 16 December 2015, GSI and Shanghai Lingxiang entered into the Equity Transfer Contract in relation to 100% Equity interest in Guangzhou Shipyard Shipping Co., Ltd. and completed the procedures for transfer of ownership. Upon completion of the transfer of equity interest in Guangzhou Shipyard Shipping (after deducting compensation for asset relocation of RMB1,134 million and carrying amount of RMB377 million), the transaction brought investment income of RMB2,055 million to the Company during the reporting period.



## (iii) Analysis of assets and liabilities

## Assets and liabilities

Unit: RMB

Item	Amount at the end of current period	Proportion among total assets at the end of current period (%)	Amount at the end of last period	Proportion among total assets at the end of last period (%)	Change of amount at the end of current period compared with that of the end of last period (%)	Description
Accounts receivable	1,709,967,395.06	3.49	718,056,504.75	1.64	138.14	Increase in ship progress receivables
Other receivables	694,376,182.24	1.42	328,144,005.96	0.75	111.61	Increase in compensation of Guangzhou Shipyard Shipping due from Shanghai Lingxiang, and decrease in export tax refund receivable
Other current assets	845,000,000.00	1.72	50,500,000.00	0.12	1,573.27	Increase in wealth management products
Available-for-sale financial assets	19,268,341.89	0.04	14,426,737.16	0.03	33.56	Increase in available-for-sale financial assets accounted for at cost
Deferred tax assets	477,364,386.52	0.97	733,657,109.09	1.68	-34.93	Reversal of deferred tax assets as GSI turned to profitability
Other non-current assets	300,000,000.00	0.61	505,000,000.00	1.15	-40.59	Decrease in wealth management products
Financial liabilities at fair value through profit or loss	181,241,917.70	0.37	56,475,710.29	0.13	220.92	Change in fair values of forward exchange contracts
Advances from customers	627,518,169.05	1.28	1,173,880,958.53	2.68	-46.54	Decrease in advances for non-shipbuilding business
Taxation payable	-1,122,743,774.34	-2.29	-311,783,190.54	-0.71	260.10	Increase in tax credit at the end of the period
Interest payable	21,533,573.71	0.04	46,368,757.24	0.11	-53.56	Interest paid for repayment of borrowings
Dividend payable	256,103,771.17	0.52	177,721.77	0.00	144,003.77	According to the acquisition agreement, the gain/loss on Huangpu Wenchong for the period before completion shall be owned by its former shareholder CSSC, and such dividend was not paid yet
Deferred income	260,320,055.21	0.53	149,269,700.92	0.34	74.40	Increase in research and development expenses
Paid-in capital (Share capital)	1,413,506,378.00	2.88	1,030,534,651.00	2.36	37.16	Issue of shares

## (iv) Analysis of investments

**General analysis of external equity investments**

In 2015, the balance of the Company's long-term equity investments amounted to RMB78.06 million, representing a decrease of 5.33% from last year.

## 1. Significant equity investments

- (1) On 29 January 2015, the Company made contribution of RMB1 million to establish GSI Yangzhou, which has been included in the consolidated financial statements of the Company for the first quarter of the reporting period. As considered and passed at the 20th meeting of the eighth session of the Board of the Company, the Company made further capital contribution of RMB1,301,836,200 into GSI Yangzhou, including RMB333,836,200 for replenishment of the working capital for relevant shipbuilding assets and RMB968 million for repayment of debts of GSI Yangzhou due to the Company. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 29 July 2015.

## SECTION IV REPORT OF THE BOARD

- (2) On 9 March 2015, the Company finished the material asset reorganisation. As a wholly-owned subsidiary of the Company, Huangpu Wenchong has been included in the consolidated financial statements of the Company for the first quarter of the reporting period.
- (3) On 21 August 2015, Huangpu Wenchong and TSC Group Holdings Limited jointly established Guangzhou Xingji Maritime Engineering Design Co., Ltd. through capital contribution of RMB3,750,000, holding its 75% equity interest.

### 2. Financial assets measured at fair value

The Group's financial assets measured at fair value include financial assets at fair value through profit or loss such as forward foreign exchange contracts and foreign option trading portfolio contracts, as well as available-for-sale equity instruments measured at fair value. In particular, for financial assets at fair value through profit or loss, at measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The debt rate published by the PBOC is chosen to be discount rate (please refer to the notes to the financial statements for details).

### (v) Material disposal of assets and equity interest

As considered and passed at the second extraordinary general meeting of the Company for 2015, on 13 November 2015 GSI listed its 100% equity interest in Guangzhou Shipyard Shipping for sale on Shanghai Assets and Equity Exchange at a total price of no less than RMB3,529 million (including consideration for equity transfer of no less than RMB1,319 million, compensation for assets income of RMB1,076 million and compensation for asset relocation of RMB1,134 million). On 16 December 2015, GSI and Shanghai Lingxiang entered into the Equity Transfer Contract in relation to 100% Equity interest in Guangzhou Shipyard Shipping Co., Ltd.. As at 30 December 2015, GSI received consideration for equity transfer of RMB726 million and compensation for assets income of RMB1,076 million in total as agreed. (For details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 14 August, 16 December, 17 December and 31 December 2015, the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 14 August, 16 December and 31 December 2015 and 7 January 2016.)

### (vi) Analysis of major subsidiaries and investees

Unit: RMB ten thousand

#### Major subsidiaries:

Name	Principal activities	Registered capital	Shareholding by the Company (%)	Assets/total assets at the end of period	Total net assets at the end of period	Net profit/loss for the period
Guangzhou Shipyard International Company Limited	Technical design, manufacture, repair of ships, electrical machinery, general machinery, steel structure	272,000	100	1,411,795	249,385	169,633
CSSC Huangpu Wenchong Shipbuilding Company Limited	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	197,380	100	1,990,394	327,884	52,223
GSI Yangzhou Co., Ltd.	Manufacturing of ships, ship equipment, metal structures and electric motors	130,283	100	133,455	130,299	15

## Indirectly held subsidiaries:

Name	Principal activities	Registered capital	Shareholding by the Company (%)	Assets/total assets at the end of period	Total net assets at the end of period	Net profit/loss for the period
Zhongshan GSI Marine Engineering Company Limited	Designing, processing, installing, manufacturing and selling: ships and auxiliaries (fishing use excluded), metal structures and components, general machines, cast and forged components, fiberglass, marine cables, marine pipelines, marine tools, furniture, mechanical equipment, and marine engineering equipment	70,000	100	91,361	44,094	-5,408
Guangdong GSI Elevator Co., Ltd.	Production and sale of elevators	2,100	100	8,630	4,284	230
GLGS Shipbuilding Human Resources Service Company Limited	Providing labour services, as well as installation, welding, derusting, and painting of ships	500	100	4,910	577	23
Guangzhou Hongfan Technology Co., Ltd.	Development of computer software, system integration, and hardware sales, etc.	500	51	4,024	3,067	503
Guangzhou Xingshun Marine Services Co., Ltd.	Installation, welding, fitting, coating, repairing of hull structure	200	100	6,991	2,420	-379
Guangzhou Wanda Marine Engineering Co., Ltd.	Designing, manufacturing, installing and repairing: outfitting parts, pipeline, ventilation system and furniture of ships; interior decoration; sales of the enterprise's products	US\$600,000	100	3,304	1,924	381
Guangchuan Large-scale Machinery and Equipment Co., Ltd.	Designing, processing, installing and selling: auxiliary machines of ships, large-scale complete-set mechanical and electrical equipment, wind power generation equipment, shearing press, shield machine, hydraulic machinery, injection moulding machine, and metal structure	18,861	100	26,266	11,528	106
Guangzhou United Steel Structures Limited	Large steel structures	US\$8.85 million	100	37,542	12,855	1,036
Glory Group Development Co., Ltd.	Trading	HK\$30 million	100	11,417	8,353	631
Fanguang Development Co., Ltd.	General trading	HK\$200,000	80	25,069	1,270	1,021
Fanguang (Macau) Development Single Person Co., Ltd.	General trading	HK\$100,000	80	223	79	112
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Design, construction, reformation and repair of marine engineering vessels and platforms	5,000	100	13,474	1,118	50
Guangzhou Hongfan Hotel Co., Ltd.	Tourism and catering	11,940	100	13,270	11,818	9
Guangzhou Wenchong Shipyard Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc	52,018	100	417,971	74,477	-22,996

## SECTION IV REPORT OF THE BOARD

Name	Principal activities	Registered capital	Shareholding by the Company (%)	Assets/total assets at the end of period	Total net assets at the end of period	Net profit/loss for the period
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Metal shipbuilding; non-metallic shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services; etc.	6,800	100	18,670	6,614	46
Guangzhou Xinhang Human Resources Service Co., Ltd.	Human resources development and management consulting; professional intermediary services; personnel leasing; personnel training; personnel recommendation; labour dispatch services;	200	75	1,112	364	15
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	500	75	504	500	0.37
Guangzhou Longxue Properties Co., Ltd.	Property industry	150	66.67	22	17	0.27
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.5	499	265	22
Guangzhou Wenchong Chonggong Co. Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	3,000	100	30,045	1,639	48
Guangzhou CSSC Wenchong Binshen Facilities Co., Ltd.	Manufacturing of equipment for railways, ships, aerospace and other transportation facilities	560	60	595	305	-37
Guangzhou Longxue Pipe Co., Ltd.	Ferrous metal smelting and rolling industry	7,000	42.86	8,345	5,064	167

### III. DISCUSSION AND ANALYSIS CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY

#### (i) Competition landscape and development trend within the industry

Looking forward in 2016, in terms of the demand side, the shipbuilding industry faces deep consolidation, while the shipping market remains at a low level, and the industry has yet to recover. Driven by the policies for the supply-side reform, however, excessive capacity of shipbuilding enterprises will be gradually consolidated and market room will be made for enterprises with real competitiveness. In addition, driven by the industrial plans and policies for the "One Belt, One Road", "China Made 2025" and "Chinese equipment going out and facilitating international cooperation in production", the shipbuilding industry faces new opportunities and challenges. Looking forward, demand for innovative ships featured by being green, environment-friendly, safe and efficient will continue to grow. In addition, with the full implementation of China's strategies of building a strong nation and army in terms of ocean and the advancement of strategic transformation of navy, the development of navy equipment will embrace a new round of rapid development. Such development trend of the shipbuilding industry will, to a certain extent, bring opportunities for the Group to develop ships with high added-value and high technology level and consolidate its position as the most important production and support facility of military ships and special supporting ships of the PRC navy in southern China.

**(ii) Development strategies of the Company**

In line with the development trend and the national industry policy for the shipbuilding industry and adhering to its corporate spirit of "mission, responsibility, passion and innovation", the Group continued with its adjustment, transformation, reform and innovation by pushing forward the securing of orders for and production of high-technology ships and special ships, continuing to strengthen its production management, improving its production facilities and relocating its production in an orderly manner, in order to increase production and shorten its cycle of shipbuilding. In particular, the Group will strengthen its production of military products in areas of strategic planning, technical innovations, military product management and military industrial culture by making full use of the role of military products as a stabilizer for the development of the Group. The Group will continue to make its core shipbuilding activities stronger and better by striving to make breakthroughs in the manufacturing of high-end ships including polar transportation ships and luxury Ro/Ro passenger ships while striving for modest diversification by seeking the development of new business to promote its continuous healthy development. It is committed to becoming a leading enterprise in the global maritime and heavy equipment market in terms of technology and services and developing into a building and supporting base for China's maritime defence equipment.

**(iii) Business plan**

In 2015, the Company recorded operating income of RMB25,519 million, meeting its annual business plan for the year; completed the material asset reorganisation and further improved its industrial structure, forming a full coverage of the four equipment system products covering maritime defence, maritime transport, maritime development and maritime research.

In 2016, the Group plans to undertake projects with total contract value of RMB29.3 billion and finish the building of ships of 3.48 million DWT (including offshore engineering ships). In the meantime, the Company will strive to control its costs and expenses in order to maintain stable selling expense ratio and administrative expense ratio and improve the gross profit margin and profitability of its main products. In order to achieve the aforesaid business plan, the Group will continue to enhance production management, consolidate its internal sources and adjust its industrial planning. It will actively respond to challenges by making full use of its competitive strengths and strengthening the advantages of its products such as military products and high added-value ships so as to maintain strong growth.

The business objectives above do not represent the profit forecast of the Company for 2016, nor do they constitute undertakings to investors in respect of the performance of the Company. Actual business performance of the Company is subject to various internal and external factors and involves uncertainties. Investors are reminded of investing risks.

**(iv) Potential risks****1. Financial risk**

The Company's financial risks mainly include exchange rate risk and interest rate risk.

- (1) Exchange rate risk. The Company's foreign currency orders are mostly denominated in US dollars, and some domestic ship orders are also denominated in US dollars and settled in Renminbi. Since 2015, US dollars significantly appreciated and Renminbi against US dollars showed a strong trend of depreciation due to the recovery of U.S. economy and increase in interest rate of US dollars. In overall, Renminbi is expected to continue to depreciate against US dollars in the short-term and will not significantly depreciate in the long-term. The fluctuations of Renminbi in both ways will become more frequent and the degree of flotations will be further extended. The Company's derivative financial instruments, accounts receivable, monetary funds, accounts payable, short-term loans, and other payables, etc., which are settled with USD and are subject to exchange rate risk, have been disclosed in the notes to financial statements respectively.
- (2) The Company's interest rate risk is derived from non-current borrowings. The loans granted at floating interest rate expose the Company to interest rate risk of cash flow, while the loans granted at fixed interest rate expose the Company to interest rate risk of fair value. The maturity of such loans has been disclosed in notes to financial statements.

**2. Customer risk**

Customer risk arises either from macro-economy or customers' own reasons. Under the background of weak global economy, certain ship owners may be unwilling to accept delivery of ships due to financial difficulty, increasing the Company's risk of collection.

**3. Human resource risk**

The Group is a labour-intensive enterprise and has huge demand for technicians and skilled labour. The labour risk arises from increasing labour costs due to increasing price level in the PRC. In addition, the relocation of production capacity of the Company in Liwan Factory, the introduction of new labour law and the tight supply of labour indirectly increased the cost of the Company, and the Company faces the risk of loss and shortage of labour.

(v) **Others**

**1. Management contracts**

There were no contracts entered into by the Company in relation to the management or administration of all or any major business, nor did such contract exist at any time in 2015.

**2. Environmental policies and performance**

The Group is committed to maintaining the sustainability of the environment and community in which it operates. By adhering to an attitude to protect environment, the Group strives to comply with the laws and regulations relating to environment protection and has adopted effective measures to realise efficient utilisation of resources, save energy and reduce emission of wastes.

**3. Compliance with laws and regulations**

During the reporting period, so far as the Company is aware, the Company has been in compliance with the relevant laws and regulations which have material impacts on the Company's operation in all material respects.

**4. Relationship with stakeholders**

Cherishing the idea of social commitment, the Company is dedicated to fulfilling its duties to its shareholders, living up to the trust of its customers, benefiting its employees and contributing with gratitude to society. Therefore, the Company actively participates in public welfare activities, strives to pay back to the society, and attaches great importance to a harmonious win-win with mutual development of the Company, its employees and the society, while accelerating its development.

By order of the Board  
**Han Guangde**  
*Chairman*

24 March 2016

## I. PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

### (i) Information on the formulation, execution or adjustment of policy for cash dividend distribution

During the reporting period, no adjustments were made to the Company's policy for distribution of profit for ordinary shares. The Company will fulfil the policy for cash dividend actively, and return investors reasonably. For the Company's detailed policy for profit distribution, please refer to the Circular to Shareholders for the Fourth Extraordinary Meeting of Shareholders for 2014 dated 5 December 2014, and the Company's Articles of Association at the websites of the Stock Exchange, the Shanghai Stock Exchange and the Company.

As considered and passed at the 28th meeting of the eighth session of the Board of the Company, the proposal for profit distribution of the Company for 2015 is as follows: In 2015, the Group realized net profit attributable to shareholders of the Company of RMB98,320,709.38, and total undistributed profit of the Company for 2015 was RMB640,322,143.39. Based on the total share capital of the Company of 1,413,506,378 shares, cash bonus of RMB0.3 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB42,405,191.34 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for the year. This profit distribution proposal is subject to the approval at the 2015 annual general meeting.

### (ii) Profit distribution plan or pre-arranged plan or plan or pre-arranged plan to convert surplus reserves into share capital in the previous three years (inclusive of the reporting period)

Unit: Yuan Currency: RMB

Year of distribution	Number of shares to be distributed for every ten shares (share)	Amount to be distributed for every ten shares (RMB) (tax inclusive)	Number of shares to be converted into share capital for every ten shares (share)	Amount of cash dividend (including tax)	Net profit attributable to shareholders of listed company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the shareholders of the listed companies in the consolidated financial statement (%)
2015	0	0.30	0	42,405,191.34	98,320,709.38	43.13
2014	0	0	0	0	151,496,768.77	0
2013	0	0.10	0	10,305,346.51	13,599,718.51	75.78

Note: Net profit attributable to shareholders of the Company for 2013 and 2014 in the consolidated financial statement during the year of distribution represented audited data and no retrospective adjustments were made to them.

## II. FULFILMENT OF COMMITMENTS

### (i) Undertakings made by Company, its shareholders, actual controllers, acquirers, directors, supervisors, senior management or other related parties during or up to the reporting period

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertaking relating to the material asset reorganisation	Solving the issues concerning competition in the same industry	CSSC	1. CSSC will, within 5 years upon the completion of this re-organization, be restructured and integrated through asset re-organization, equity merger and acquisition, business combination that comply with laws, regulations and to the benefits of listed companies and the shareholders, to eliminate the competition in the same industry. 2. CSSC will not, and will prevent and avoid that CSSC controlled enterprises (excluding COMEC and the subsidiaries under its control). 3. If CSSC violates the commitments above, resulting in any damage to the interests of COMEC, CSSC agrees to assume the liabilities for all economic compensations. 4. The commitments shall be governed by the laws of the PRC, and any disputes arising from the execution, validity, explanation and performance shall be governed by the laws of the PRC.	8 April 2015 to 9 April 2020	Yes	Yes	-	-
Undertaking relating to the material asset reorganisation	Selling restrictions of shares	CSSC HK	Upon the completion of the transaction, the shares subscribed by CSSC (Hong Kong) Shipping Company Limited shall not be traded or transferred within 36 months since the date of listing to safeguard the interests of all shareholders.	11 February 2014 to 10 February 2017	Yes	Yes	-	-
Undertaking relating to the material asset reorganisation	Others	CSSC	CSSC and entities under its control will make great efforts to reduce or avoid connected transactions with the Company in the future operating activities. In case of any connected transaction that is not avoidable, the terms and conditions for such transactions shall be conducted in accordance with normal business standards. The pricing policies of connected transactions shall comply with the market-based principal of equality, fairness and openness.	Made on 31 October 2014	No	Yes	-	-
Undertaking relating to the material asset reorganisation	Others	CSSC	Upon the completion of the transaction, CSSC will completely separate from the Company in terms of personnel, assets, business, institutions and finance in accordance with the relevant laws, regulations and normative documents, and will not engage in any act that may affect the independence of the Company's personnel, or the financial independence or damage the interests of GSI and other shareholders, to practically guarantee the independence of the Company in personnel, assets, business, institutions and finance.	Made on 31 October 2014	No	Yes	-	-
Undertaking relating to the material asset reorganisation	Selling restrictions of shares	CSSC	A shares received by CSSC from this asset subscription will not be transferred in any way within 36 months since the listing of such shares, including but not limited to public transfer on the securities market or transfer through agreement. Upon expiry of such period, the transfer shall comply with the relevant rules of the China Securities Regulatory Commission and the Shanghai Stock Exchange.	8 April 2015 to 9 April 2018	Yes	Yes	-	-



## SECTION V SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertaking relating to the material asset reorganisation	Solving the defects on titles to lands	CSSC	<p>Arrangements for supporting the relocation and upgrading of Huangpu Wenchong and Wenchong Shipyard. Pursuant to overall planning of Guangzhou Municipal Government, a land parcel of Huangpu Wenchong at Changzhou Street ("Changzhou Plant") and a land parcel located at Wenchong plant owned by Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard"), a subsidiary of Huangpu Wenchong, are no longer suitable for use in shipbuilding in accordance with the planning for the regions in which they are located, and will be recovered as reserve by Guangzhou Municipal Government. As such, in accordance with the relevant requirements for management of state-owned assets, these two parcels of land and buildings thereon will be transferred to Guangzhou Ship Industrial Company under CSSC for free. As for the transfer and subsequent matters, it was agreed as follows: 1. The transfer of land and buildings thereon was because the adjustment to urban planning caused these assets to be no longer suitable for incorporation into the Company. As such, in order to maintain normal production and operation of Huangpu Wenchong and Wenchong Shipyard, it was agreed that the land of Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, of which the ownership has been transferred to Guangzhou Ship Industrial Company under CSSC, will be leased to Huangpu Wenchong and Wenchong Shipyard for continued use, and the rent will be paid based on existing land amortisation, property depreciation and relevant taxes and expenses. In addition, CSSC will spare no efforts to facilitate Guangzhou Municipal Government in finalising the land for new plants and complete the relocation from Changzhou Plant and Wenchong Plant as soon as practicable. 2. Given there are certain granted land and properties without ownership certificates in Changzhou Plant, Wenchong Plant and other relevant ancillary domestic area and buildings thereon, if such land or properties cannot continued to be utilised due to these arrangements, causing adverse impact to the production and operation of Huangpu Wenchong and Wenchong Shipyard, CSSC will actively coordinate in solving the issue and fully indemnify Huangpu Wenchong and Wenchong Shipyard in cash against any economic losses incurred. 3. CSSC will actively assist Huangpu Wenchong and Wenchong Shipyard in future communication with Guangzhou Municipal Government in compensation for the relocation.</p>	Made on 31 October 2014	No	Yes	-	-

## SECTION V SIGNIFICANT EVENTS

Background of undertaking	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Whether have a deadline for performance	Whether strictly perform in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertaking relating to the material asset reorganisation	Others	CSSC	1. CSSC will actively assist Huangpu Wenchong, Wenchong Shipyard in communicating with Guangzhou Municipal Government for compensation for the relocation; 2. If any expenses incurred by Huangpu Wenchong and Wenchong Shipyard due to removal, transportation and installation of some of the assets to be demolished due to relocation shall be included in the government subsidies in accordance with the law and compensated to Huangpu Wenchong and Wenchong Shipyard; 3. If relevant government compensation is less than the expenses actually incurred by Huangpu Wenchong and Wenchong Shipyard due to the relocation and demolition of some assets, the Company will make full supplements in cash within 90 days after relevant government compensation is in place.	Made on 3 March 2015	No	Yes	-	-
Undertaking relating to the material asset reorganisation	Selling restrictions of shares	Yangzhou Kejin	The shares of Guangzhou Shipyard International Company Limited received by Yangzhou Kejin Shipbuilding Company Limited from subscription will not be transferred in any form within 12 months since the date of listing of such share, including but not limited to public transfer on the securities market or transfer through agreement. However, the lock-up period for such shares shall be adjusted if requested by government or regulatory authorities. Upon expiry of such period, the transfer shall comply with the relevant rules of the CSRC and the Shanghai Stock Exchange.	8 April 2015 to 11 April 2016	Yes	Yes	-	-

**(ii) There has been profit forecast for the assets or projects of the Company and such profit has been met during the reporting period**

Shinewing, which was appointed by the Company for private placement of A shares and purchase of 100% equity interest in Huangpu Wenchong in cash in 2014, has issued a special report on the realisation of profit forecast of CSSC Huangpu Wenchong Shipbuilding Company Limited for 2015 in relation to the realisation of profit forecast for 2015 by Huangpu Wenchong (for details, please refer to the announcements of the Company published on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 24 March 2016), which set out its conclusions as follows:

According to the auditor's report on the consolidated profit forecast of CSSC Huangpu Wenchong Shipbuilding Company Limited for 2014 and 2015 (XYZH/2014A10003-6) issued by Shinewing, Huangpu Wenchong's consolidated net profit attributable to the shareholders of the Company for 2015 was forecasted to be RMB286.2468 million. As at the end of the reporting period, Huangpu Wenchong's audited net profit attributable to the shareholders of the Company amounted to RMB293.428821 million, meeting the profit forecast.

## III. USE OF FUNDS RAISED

Year of fund raising	Method of fund raising	Total proceeds	Total proceeds utilised during the year	Total proceeds that have been utilised	Total proceeds that have been not utilised	Use and status of proceeds that have been not utilised
2015	Private placement	1,607,882,382.42	1,310,337,065.19	1,310,337,065.19	231,036,227.38	Unutilized funds raised were deposited in the special account for funds raised held by Huangpu Wenchong as account holder.

Overall note on use of proceeds

As approved in the Reply for Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing issued by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No. 330), the Company issued 42,559,089 A Shares through private placement to 7 specific investors at an issue price of RMB37.78 each, raising total proceeds of RMB1,607,882,382.42 and net proceeds of RMB1,541,373,292.57, net of underwriting fees and other issue expenses of RMB66,509,089.85. Of the raised proceeds, RMB104,959,959.97 was utilised for replenishment of the working capital of COMEC, and the special account established for such part of proceeds was closed in May 2015; RMB680,408,300.00 was utilised for payment to CSSC of the consideration for 15% equity interest in Huangpu Wenchong during the reorganisation, and the special account established for such part of proceeds was closed in May 2015; RMB333,836,243.90 was utilised for replenishment of the working capital of GSI Yangzhou for utilisation of the shipbuilding assets of former Yangzhou Kejin, and the special account established for such part of proceeds was closed in May 2015; RMB42,168,788.70 was utilised for replenishment of the working capital of Huangpu Wenchong, and the special account established for such part of proceeds was closed in August 2015; RMB148,963,772.62 was utilised for supplementing and improvement of maritime engineering equipment production facilities in Longxue Factory of Huangpu Wenchong; and the remaining proceeds of RMB231,036,227.38 are not utilised yet and temporarily deposited in a special account established under the name of Huangpu Wenchong and a wealth management product account at China CITIC Bank Corporation Limited. On 27 November 2015, Huangpu Wenchong purchased Zhiying Series Renminbi Structured Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB210 million out of its temporarily unutilised proceeds raised. So far the Zhiying Series Renminbi Structured Wealth Management Products purchased by Huangpu Wenchong on 27 November 2015 (No. C15EQ0121 and No. C15EQ0115) had expired on 30 December 2015 and 1 March 2016, respectively, and the principal amount and interest had been repaid as scheduled, with investment income totalling RMB341,739.72. (For details, please refer to the announcements of the Company dated 13 November 2015, 30 November 2015, 31 December 2015 and 1 March 2016, respectively, on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company).

## IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: Yuan Currency: RMB

#### Currently appointed

Name of domestic accounting firm	ShineWing
Remuneration of domestic accounting firm	1,200,000
Number of years of audit by domestic accounting firm	1 year
Name of overseas accounting firm	ShineWing
Remuneration of overseas accounting firm	900,000
Number of years of audit by overseas accounting firm	1 year

	Name	Compensation
Accounting firm for internal control audit	ShineWing	500,000

## SECTION V SIGNIFICANT EVENTS

Note on appointment and dismissal of accounting firms

- (i) It was considered and passed at the second extraordinary general meeting of the Company for 2015 that, ShineWing was re-appointed as the Company's domestic and international financial report auditor. As at 31 December 2015, ShineWing had provided audit services for the Company for 5 years successively. The financial statements in the Company's annual report 2015 were prepared according to the Accounting Standards for Business Enterprises of the PRC, and audited by ShineWing; and for this, the Company paid RMB2.1 million to the auditor as remuneration for its annual audit work. The audit report in the Company's annual report 2015 was signed by CPAs Ms. Liang Xiaoyan and Mr. Zhao Xueping. ShineWing will retire upon expiry of term and offer themselves for re-appointment.
- (ii) It was considered and passed at the 20th meeting of the eighth session of the Board of Directors that, the Company re-appointed ShineWing as the Company's internal control auditor in 2015. The Company's annual internal control self-evaluation report for 2015 has been audited by ShineWing, and for this, the Company has paid RMB500,000 to it as remuneration for its annual audit work.

In addition to the above mentioned audit matters, ShineWing (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) also provided the Company with special audit services on connected transactions, connected external guarantee and appropriation of fund, etc., without providing non-auditing work, during the reporting period.

### V. MATERIAL LITIGATIONS AND ARBITRATIONS

**Litigations and arbitrations that have been disclosed in temporary announcement with no further progresses**

#### Summary and type of events

#### Index for details

As for the case that the Company sued Jiangsu Shenghua in relation to a dispute over technical service contract, and the case that GLGS sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600DWT bulk carriers, during the reporting period, Jiangsu Shenghua was declared bankrupt by Zhenjiang Intermediate Court.

For details, please refer to the "Significant Events (I) Significant Litigations and Arbitrations" in the annual report of the Company for 2015

### VI. MATERIAL CONNECTED TRANSACTIONS

#### (i) Connected transactions related to daily operation

The Company's continuing connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") consisted of routine connected transactions, particulars of these transactions have been disclosed in the notes to the financial statements in accordance with Rule 14A.71.

The Company's financial report auditor and directors (including four independent non-executive directors) have reviewed the routine connected transactions and confirm that such transactions are conducted in the Company's ordinary course of business on normal commercial terms and in accordance with related contractual provisions; the transaction terms are fair and reasonable, and in the shareholders' overall benefits; and the transactions did not exceed the cap amount for year 2015, as approved in the shareholders' meeting.

The Company's auditor has issued a letter with unqualified opinions on the findings and conclusion of the Group's above mentioned continuing connected transactions under Rule 14A.56 of the Listing Rules.

Certain related party transactions in Note 11 to the financial statements, which have been prepared in accordance with the Accounting Standards for Business Enterprises in the PRC, also constitute continuing connected transactions under Chapter 14A of the Listing Rules, and the Company's disclosure of these connected transactions has been in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

(ii) **Connected transactions in relation to the acquisition or disposal of assets or equity interests****1. Matters that have been disclosed in temporary announcement with no further progresses**

Summary of matter	Index for details
<p>Completion of material assets reorganisation. On 31 October 2014 and 6 November 2014, the Company and CSSC entered into the Agreement in relation to the Issue of Shares and Cash Payment by GSI to CSSC for Purchase of Assets and the Supplemental Agreement, respectively, pursuant to which the Company acquired 85% equity interest in Huangpu Wenchong held by CSSC by private placement of A Shares and 15% equity interest in Huangpu Wenchong held by CSSC by cash payment. On 9 March 2015, the 100% equity interest in Huangpu Wenchong held by CSSC had been transferred to and registered in the name of COMEC and the relevant procedures for registration of change had been completed. COMEC has become the sole shareholder of Huangpu Wenchong and lawfully owns all rights and obligations as its shareholder.</p>	<p>For details, please refer to the announcement disclosed by the Company on the websites of the Shanghai Stock Exchange (<a href="http://www.sse.com.cn">www.sse.com.cn</a>), the Stock Exchange (<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>) and the Company (<a href="http://comec.cssc.net.cn">comec.cssc.net.cn</a>) on 19 March 2015.</p>
<p>Disposal of 100% equity interest in Guangzhou Shipyard Shipping. On 16 December 2015, Shanghai Lingxiang, as the sole transferee, received the transfer of 100% equity interest in Guangzhou Shipyard Shipping at a total consideration of no less than RMB3,529 million, including the consideration for equity interest transaction of no less than RMB1,319 million, compensation for assets income of RMB1,076 million and compensation for asset relocation of RMB1,134 million. Shanghai Lingxiang is indirectly held by CSSC as to 50% and thus a connected person of the Company. Therefore, the transaction constitutes a connected transaction of the Company. The Company has obtained approval at the second extraordinary general meeting for 2015 held on 5 November 2015 in respect of the connected transaction.</p>	<p>For details, please refer to the announcements disclosed by the Company on the websites of the Shanghai Stock Exchange (<a href="http://www.sse.com.cn">www.sse.com.cn</a>) on 14 August, 16 December, 17 December and 31 December 2015, the Stock Exchange (<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>) and the Company (<a href="http://comec.cssc.net.cn">comec.cssc.net.cn</a>) on 14 August, 16 December and 31 December 2015 and 7 January 2016.</p>
<p>Lease of shipbuilding assets of GSI Yangzhou. On 22 December 2015, GSI Yangzhou and CSSC Chengxi entered into the Assets Lease Agreement, pursuant to which four parcels of land for industrial use located at the Ship Industrial Park, Yanjiang Development Zone, Daqiao Town, Jiangdu District, Yangzhou City with a total site area of 624,747.9 sq.m., buildings and structures thereon and related ancillary facilities to CSSC Chengxi with effect from 1 October 2015. Rental for the period from October to December 2015 was RMB15,091,494; and rental for 2016 was RMB67,661,389. CSSC Chengxi is a subsidiary of CSSC, the controlling shareholder of the Company, and thus a connected person of the Company. Therefore, the transaction constitutes a connected transaction of the Company. The Company has obtained approval at the 26th meeting of the eighth session of the Board held on 22 December 2015 in respect of the connected transaction.</p>	<p>For details, please refer to the announcement disclosed by the Company on the websites of the Shanghai Stock Exchange (<a href="http://www.sse.com.cn">www.sse.com.cn</a>), the Stock Exchange (<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>) and the Company (<a href="http://comec.cssc.net.cn">comec.cssc.net.cn</a>) on 22 December 2015.</p>

**2. Results which are relating to result agreements and shall be disclosed for the reporting period**

According to a supplemental agreement entered into between the Company and CSSC in relation to the private placement of shares and cash payment by Guangzhou Shipyard International Company Limited to China State Shipbuilding Corporation for purchase of assets, Huangpu Wenchong's consolidated net profit attributable to shareholders of the Company for 2015 shall not be less than RMB286,246,800. As at the end of the reporting period, Huangpu Wenchong's audited net profit attributable to the shareholders of the Company amounted to RMB293,428,821, achieving the agreed level.

## SECTION V SIGNIFICANT EVENTS

### (iii) Related creditor's right and debt transactions

#### Matters which have not been disclosed in temporary announcements

Unit: Yuan Currency: RMB

Related party	Relationship with related party	Provision of funding to related party			Provision of funding by related party to the Company		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
Guangzhou Shipyard Co., Ltd.	Sister company of the Group	-	-	-	741,065.33	-738,239.37	2,825.96
Hualian Ship Co., Ltd.	Sister company of the Group	-	-	-	469,396.39	-469,396.39	-
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Sister company of the Group	-	-	-	13,235,981.57	-4,619,578.42	8,616,403.15
Beijing Shipbuilding Information Technology Co., Ltd.	Sister company of the Group	-	-	-	1,129,290.00	-1,109,290.00	20,000.00
Shanghai Shenbo Information System Engineering Co., Ltd.	Sister company of the Group	-	-	-	684,000.00	-684,000.00	-
Shanghai Dongxin Software Engineering Co., Ltd.	Sister company of the Group	-	-	-	125,000.00	-	125,000.00
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Sister company of the Group	-	-	-	4,800.00	168,004.00	172,804.00
China Marine Power Co., Ltd.	Sister company of the Group	-	-	-	-	132,512.82	132,512.82
Hong Kong Hualian Ship Co., Ltd.	Sister company of the Group	-	-	-	-	469,396.39	469,396.39
CSSC Chengxi Shipbuilding Co., Ltd.	Sister company of the Group	-	-	-	-	59,970.00	59,970.00
Total		-	-	-	16,389,533.29	-6,790,620.97	9,598,912.32

Reasons for occurrence of related creditor's right and debt transactions

Business dealings

Effects of related creditors' rights and debts on the Company

The related creditors' rights and debts had no effect on the Company's operating results and financial position

### (iv) Others

#### 1. Reserves

Details of movement of reserves of the Group during the year are set out in notes to financial statements, of which details of the reserve distributable to equity shareholders are set out in notes to financial statements.

#### 2. Property, plant and equipment

For details of the Group's property, plant and equipment during the year, please refer to notes to financial statements.

#### 3. Bank loans and other loans

Details of the Group's bank loans and other loans as at 31 December 2015 are set out in notes to financial statements.

#### 4. Pre-emptive right

Under the Articles of Association and PRC laws, there are no requirements under which the Company is not required to issue new shares to its existing shareholders in proportion to their shareholding.

#### 5. Service contracts with Directors and Supervisors

Each Director and Supervisor has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

**6. Remuneration of Directors and Supervisors**

Details of the remuneration of Directors and Supervisors are set out in notes to financial statements.

**7. Directors' and Supervisors' interest in contracts**

During the financial year ended 31 December 2015, none of the Company or any of its subsidiaries has entered into any contract which has significant effect on the Company's business, in which Directors or Supervisors have direct or indirect significant interest and which is still in effect during the year ended 31 December 2015.

**8. Directors' interest in competing business**

No Directors have any interest in competing business.

**9. Purchase, redemption or sale of listed securities**

During the reporting period, neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed shares.

**10. Major customers and suppliers**

During the year ended 31 December 2015, the purchase made by the Group from its top five suppliers (as defined in the Listing Rules) in total did not exceed 30% of the Group's total purchase of goods and services for the year.

During the year ended 31 December 2015, the sale made by the Group to its top five customers in total accounted for 51.57% of the Group's total sales for the year, in which the Group's sale to its largest customer accounted for 33% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, their close associates or any shareholder who holds 5% or more issued share capital of the Company has any interest in the top five suppliers of customers of the Group for the year.

**11. Remuneration policies**

As at 31 December 2015, the total number of employees of the Group was 7,286. The remuneration of employees have been determined based on the complexity and responsibility of their positions and their work performance.

The Company pays an annual remuneration of RMB200,000 (before tax) to each independent Director (RMB120,000 (before tax) to each independent Director before 8 May 2015). The Company also reimburses the independent Directors for the expenses they incur in attending board meetings and general meetings and other reasonable expenses they incur while fulfilling their obligations under the Company Law and the Company's Articles of Association (including travelling expenses and administrative expenses). Besides these, the Company does not give the independent Directors any other benefit.

**12. Retirement and employee benefit plans**

Details of the retirement and employee benefit plans of the Group are set out in notes to financial statements.

**13. Audit Committee**

The Audit Committee of the Company has reviewed the Group's annual results for 2015 and the financial statements for the year ended 31 December 2015 prepared under the International Financial Reporting Standards.

## VII. MATERIAL CONTRACTS AND PERFORMANCE

### (i) Leases

Unit: in RMB ten thousand Currency: RMB

Lessor name	Lessee name	Type of leasing assets	Amount of assets leasing	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Connected transaction or not	Connected relation
Guangzhou Shipyard Industrial	GSI	Land and buildings		1 Oct 2014	1 Dec 2017	-	-	-	Yes	Subsidiary of a shareholder
Guangzhou Shipyard Shipping	GSI	Land and buildings		1 Dec 2015	31 Dec 2017	-	-	-	Yes	Subsidiary of a shareholder
Guangzhou Ship Industrial Company	Huangpu Wenchong	Land and buildings		1 Jan 2015	-	-	-	-	Yes	Sister company of the Group
Guangzhou Ship Industrial Company	Wenchong Shipyard	Land and buildings		1 Jan 2015	-	-	-	-	Yes	Sister company of the Group
GSI Yangzhou	CSSC Chengxi	Land for industrial use, buildings and structures thereon and related ancillary facilities		1 Oct 2015	31 Dec 2016	40.66	Taking into account the lease price of the relevant shipbuilding assets in the surrounding area of the leaser, the depreciation of the relevant assets of the leaser, current conditions in the ship industry and reasonable cost and profit of the leaser	In order to improve the utilisation efficiency and profitability of its assets, GSI Yangzhou temporarily leased out its shipbuilding assets, which can compensate for amortisation cost and help maintain normal operation of the relevant shipbuilding assets.	Yes	Sister company of the Group

#### Notes

- On 27 September 2014, the Company and Guangzhou Shipyard Industrial entered into a lease agreement, pursuant to which three parcels of land located respectively at Heliwei, Fangcun Main Road, Liwan District, Guangzhou, No. 29 Donglang Market Main Road, Fangcun Main Road, Liwan District, Guangzhou and on the south side of Heliwei, Donglang Township, Liwan District, Guangzhou, which have a total site area of 108,939 sq.m. and are currently for industrial use, and the buildings and structures thereon are leased to the Company for use for a term of 39 months commencing on 1 October 2014. According to the relevant agreements, the aforesaid lease agreement continued to be performed. For details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 12 December 2014.
- On 9 November 2015, GSI and Guangzhou Shipyard Shipping entered into a lease agreement, pursuant to which Guangzhou Shipyard Shipping shall lease a parcel of land for industrial use for the technical centre building located at 40 South Fangcun Main Road, Liwan District, Guangzhou with a total site area of 393,793 sq.m. and buildings and structures thereon to GSI for a term of 25 months commencing on 1 December 2015. According to the relevant agreements, the aforesaid lease agreement continued to be performed. For details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 16 December 2015.
- In 2015, Guangzhou Ship Industrial Company entered into a land use right lease agreement with Huangpu Wenchong and Wenchong Shipyard to lease 14 parcels of land located at Changzhou Factory, 188 Changzhou Street, Huangpu District, Guangzhou, with a site area of 638,083.00 sq.m., and at Huangpu District, Guangzhou, with a site area of 638,776.58 sq.m., respectively, to Huangpu Wenchong and Wenchong Shipyard, respectively. The parties agreed that the lease term of the land use right shall commence on 1 May 2014 and ending on the date on which Huangpu Wenchong and Wenchong Shipyard complete their relocation from Changzhou Factory and Wenchong Factory respectively to new factories and commence formal production. The annual rent for land lease payable by Huangpu Wenchong is RMB5,051,232.42 and the annual rent for land lease payable by Wenchong Shipyard is RMB14,061,703.20. The parties agreed that the rent for the lease of land use right and buildings thereon under the agreement had been determined on the basis of usage fees plus taxation, wherein the costs represented mainly the depreciation of properties and amortisation of land use rights and the taxation shall be based on actual amount incurred.
- On 22 December 2015, GSI Yangzhou and CSSC Chengxi entered into an asset lease agreement, pursuant to which four parcels of land for industrial use located at the Ship Industrial Park, Yanjiang Development Zone, Daqiao Town, Jiangdu District, Yangzhou with a total site area of 624,747.9 sq.m., buildings and structures thereon and related ancillary facilities are leased to CSSC Chengxi for a term of 15 months since 1 October 2015. Rental income for the period from October to December 2015 amounted to RMB0.4066 million. For details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)) on 22 December 2015.





## SECTION V SIGNIFICANT EVENTS

### 2. Entrusted loans

Unit: Yuan Currency: RMB

Name of borrower	Amount of entrusted loan	Term of loan	Loan interest rate	Use	Collateral or guarantor	Whether overdue or not	Whether connected transaction or not	Whether extended or not	Whether involving lawsuit or not	Relationship with related party	Gains or losses on investments
Zhongshan GSI Marine Engineering Company Limited	320,000,000.00	2014.5.27-2017.5.31	1.50%	Infrastructure and research and development expenses	None	No	Yes	No	No	Wholly-owned subsidiary	
Guangzhou United Steel Structures Limited	30,000,000.00	2015.2.13-2016.2.12	5.00%	Replenishment of working capital	None	No	Yes	No	No	Wholly-owned subsidiary	
Guangchuan Large-scale Machinery and Equipment Co., Ltd.	15,000,000.00	2014.10.21-2016.10.20	1.50%	Infrastructure project	None	No	Yes	No	No	Wholly-owned subsidiary	
Huangpu Wenchong	500,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	Wenchong Shipyard	No	Yes	No	No	Wholly-owned subsidiary	
Huangpu Wenchong	1,000,000,000.00	2015.10.28-2016.10.11	3.00%	Production and operation	None	No	Yes	No	No	Wholly-owned subsidiary	
Wenchong Shipyard	500,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	Huangpu Wenchong	No	Yes	No	No	Wholly-owned subsidiary	
Wenchong Shipyard	50,000,000.00	2015.6.12-2016.3.4	3.50%	Production and operation	None	No	Yes	No	No	Wholly-owned subsidiary	
Guangzhou Wenchong Chonggong Co. Ltd.	30,000,000.00	2014.9.15-2016.9.14	0.00%	Production and operation	None	No	Yes	No	No	Wholly-owned subsidiary	
Guangzhou Wenchong Chonggong Co. Ltd.	20,000,000.00	2015.12.22-2017.12.21	4.75%	Production and operation	None	No	Yes	No	No	Wholly-owned subsidiary	

#### Note on entrusted loans

As at the end of 2015, the balance of entrusted loans amounted to RMB2,465 million, including:

In order to break the bottleneck for insufficient production resources, GSI entrusted Industrial and Commercial Bank of China and CSSC Finance, as the trustee financial institutions, to provide entrusted loan of RMB320 million to Zhongshan GSI Marine Engineering Company Limited, mainly for use in the construction of Zhongshan base. For the period from August 2012 to 31 December 2015, GSI provided 23 entrusted loans with a total amount of RMB815 million to Zhongshan GSI Marine Engineering Company Limited, and RMB495 million had become due and been repaid. The entrusted loans were substantially GSI's investments in fixed assets and intangible assets (land use right), being the future non-ship business base, and free of capital risks.

In 2014, an entrusted loan of RMB15 million was provided to Guangchuan Large-scale Machinery and Equipment Co., Ltd., a wholly-owned subsidiary of GSI, through CSSC Finance for payment for infrastructure projects as it had insufficient funds to pay for share of infrastructure expenses for a machinery processing centre. Guangchuan Large-scale Machinery and Equipment Co., Ltd. has high-quality shipbuilding assets and there are no capital risks.

In February 2015, an entrusted loan of RMB30 million was provided to Guangzhou United Steel Structures Limited, a wholly-owned subsidiary of GSI, through CSSC Finance for payment for purchase of materials as it had insufficient funds to pay for the "City of Dreams" project in Macau. Guangzhou United Steel Structures Limited has high-quality shipbuilding ancillary assets and there are no capital risks.

Huangpu Wenchong, a wholly-owned subsidiary of the Company, had no sufficient funds due to the time notes, and given that the industrial park project of Longxue factory zone was developed and the Company was required to pay the land use fee for Longxue base in the second half of 2012. Therefore, it applied to CSSC for entrusted loan of RMB500 million, among which RMB 450 million was used for production and operation and RMB50 million was used for the industrial park product. The method of guarantee was mutual guarantee with Wenchong Shipyard with an amount of RMB500 million and with no guarantee fees.

With CSSC Finance as the trustee financial institution, Huangpu Wenchong applied to CSSC for an entrusted loan with an accumulative amount of RMB1 billion during the year, which was utilised in early repayment of USD loans with high exchange risk. There are no capital risks.

With CSSC Finance as the trustee financial institution, Wenchong Shipyard applied to CSSC for 2 entrusted loans with an accumulative amount of RMB550 million, which was substantially used to support the operation and development of the Company, free of capital risks.

With CSSC Finance as the trustee financial institution, Wenchong Shipyard increased 4 entrusted loans with an accumulative amount of RMB50 million for Wenchong Chonggong, a wholly-owned subsidiary of Wenchong Shipyard, for its daily production and operation. The entrusted loan was substantially used to support the operation and development of Wenchong Chonggong for the on-board component processing business, free of capital risks.

### 3. Other wealth management and investment in derivatives

Type of investment	Contracting party	Percentage of investment	Term of investment	Type of products	Gains or losses on investments	Whether involving lawsuit or not
USD forward exchange settlement	Banks, finance companies		Within 3 years	Forward exchange settlement	-53,716,050.00	No
Euro forward exchange purchase	Banks, finance companies		Within 3 years	Forward exchange settlement	-10,610,556.55	No
USD option portfolios	Banks		Within 3 years	Option portfolios	-1,440,600.00	No

Information on other wealth management and investment in derivatives

In order to prevent exchange risks, the Group entered into forward foreign exchange trading contracts (forward exchange purchase and settlement) and foreign trade exchange option portfolios. As at the end of 2015, the Group had a total of 67 outstanding forward settlement foreign exchange contracts with total amount of US\$865.2 million and latest settlement date of 25 December 2017, and recognised gains on change in fair value of RMB-176.7229 million as at the end of the year; the Group had a total of 22 outstanding forward Euro purchase contracts with total amount of EUR80 million and latest settlement date of 26 July 2016, and recognised gains on change in fair value of RMB12.3272 million as at the end of the year; the Group had 6 outstanding option portfolios with total amount of US\$40.82 million and latest settlement date of 29 July 2016, and recognised gains on change in fair value of RMB-3.7828 million as at the end of the year.

## VIII. ACTIVELY PERFORMING SOCIAL RESPONSIBILITIES

The Company does not belong to a listed company in heavy pollution industries as specified by the state environmental protection department. For details in respect of the performance of the social responsibilities of the Company, please refer to the "Corporate Governance Report for the year 2015", which was published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Company ([comec.cssc.net.com](http://comec.cssc.net.com)) on 24 March 2016.

## SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### I. CHANGES IN ORDINARY SHARE CAPITAL

#### (i) Changes in ordinary shares

Unit: share

	Before change		Increase or decrease (+, -)				After change		
	Number	Percentage (%)	Issue of new shares	Bonus issue	Shares transferred from reserve	Others	Sub-total	Number	Percentage (%)
I. Listed tradable shares	1,030,534,651	100	382,971,727				382,971,727	1,413,506,378	100
1. RMB ordinary shares	438,463,454	42.55	382,971,727				382,971,727	821,435,181	58.11
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	592,071,197	57.45						592,071,197	41.89
4. Others									
II. Total number of ordinary shares	1,030,534,651	100	382,971,727				382,971,727	1,413,506,378	100

#### (ii) Note on changes in ordinary shares

During the reporting period, the Company finished private placement of a total of 382,971,727 A shares to CSSC, Yangzhou Kejin and 7 specific investors on 8 April 2015, resulting in change in the share capital structure of the Company.

#### (iii) Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period

Based on the total share capital (before the private placement) of 1,030,534,651 shares, earnings per share and net assets per share for 2015 amounted to RMB-0.1892 and RMB9.7145, respectively. Based on the new share capital upon the private placement of 1,413,506,378 shares, earnings per share and net assets per share for 2015 amounted to RMB0.0709 and RMB7.4456.

## II. ISSUANCE AND LISTING OF SECURITIES

### (i) Issuance of securities during the reporting period

*Unit: Share Currency: RMB*

Type of shares and derivative securities	Date of issuance	Issue price (or interest rate)	Number issued	Date of listing	Number permitted for trading	Date of closing of transaction
Ordinary shares						
Private placement of shares	9 March 2015	14.17	272,099,300	8 April 2015	272,099,300	-
Private placement of shares	18 March 2015	14.17	68,313,338	8 April 2015	68,313,338	-
Private placement of shares	30 March 2015	37.78	42,559,089	8 April 2015	42,559,089	-

Note on issuance of securities during the reporting period:

On 22 December 2014, the Company held its fourth extraordinary general meeting, 1st class meeting of holders of domestic shares and 1st class meeting of holders of foreign shares for 2014, at which all resolutions on the material asset reorganisation in relation to purchase of assets through private placement of shares and cash payment and raising of proceeds and connected transactions were considered and passed. The Company finished private placement of a total of 382,971,727 A shares to CSSC, Yangzhou Kejin and 7 specific investors on 8 April 2015, resulting in change in the share capital structure of the Company.

Pursuant to the supplemental agreement dated 6 November 2014 entered into between the Company and CSSC in relation to the Private Placement of Shares and Cash Payment by Guangzhou Shipyard International Company Limited to China State Shipbuilding Corporation for Purchase of Assets, the Company completed private placement of 272,099,300 A shares on 9 March 2015. CSSC has undertaken not to dispose of such shares within a 36-month period.

Pursuant to the supplemental agreement dated 6 November 2014 entered into between the Company and Yangzhou Kejin in relation to the Private Placement of Shares by Guangzhou Shipyard International Company Limited to Yangzhou Kejin Shipyard Co., Ltd. for Purchase of Assets, the Company completed private placement of 68,313,338 A shares on 9 March 2015. Yangzhou Kejin has undertaken not to dispose of such shares within a 12-month period.

Pursuant to the Agreement in relation to the Private Placement of A Shares and Cash Payment by Guangzhou Shipyard International Company Limited for Purchase of Assets and Subscription of A Shares dated 30 March 2015 entered into by the Company, Shanxi Securities Company Limited, Caitong Fund Management Co., Ltd., Golden Eagle Asset Management Co., Ltd., Xi'an Investment Holding Co., Ltd., Penghua Fund Management Co., Ltd., Hua An Fund Management Co., Ltd. and Lion Fund Management Co., Ltd., the Company completed private placement of 42,559,089 A shares on 30 March 2015. These seven investment institutions have undertaken not to dispose of such shares within a 12-month period. For details, please refer to the announcement of the Company dated 9 April 2015.

### (ii) Changes in the total number of ordinary shares of the Company and shareholders' structure and changes in the asset and liability structure of the Company

During the reporting period, the Company further issued 382,971,727 A Shares of RMB1 each, with a total par value of RMB382,971,727. The total number of issued shares of the Company was increased to 1,413,506,378 (with a total par value of RMB1,413,506,378) from 1,030,534,651, and CSSC, the controlling shareholder of the Company, indirectly holds 59.97% shares in the Company.

## SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### III. NUMBER OF SHAREHOLDERS AND SHAREHOLDING

#### (i) Total numbers of shareholders

Total number of ordinary shareholders as of the end of the reporting period	45,520
Total number of ordinary shareholders as at the end of the month preceding the date of publication of annual report	48,914

#### (ii) Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to trading moratorium) as at end of the reporting period

##### Shareholding of top ten shareholders

Unit: share

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at end of the period	Percentage (%)	shareholdings subject to trading moratorium	Pledged or frozen Share Status	Number	Shareholder Nature
HKSCC Nominees Limited	687,265	588,787,945	41.66	345,940,890	None	0	Overseas legal persons
CSSC	272,099,300	501,745,100	35.50	272,099,300	None	0	State-owned legal-person
Yangzhou Kejin	68,313,338	68,313,338	4.83	68,313,338	Pledged	64,060,000	Domestic non-state- owned legal- person
China Securities Finance Corporation Limited	26,008,443	26,008,443	1.84	0	None	0	State-owned legal-person
Central Huijin Asset Management Ltd.	15,126,100	15,126,100	1.07	0	None	0	State-owned legal-person
Shanxi Securities Company Limited	12,498,206	12,521,916	0.89	9,021,916	None	0	State-owned legal-person
China Construction Bank Corporation – Fullgoal China Securities Military Index Grading Securities Investment Fund	2,784,579	9,281,035	0.66	0	None	0	Others
China Construction Bank Corporation – Penghua China Securities National Defence Index Grading Securities Investment Fund	5,680,745	7,170,554	0.51	0	None	0	Others
National Social Security Fund Portfolio 503	5,791,159	5,791,159	0.41	0	None	0	Others
Xi'an Investment Holding Co., Ltd.	5,291,159	5,291,159	0.37	5,291,159	None	0	Domestic non-state- owned legal- person

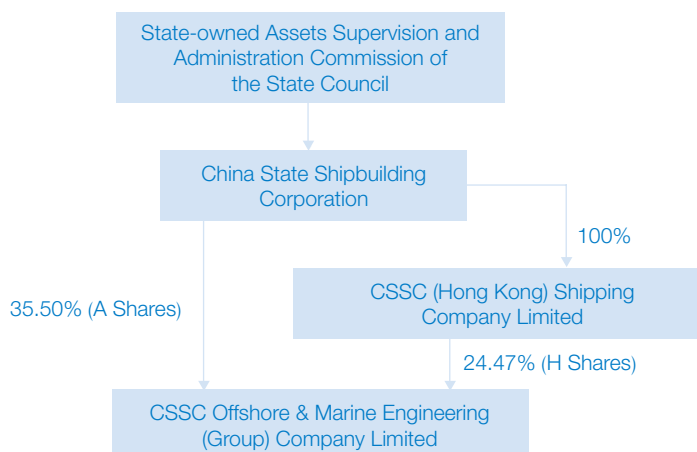
## IV. INFORMATION OF THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

### (i) Information on the controlling shareholder

Name	China State Shipbuilding Corporation
Responsible Person or Legal representative	Dong Qiang
Date of establishment	29 June 1999
Main business	Sate-owned assets investment, operation and management; investment of shipbuilding and marine projects; research, design, development, manufacturing, repair, lease, and sale of over-water and under-water weapons and equipment on ships and warships, ships for civil use, marine equipment, equipment for marine projects, and mechanical and electrical equipment; technical development for converting the techniques and equipment for marine use into those for land use; repair of foreign ships; property management; self-operation and commission-based operation of the import and export of various commodities and techniques (excluding the commodities and techniques operated with international restrictions or forbidden to import and export); processing with imported materials, and "Three-plus-one" trading-mix (custom manufacturing with materials, designs or samples supplied and compensation trade); foreign trade and re-export trade; contracting of overseas marine projects and domestic international bidding projects; dispatching laborers for implementing the above mentioned overseas projects; technical development, technical transfer, technical service, and technical consulting.
Information on equity held in other domestic and overseas listed companies controlled and invested during the Reporting	As at 31 December 2015, holding 56.06% shares of China CSSC Holdings Limited, and directly and indirectly holding 59.97% shares of CSSC Offshore & Marine Engineering (Group) Company Limited in total, and directly and indirectly holding 35.21% of CSSC Steel Structure Engineering Co., Ltd. in total.

## SECTION VI CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### (ii) Property right and controlling relationship between the Company and its controlling shareholder and actual controller



## V. OTHER LEGAL PERSONS HOLDING SHARES OF 10% OR ABOVE

Unit: Yuan Currency: RMB

Name of legal person	Responsible Person or Legal representative	Date of establishment	Organization code	Registered capital	Information on main business or managed business etc
CSSC (Hong Kong) Shipping Company Limited (H Shares)	Zeng Xiangxin	2012.6.25	None	2,730,211,550.00	Engaged in shipbuilding, shipping, ship lease and financing business; has the right to acquire or invest in other companies; has the right to all business that is directly or indirectly beneficial for realisation of the goals of the Company.

**Explanation**

CSSC (Hong Kong) Shipping Company Limited is a company established in Hong Kong with limited liability, and is wholly-owned by CSSC, and is a connected person of the Company. The Company entered into equity subscription agreement with CSSC HK on 30 September 2013 to subscribe 345,940,890 H Shares of the Company, representing 33.57% of total shares of the Company. It undertook not to transfer the shares within 36 months. (For details, please refer to the announcement of the Company dated 12 February 2014 in relation to Completion of Non-public issue of Overseas Listed Foreign Shares published on the website of Shanghai Stock Exchange.)



## VI. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, the following persons (other than directors, supervisors or members of senior management of the Company) has the following interests and short positions in the shares and underlying shares of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") or are required to be entered in the register to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares held (Long position)	Capacity	Approximately percentage of issued H shares (%)	Approximately percentage of issued A shares (%)	Percentage of total issued share (%)
CSSC	A Shares	501,745,100 (L)	Beneficial owner	–	61.08	35.50
CSSC (HK)	H Shares	345,940,890 (L)	Beneficial owner	58.43	–	24.47

Save as disclosed above, so far as the Directors are aware, there were no other persons or companies who owned any interests or short positions in the shares and underlying shares in issue of the Company that are required to be notified to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or are required to be entered in the register to be kept by the Company under section 336 of the SFO as at 31 December 2015.

## VII. OTHER INFORMATION

### (i) Warrants and others

During the year, neither the Company nor its subsidiaries have issued any warrants, convertible securities, options or other securities with similar rights, nor had any person exercised any right noted above.

### (ii) Public float of H shares

Based on the information that is publicly available to the Company as at the date of this annual report and within the knowledge of the Directors, there was a sufficient public float of the Company's H shares as required under the Listing Rules.

# SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CHANGES IN SHAREHOLDING AND REMUNERATION

Changes in shareholding of current and resigned Directors, Supervisors and Senior Management during the reporting period and remuneration

Unit: share

Name	Position (note)	Gender	Age	Date of appointment	Date of expiry of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in the number of shares held in the year	Reason for change	Total remuneration before tax received from the Company during the reporting period (in RMB ten thousand, before tax, and inclusive of the insurance and housing fund contributions made by the Company)	Whether receiving compensation from related parties of the Company or not
Han Guangde	Chairman Executive Director	Male	54	2014-5-8	2017-5-8	-	-	-	-	89.95	No
Chen Zhongjian	Vice Chairman Executive Director	Male	52	2014-5-8	2017-5-8	-	-	-	-	52.15	No
Xiang Huiming	Executive Director	Male	50	2015-5-8	2017-5-8	-	-	-	-	51.82	No
Zhou Dusheng	Executive Director	Male	60	2014-5-8	2017-5-8	-	-	-	-	89.75	No
Yang Li	Non-executive Director	Male	48	2014-5-8	2017-5-8	-	-	-	-	0	Yes
Wang Guozhong	Non-executive Director	Male	53	2015-5-8	2017-5-8	-	-	-	-	0	Yes
Wang Jun	Non-executive Director	Male	44	2014-5-8	2017-5-8	-	-	-	-	0	Yes
Song Dejin	Independent non-executive Director	Male	59	2014-12-22	2017-5-8	-	-	-	-	17.19	No
Zhu Mingyou	Independent non-executive Director	Male	62	2014-12-22	2017-5-8	-	-	-	-	0	No
Wang Yichu	Independent non-executive Director	Male	57	2015-11-5	2017-5-8	-	-	-	-	3.12	No
Min Weiguo	Independent non-executive Director	Male	51	2015-11-5	2017-5-8	-	-	-	-	3.12	No
Shi Weidong	Deputy general manager Secretary to the Board	Male	49	2014-5-8	2017-5-8	-	-	-	-	76.79	No
Chen Qiongxang	Chief accountant	Male	46	2015-7-29	2017-5-8	-	-	-	-	30.83	No
Ou Guangquan	Chairman of the supervisory committee	Male	49	2015-5-8	2017-5-8	-	-	-	-	0	Yes
Fu Xiaosi	External Supervisor	Male	57	2014-5-8	2017-5-8	-	-	-	-	9	No
Zhu Zhengfu	External Supervisor	Male	52	2014-5-8	2017-5-8	-	-	-	-	9	No
Chen Shaolong	Internal Supervisor	Male	42	2014-5-8	2017-5-8	-	-	-	-	55.2	No
Qin Tinggui	Internal Supervisor	Male	50	2014-5-8	2017-5-8	-	-	-	-	66.12	No
Chen Jingqi	Chairman of the supervisory committee	Male	63	2014-5-8	2015-4-2	3,302	3,302	-	-	15.47	No
Li Junping	Independent non-executive Director	Female	54	2014-5-8	2015-3-18	-	-	-	-	4.2	Yes
Zhu Zhenyu	Independent non-executive Director	Male	55	2014-6-30	2015-11-5	-	-	-	-	14.12	Yes
Liu Huajing	Independent non-executive Director	Male	50	2015-5-8	2015-7-19	-	-	-	-	0	No
Chen Ji	Executive Director	Male	49	2014-5-8	2015-3-18	-	-	-	-	12.85	No
Chen Liping	Executive Director	Male	49	2014-5-8	2015-3-18	-	-	-	-	12.84	No
Jin Lichao	Deputy general manager	Male	49	2014-5-8	2015-7-29	-	-	-	-	30.24	No
Mai Rongzhi	Chief engineer	Male	53	2014-5-8	2015-7-29	-	-	-	-	30.7	No
Chen Weiping	Deputy general manager	Male	42	2014-6-26	2015-7-29	-	-	-	-	31.31	No
Total	-	-	-	-	-	3,302	3,302	-	-	705.77	-

## SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experiences
<b>Director</b>	
Han Guangde	male, aged 54, senior engineer (Professional Level), is currently Chairman of the Company. He graduated from Huazhong University of Science and Technology (華中工學院) in 1983 and joined Guangzhou Shipyard in the same year, and obtained a master degree of industrial engineering administration in 2002. Mr. Han served as section chief and deputy manager of the Second Design Office, deputy section chief, deputy manager, deputy manager, manager of the Shipbuilding Division, and vice general manager, general manager, chairman and party secretary of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), and chairman of Guangzhou CSSC Longxue Construction Development Co., Ltd. (廣州中船龍穴造船有限公司). He is also chairman and party secretary of Guangzhou Shipyard International Company Limited (廣船國際有限公司) and chairman of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司).
Chen Zhongqian	male, aged 52, senior engineer (Professional Level), is currently vice Chairman of the Company. Mr. Chen graduated from Wuhan University of Water Transportation Engineering College (湖北武漢水運工程學院) in 1983 and he joined Wenchong Shipyard in the same year. In 2002, Mr. Chen was awarded a master degree in business administration. Mr. Chen served as section chief, deputy department head and department head of the outfitting department; assistant to the general manager and deputy general manager of Wenchong Shipyard; general manager, party secretary, vice chairman and chairman of Guangzhou Huangpu Shipyard Co., Ltd. (廣州黃埔造船有限公司). He is currently chairman and party secretary of Huangpu Wenchong.
Xiang Huiming	male, aged 50, senior engineer (Professional Level), is currently an executive Director of the Company. He graduated from Huazhong University of Science and Technology 華中理工大學) in 1988 and joined Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司) in the same year, and obtained a master degree in business administration in 2004. He served as engineering head of production section, deputy director of general office, deputy head and manager of enterprise management department, assistant to general manager, deputy general manager, party secretary, general manager of Guangzhou Wenchong Shipyard Co., Ltd.; chairman of Wenchong Shipyard.
Zhou Dusheng	male, aged 60, senior engineer, is currently an executive Director of the Company. Mr. Zhou graduated from Zhenjiang Shipbuilding College (鎮江船舶學院) in 1980, and joined Guangzhou Shipyard (廣州造船廠) in the same year. Later in 2003, he obtained an MBA degree. He served as technician and deputy section chief of Design Office of Guangzhou Shipyard; deputy head of Quality Department of Shipbuilding Business Department, deputy head of Engineering Department of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); vice manager, managing director of Shipbuilding Business Department of Guangzhou Xingshun Shipping Service Co., Ltd. (廣州興順船舶服務有限公司), a subsidiary of the Company; head of the Shipbuilding Management Department, assistant to general manager, vice general manager and general manager of the Company. He is currently general manager of GSI.
Yang Li	male, aged 48, senior engineer, is currently a non-executive Director of the Company. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1991 and joined Guangzhou Shipyard (廣州造船廠) in the same year. He obtained a degree of MBA in 2006. He served section chief of the Material Section, deputy head, head and manager of Ship Operation Department, assistant to general manager, deputy general manager of the Shipbuilding Division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the Finance Department of CSSC. He is currently general manager of CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃公司).
Wang Guozhong	male, aged 53, senior engineer (Professional Level), is currently a non-executive Director of the Company. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1985 and joined the 708 Research Institute of China State Shipbuilding Corporation (中國船舶工業集團公司第七零八研究所), where he served as deputy secretary and secretary of youth league committee, deputy general manager, executive deputy general manager and general manager of Haiqin Company, deputy head of the preparation team of the Military Ship Centre, party secretary, director, deputy chief, deputy director of the Military Industrial Department of CSSC. He is currently deputy chief of the 708 Research Institute of China State Shipbuilding Corporation.
Wang Jun	male, aged 44, economist, is currently a non-executive Director of the Company. He graduated from Wuhan University (武漢大學) in 1993, and joined Guangzhou Shipyard in the same year. He served as vice director and director of the Legal Affairs Office, vice head and head of the Risk Management Department, and chief counsellor of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); deputy director of the Operation Management Department of CSSC. He is currently general manager of CSSC Investment and Development Company Limited (中船投資發展有限公司).

## SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experiences
<b>Director</b>	
Song Dejin	male, aged 59, is currently an independent non-executive Director of the Company. He graduated from the People's Liberation Army Foreign Language School (中國人民解放軍外國語學院), with a major in English. After that, he obtained a doctoral degree in Management Science and Engineering from the Nanjing University of Aeronautics and Astronautics (南京航空航天大學). He also studied International Economic Law in Fudan University (復旦大學). He worked as a translator in Changzhou Semiconductor Plant (常州半導體廠), manager of Changzhou Foreign Economic Technical and Trading (Group) Corporation, and general manager of Changzhou Industry and Trading Co., Ltd. (常州市工貿公司), general manager of the Shanghai Beiguo International Trade Co., Ltd. (上海北國國際貿易公司) of the Department of Domestic Trade, and chairman of Jiangsu Foreign Economic Cooperation Co., Ltd. (江蘇外經合作公司). He is currently a senior advisor and researcher of the International Management Development Centre of the Hong Kong government, a researcher of the Real Estate Research Centre of the Fudan University, the chief advisor of BCD Company of the Chinese Academy of Sciences, and a part-time professor of Nanjing University of Aeronautics and Astronautics.
Zhu Mingyou	male, aged 62, is currently an independent non-executive Director of the Company. He graduated from Zhongnanhai Amateur University, majoring in secretary and Central Party School Correspondence School, majoring in economic management, and obtained a bachelor's degree. He served as a cadre, deputy section chief and section chief of the Central General Office, deputy head of the Secretary Team of the Central Protection Committee (deputy department level), deputy chief of the Secretary Department, chief of the Comprehensive Research Department and inspector at deputy bureau level of the State Secret Administration Bureau, deputy director of the Secret Administration Bureau of the Commission of Science, Technology, and Industry for National Defence, director (legal representative) of the Military Secret Qualification and Certification Centre, head of the Production Safety and Secret Administration Department of the Bureau of Science, Technology, and Industry for National Defence. He retired in 2014. He is currently an executive director of China Confidentiality Association, part-time professor of the Law School of Beijing Institute of Technology, and part-time professor of the Secret Administration School of Harbin Engineering University.
Wang Yichu	male, aged 57, senior accountant, is currently an independent non-executive Director of the Company. He graduated from Jinan University (暨南大學), majoring in accounting in July 1984, and obtained a graduate degree in political economics in 2007. He served as financial accountant of South China No. 2 Sewing Machine Factory (華南縫紉機二廠), financial accountant of Guangzhou Jintong Industrial Co., Ltd. (廣州金通實業有限公司), auditor, department manager, deputy chief accountant of BDO China Guang Dong Shu Lun Pan Certified Public Accountants. He is currently a partner of BDO China Guang Dong Shu Lun Pan Certified Public Accountants (special general partnership).
Min Weiguo	male, aged 51, is currently an independent non-executive Director of the Company. He graduated from Wuhan University with a bachelor's degree in law in June 1987 and obtained a MBA degree in 2005. He served as director of Zhuhai Xiangzhou Economy and Trade Law Firm (珠海市香洲區經貿律師事務所), partner and director of D&S Law Firm (德賽律師事務所) in Guangdong, director of Toronto office of D&S Law Firm, and senior partner of Guangdong Nanguo D&S Law Firm (廣東南國德賽律師事務所). He is currently chief partner of Guangdong Nanguo D&S Law Firm.
<b>Supervisors</b>	
Ou Guangquan	male, aged 49, senior political officer, is currently chairman of the supervisory committee of the Company. He graduated from South China Normal University (華南師範大學) in 1990 and obtained a graduate degree at Guangdong Provincial Party School in 2001. He served as deputy secretary of youth league committee, chairman of labour union, deputy party secretary, deputy plant manager, deputy manager, party secretary of Guangzhou Shipyard Co., Ltd. (廣州造船廠有限公司); chairman of labour union, deputy secretary and secretary of discipline inspection commission, deputy party secretary of Guangzhou Ship Industrial Company (廣州船舶工業公司); deputy director of the Corporate Supervision Department of CSSC. He is currently head of the No.1 Inspection Team at the Party Committee of China State Shipbuilding Corporation (中國船舶工業集團公司).
Fu Xiaosi	male, aged 57, senior accountant with bachelor's degree, Certified Public Accountant, is currently a supervisor of the Company. He graduated from Huazhong University of Science and Technology (華中工學院) in 1986. He served as deputy managing accountant (senior partner) of Zhongqin Wanxin Public Accountants Limited (中勤萬信會計師事務所), chief accountant of Hubei Tri-ring Company Limited (湖北三環股份有限公司), chief accountant of Tri-ring Group. He is currently deputy general manager and chief financial controller of Hubei Jiu Zhi Yang Infrared System Company Limited (湖北久之洋紅外系統股份有限公司) of China Shipbuilding Industry Corporation, independent director of Chigo Holding Ltd. (志高控股有限公司), Hubei Xingfa Chemical Group Co., Ltd. (湖北興發化工集團有限公司) and Xiangyang Automobile Bearing Co., Ltd. (襄陽汽車軸承股份有限公司).

## SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main work experiences
<b>Supervisors</b>	
Zhu Zhengfu	male, aged 52, senior lawyer, doctor, is currently a supervisor of the Company. He graduated from the Law School of Wuhan University (武漢大學) in 1987 and obtained a doctorate degree from the Law School of Wuhan University in 1999. He had served as the director of the Finance & Property Department in Guangdong Economic and Trade Law Firm (廣東經濟貿易律師事務所), partner of Guangdong Dalu Law Firm (廣東大陸律師事務所), deputy officer of Land Law Advisory Services Center of the Department of Land and Resources of Guangdong Province. He is currently director and executive partner of Guangdong Kunlun Law Firm (廣東東方昆侖律師事務所) and independent director of E Fund Management Co., Ltd. (易方達基金管理有限公司), Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司), Poly Real Estate (Group) Co., Ltd. (保利地產(集團)股份有限公司) and Jiangsu Dongguang East-Microelectronics Co., Ltd. (江蘇東光微電子股份有限公司).
Chen Shaolong	male, aged 42, political officer, is currently an internal supervisor of the Company. Mr. Chen graduated from Bohai Shipbuilding Vocational College (渤海船校) in 1995 and Correspondence Course Institute of the Party School of the Central Committee of CPC (中央黨校函授學院) in 2008. Mr. Chen served as member, chief, deputy secretary and secretary of the Youth League, assistant to chairman and vice chairman of the labour union, deputy director of the party committee and affair department, and party secretary and deputy manager of the shipbuilding division of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司). He is currently director of the party committee and affair department and vice chairman of the labour union of Guangzhou Shipyard International Company Limited (廣船國際有限公司).
Qin Tinggui	male, aged 50, senior economist with graduate degree, is currently an internal supervisor of the Company. He graduated from Zhenjiang Shipbuilding College (鎮江船舶學院) in 1988, obtained a graduate degree at Guangdong Provincial Party School majoring in economics in 1997, and obtained a master's degree in law and graduate degree from South China University of Technology (華南理工大學) in 2013. He served as welding technician in assembly plant of Guangzhou Shipyard; deputy section chief of inspection section and section chief of management section in quality department, assistant to director, party secretary of the Shipbuilding Division, deputy head, head and party secretary of the safety protection department; deputy head and party secretary of the materials department; executive members of the labour union of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司); chairman of GLGS (廣利公司). He is currently human resources director and head of human resources department of Guangzhou Shipyard International Company Limited (廣船國際有限公司).
<b>Senior Management</b>	
Shi Weidong	male, aged 49, accountant, is currently deputy general manager of the Company (in charge of administrative affairs) and secretary to the Board. He graduated from Fudan University (復旦大學), Shanghai in 1989, majoring in Global Economics and joined Jiangnan Shipyard (江南製造廠). Later he obtained a master's degree in business administration from China Europe International Business School (中歐工商學院). He served as deputy head of the management office of the finance department of Jiangnan Shipyard (江南造船廠), chief secretary of the share reform office of Jiangnan Shipbuilding Group (江南造船集團), head of the office of board of directors, deputy general manager and secretary to the board of directors of Jiangnan Heavy Industry Co., Ltd. (江南重工股份有限公司), secretary to the board of directors of China State Shipbuilding Co., Ltd. (中國船舶工業股份有限公司), deputy general manager and secretary to the board of directors of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司).
Chen Qiongxiang	male, aged 46, senior accountant, is currently the chief accountant of the Company. He graduated from Harbin Ship Engineering Institute (哈爾濱船舶工程學院) in 1992 and joined Guangzhou Shipyard (廣州造船廠) in the same year. Later he obtained a degree of MBA. He served as accountant at the finance department, assistant to director, deputy director and party secretary of the finance centre of Guangzhou Shipyard International Company Limited (廣州廣船國際股份有限公司), deputy chief accountant of Guangzhou CSSC Huangpu Shipbuilding Co., Ltd. (廣州中船黃埔造船有限公司), chief accountant of Wenchong Shipyard, and chief accountant of Huangpu Wenchong.

## SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### II. POSITIONS OF CURRENT AND THE RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

#### (i) Positions held at shareholder entities

Name	Name of shareholder entity	Position(s) held at Shareholder entities	Date of appointment	Date of expiry of office
Han Guangde	Guangzhou Shipyard Co., Ltd.	Chairman	2014.02	Not applicable
Yang Li	CSSC (Hong Kong) Shipping Company Limited	General manager	2013.09	Not applicable
	Hong Kong Hualian Ship Co., Ltd.	General manager	2013.09	Not applicable
Wang Jun	Operation planning and shareholder matters management department of CSSC	Deputy director	2012.03	2015.04
	CSSC Investment and Development Company Limited	General manager	2015.04	Not applicable
Wang Guozhong	Military industrial department of CSSC 708 Research Institute of CSSC	Deputy director Deputy head	2014.04 2015.05	2015.05 Not applicable
Li Junping	China State Shipbuilding Co., Ltd.	Independent director	2015.03	Not applicable
Zhu Zhenyu	China State Shipbuilding Co., Ltd.	Independent director	2015.03	Not applicable
Ou Guangquan	Guangzhou Ship Industrial Company	Chairman of labour union, secretary of disciplinary committee and deputy party secretary	2012.03	2016.01
	China State Shipbuilding Corporation	Head of No.1 inspection team at the party committee	2016.01	Not applicable
Chen Liping	China State Shipbuilding Corporation	Deputy director of audit department	2015.04	2015.09

## SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### (ii) Positions held at other entities

Name	Name of other entities	Position(s) held at other entities	Date of appointment	Date of expiry of office
Zhu Zhenyu	Shanghai Hongda Auction Co., Ltd.	Executive Director	2010.10	Not applicable
	Shanghai Jiangsu Honghai New Materials Co., Ltd.	Chairman	2013.03	Not applicable
	Shanghai Institute of Certified Public Accountants	Executive director	2005.08	Not applicable
Song Dejin	International Management Development Centre of the Hong Kong government	Senior advisor, researcher	1997.12	Not applicable
	Real Estate Research Centre of Fudan University	Researcher	1999.09	Not applicable
	BCD Company of the Chinese Academy of Sciences	Chief advisor	2006.02	Not applicable
	Nanjing University of Aeronautics and Astronautics	Part-time professor	2009.01	Not applicable
Wang Yichu	BDO China Shu Lun Pan Certified Public Accounts LLP Guangdong Branch	Partner	2012.12	Not applicable
Min Weiguo	Guangdong Nanguo D&S Law Firm	Senior partner, chief partner	2001.01	Not applicable
Li Junping	Dacheng Law Offices	Senior partner	2008.02	Not applicable
Liu Huajing	Goldtrust Water Group Co., Ltd.	Director	2014	Not applicable
Fu Xiaosi	Chigo Holding Ltd.	Independent director	2008.08	Not applicable
	Hubei Jiu Zhi Yang Infrared System Company	Deputy general manager and financial controller	2012.12	Not applicable
	Limited Hubei Xingfa Chemical Group Co., Ltd.	Independent director	2014.05	Not applicable
	Xiangyang Automobile Bearing Co., Ltd.	Independent director	2015.05	Not applicable
Zhu Zhengfu	Kunlun Law Firm	Director, executive partner	1998.01	Not applicable
	E Fund Management Co., Ltd.	Independent director	2013.04	Not applicable
	Guangzhou Daily Media Co., Ltd.	Independent director	2013.06	Not applicable
	Poly Real Estate (Group) Co., Ltd.	Independent director	2014.04	Not applicable
	Jiangsu Dongguang East-Microelectronics Co., Ltd.	Independent director	2014.10	Not applicable

## SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedure for determination of remuneration of directors, supervisors and senior management	<ol style="list-style-type: none"> <li>The Emolument and Examination Committee examines the performance of executive directors, internal supervisors and senior management in the previous year in accordance with the Performance Examination Rules of Senior Management and Remuneration senior management Scheme for Senior Management of the 8th Session of the Board, determines their performance coefficients and performance remunerations, and reports to the Board for consideration and approval.</li> <li>The Emolument and Examination Committee is responsible to issue special annual awards to the executive directors, internal supervisors and senior management in accordance with the market situation, performance result of the Company as well as the total remunerations.</li> </ol>
Basis of determination of remuneration for directors, supervisors and senior management	The remuneration of existing Directors, Supervisors and senior management of the Company has been determined based on the Proposal for Remuneration for the Eighth Session of the Board and Senior Management. According to a resolution passed at the first extraordinary general meeting of the Company for 2015, the remuneration for independent Directors has been adjusted from RMB120,000/year (inclusive of tax) to RMB200,000/year (inclusive of tax).
Information on remuneration payable to directors, supervisors and senior Management	For details, please refer to the section headed "Changes in the shareholding and remuneration of the Directors, Supervisors and Senior Management" in this chapter
Total remuneration actually received by directors, supervisors and senior management at the end of the reporting period	RMB7,057,700

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Xiang Huiming	Director	Elected	Replacement
Wang Guozhong	Director	Elected	Replacement
Wang Yichu	Independent non-executive Director	Elected	Replacement
Min Weiguo	Independent non-executive Director	Elected	Replacement
Liu Huaijing	Independent non-executive Director	Elected	Replacement
Ou Guangquan	Chairman of the supervisory committee	Elected	Replacement
Chen Qiongxian	Chief accountant	Appointed	Work
Chen Ji	Director	Resigned	Work
Chen Liping	Director, chief accountant	Resigned	Work
Zhu Zhenyu	Independent non-executive Director	Resigned	Work
Li Junping	Independent non-executive Director	Resigned	Work
Liu Huaijing	Independent non-executive Director	Resigned	Personal reason
Chen Jingqi	Chairman of the supervisory committee	Resigned	Retired
Zhou Dusheng	General manager	Resigned	Work
Jin Lichao	Deputy general manager	Resigned	Work
Mai Rongzhi	Chief engineer	Resigned	Work
Chen Weiping	Deputy general manager	Resigned	Work



# SECTION VII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## V. DIRECTORS' AND SUPERVISORS' INTEREST

As at 31 December 2015, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and/or debentures (as applicable) of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held by such Directors or chief executive under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name	Capacity	Number of shares held	Class of shares held	Percentage of share held in relevant class	Percentage of total issued share capital
Chen Jingqi	Beneficial owner	3,302	A shares	0.0004%	0.0002%

Save as disclosed above, none of the Directors, Supervisors and chief executive of the Company has any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interest and/or short position taken or deemed to be held under the relevant provisions of the SFO), or are required to be recorded in the register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers.

## VI. INFORMATION ON THE EMPLOYEES OF THE COMPANY AND MAJOR SUBSIDIARIES

### (i) Information of employees

Number of employees in Company	21
Number of employees in major subsidiaries	7,265
Total number of employees	7,286
Number of retired employees whose expenses are borne by the company and major subsidiaries	8,900

#### Staff (By function)

Type of function	Number (person)
Manufacturing staff	2,766
Marketing staff	71
Technical staff	2,339
Financial staff	101
Administrative staff	1,682
Other staff	327
Total	7,286

#### Staff (By education level)

Type of education level	Number (person)
Vocational Education or below	2,615
College Education	1,396
Bachelor Education	3,065
Graduate Education or above	210
Total	7,286

### (ii) Remuneration policy

The remuneration of the employees of the Company and its subsidiaries includes salary, bonus, and other welfare programs required by the government. Subject to applicable PRC laws and regulations, the Group has implemented a performance-based salary system taking into account the position and performance of each employee.

### (iii) Training plan

The Company and its subsidiaries have formulated training plans for implementation in view of changes in strategic development and product structure and the needs of staff development. Through arranging all staff to participate in learning all kinds of business knowledge and comprehensive improvement of their integrated quality and position competence, human resources have been provided to support effective operation of the Company.

### (iv) Information of labour service outsourcing

Total working hours of labour service outsourcing	27,322,777 hours
Total remuneration paid for labour service outsourcing	RMB2,373,052,000

### I. INFORMATION ON CORPORATE GOVERNANCE

#### (i) Corporate governance

The Company always strictly conforms to the Company Law of the PRC and the Securities Law of the PRC, relevant regulations issued by the China Securities Regulatory Commission and the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by continuously improving its corporate governance structure and standardizing its operations. The Company has adopted the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange (the "CG Code") as the corporate governance code of the Company. During the reporting period, the Company has strictly observed the provisions of the CG Code and certain recommended best practices set out in the CG Code.

In respect of change of name of the Company and future business development of the Group and in order to comply with the requirements of the Hong Kong listing rules and the Shanghai listing rules and other relevant rules, the Company revised its articles of association twice in 2015. For details of amendments to the articles of association of the Company, please refer to the circulars of the Company dated 17 April 2015 and 10 December 2015.

#### **Board of Directors**

The Board consists of 11 directors, including 4 executive directors, 3 non-executive directors and 4 independent non-executive directors. Members of the Board have different industry backgrounds with expertise in corporate management, finance and accounting, investment and strategy, offshore engineering and equipment and legal affairs, etc. Details of the members of the Board are set out in the section headed "Directors, supervisors, senior management and employees" in this report.

On the diversity of Board members, the Company fully understands the benefits of diversity of Board members to its development and has adopted a Board diversity policy. It has further enriched the composition of the Board members at the re-election of a new session of the Board. The current composition of the Board members reflects differentiation and diversification in various aspects such as expertise, industry experience, age, gender, qualification and background.

The Board reports to shareholders' general meetings, fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board Meetings" within its terms of reference as stipulated in the Articles of Associations. The Board also monitors the implementation of the Group's operation management and its financial performance, makes recommendations on the appointment of directors, and decides on important contracts and trading, as well as other important policies and financial matters. The Board has delegated daily responsibilities to executive directors and senior management. The management makes recommendations on the Company's daily operation and management. The positions of chairman and general manager of the Company are occupied by different persons in order to ensure the independence of the decision-making of the Board, and the daily operation and management activities of the management. Chairman of the Company is Mr. Han Guangde, who is mainly responsible for leading the Board in the development of overall development strategies of the Company and ensuring that the Board operates effectively in performing its duties, establishing sound corporate governance system and practices and that the Board acts in the best interests of the Company and its shareholders as a whole. Mr. Zhou Dusheng resigned as general manager due to other business commitment during the reporting period, and Mr. Shi Weidong, deputy general manager, is temporarily responsible for administrative affairs of the Company, including implementing the resolutions passed by the Board, establishing basic management rules and making decisions in respect of daily operation of the Company.

In 2015, the Company held a total of 12 Board meetings, including 2 on-site meetings and 10 meetings held by communication equipment, released 4 regular reports and 66 temporary announcements, transfer related information to the market as operation conditions, market conditions and important meeting decision, assets acquisition, investment and disposal and connected transaction in a timely manner. All resolutions considered and approved on the Board meetings during the year 2015 were decided by the general manager of the Company before submitted to the Board of directors for discussion, and opinions from leadership were also listened. No fault has been made in respect of the announcements disclosed in respect of resolutions considered and approved at the Board meetings during the year. The decision-making procedures and the relevant decisions are in compliance with the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Articles of Association and the requirements of applicable laws and regulations, and the resolutions passed are legal and valid.

The dates of periodic Board meetings each year are determined in advance, and the notice of periodic meetings is given 10 days prior to the meeting, while the notice of extraordinary meetings is given in reasonable time, so that more directors can attend the meeting. The secretary to the Board assists the chairman in preparing agenda of meetings and ensuring the observance of all applicable rules and regulations. The agenda, and attached documents of the Board are generally sent to all directors at least 7 days before the periodic Board meetings (if feasible, it is applicable to other Board meetings). The secretary to the Board is responsible for recording and maintaining the minutes and related meeting documents of the Board and committees thereunder, which are available for the directors' inspection at any time. Minutes reflects the information of review and voting, and directors' opinions at the meeting objectively and in detail, and is confirmed by each attending director by signing. When considering connected transactions, the connected directors abstained from voting.

Each director has the right to inspect the documents of the Board and related data, and to seek opinions and services from the secretary to the Board. The Board and each director may contact the Company's senior management individually and independently.

The Board reviews internal control once annually in order to ensure the effectiveness of its internal control system.

### **Directors**

The executive directors are appointed for a term of three years, and may offer themselves for re-election after the terms expired. Term of service for non-executive directors (including independent non-executive directors) is three years and is renewable. Executive directors are eligible for re-election subject to a maximum of six consecutive years. There is no relationship among Board members, including financial, operational, family or other relevant material relations.

Through the secretary to the Board, all directors can obtain timely information and updates relating to statutory, regulatory and other ongoing obligations that directors of a listed company must comply with, ensuring the directors' understanding of their duties and duly implementation of procedures for the Board in compliance with applicable laws and regulations.

The Company has strictly complied with the relevant restrictive provisions imposed by Hong Kong and PRC regulatory organizations in relation to securities transactions by directors, supervisors and senior management. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code of conduct for the securities trading of shares by the Company's directors. The Company has made specific inquiries of all directors and supervisors and they have confirmed that they have fully complied with the Model Code, and have not traded in the shares of the Company during the period before the publication of price-sensitive information such as periodic reports, announcements, profit warning, and other significant events announcements in 2015.

The Company has received the annual confirmations of Song Dejin, Zhu Mingyou, Wang Yichu and Min Weiguo on independence, who considered that they remained independent of the Company as at the date of this report.

The directors have confirmed that they have the responsibility to prepare the annual financial statements for the year ended 31 December 2015 in order to give a true and fair view of the Company and the Group's financial position and results of operations.

The Company encourages directors, supervisors and senior management to take part in the overall and professional development and learning on related listing rules and code on corporate governance practices organized by the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and The Hong Kong Institute of Chartered Secretaries, arranged directors and supervisors to receive periodic trainings for directors and supervisors. Through the "monthly management update" summarizing key points for securities regulation, it also arranged internal training sessions for members of the Board of Directors and organized trainings on inside information and how to deal with media, in order to enable the directors, supervisors and senior management to continuously update and further improve related knowledge and skills.

During the reporting period, Mr. Shi Weidong and Mr. Li Zhidong, joint secretaries of the Company, have duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules and satisfied the requirement of 15 hours of training per year.

In addition, during the reporting period, Mr. Liu Huaijing, an independent non-executive director of the eighth session of the Board, resigned as independent non-executive director of the Company due to family reason on 19 July 2015. The Company failed to comply with Rule 3.10A for the three-month period permitted by Rule 3.11 of the Listing Rules. Mr. Wang Yichu and Mr. Min Weiguo were elected independent non-executive directors of the Company at the second extraordinary general meeting of the Company for 2015. As such, the Company has been again in compliance with Rule 3.10(1) of the Listing Rules which prescribes that there shall be at least three independent non-executive directors and Rule 3.10A of the Listing Rules which prescribes that at least one-third of the board of directors shall comprise independent non-executive directors since 5 November 2015. In addition, the Company has received annual confirmation of independence issued by each independent non-executive director in accordance with Rule 3.13 of the Listing Rules. As such, the Company considers that all independent non-executive directors have complied with the independence requirement under the Listing Rules.

## SECTION VIII CORPORATE GOVERNANCE

During the reporting period, the existing and resigned directors of the Company are as follows:

Name of Directors	Term of office
Han Guangde Chen Zhongqian Xiang Huiming Zhou Dusheng Yang Li	Appointed as executive Director on 8 May 2015
Wang Guozhong Wang Jun Song Dejin Zhu Mingyou	Appointed as non-executive Director on 8 May 2015
Wang Yichu Min Weiguo Li Junping	Appointed as independent non-executive Director on 5 November 2015 Appointed as independent non-executive Director on 5 November 2015 Appointed as independent non-executive Director on 8 May 2014 and resigned on 18 March 2015
Zhu Zhenyu	Appointed as independent non-executive Director on 30 June 2014 and resigned on 5 November 2015
Liu Huaijing	Appointed as independent non-executive Director on 8 May 2015 and resigned on 19 July 2015
Chen Ji	Appointed as executive Director on 8 May 2014 and resigned on 18 March 2015
Chen Liping	Appointed as executive Director on 8 May 2014 and resigned on 18 March 2015

### (ii) Specialized committees under the board

The Board has set up four specialized committees. The Board selects and appoints members of each committee by taking into account the expertise and experience of each director so that each committee can carry out its functions with high efficiency. Each committee has established a work team to assist the committee's work. The Company's directors and specialized committees under the Board have the right to appoint an independent professional institution to provide services for them at the expense of the Company, in order to facilitate their performance of functions and duties in view of business needs.

Specialized committee	Role	Name of director	Position	Numbers of committee meetings that should be attended	Numbers of attendance in person at committee meetings
<b>Audit Committee</b>	Chairman	Wang Yichu	Independent non-executive Director	0	0
	Member	Wang Jun	Non-executive Director	4	4
	Member	Song Dejin	Independent non-executive Director	0	0
	Former chairman	Zhu Zhenyu	Independent non-executive Director	4	4
	Former member	Li Junping	Former independent non-executive Director	4	4
<b>Nomination Committee</b>	Chairman	Zhu Mingyou	Independent non-executive Director	2	2
	Member	Yang Li	Non-executive Director	2	2
	Member	Min Weiguo	Independent non-executive Director	0	0
	Former chairman	Li Junping	Former independent non-executive Director	1	1
<b>Emolument and Examination Committee</b>	Chairman	Song Dejin	Independent non-executive Director	1	1
	Member	Wang Yichu	Independent non-executive Director	0	0
	Member	Zhu Mingyou	Independent non-executive Director	1	1
	Former member	Chen Liping	Former executive Director	0	0
<b>Strategic Committee</b>	Chairman	Han Guangde	Chairman	0	0
	Member	Zhou Dusheng	Executive Director	0	0
	Member	Xiang Huiming	Executive Director	0	0
	Member	Chen Zhongqian	Executive Director	0	0
	Member	Wang Guozhong	Non-executive Director	0	0
	Former member	Chen Ji	Former executive Director	0	0
	Former member	Chen Liping	Former executive Director	0	0

### 1. **Audit Committee**

The principal responsibility of the Audit Committee is assisting the Board in reviewing the financial reporting procedures, the effectiveness of the internal control and risk management system, monitoring the audit procedures, making normal and transparent arrangements for maintaining proper relationship with the Company's auditor, and communicate with internal audit department and external auditors independently.

In 2015, the Audit Committee held four meetings to hear the financial reports, financial positions and internal control self-review reports for 2014, the first quarter of 2015, the first half of 2015 and the third quarter of 2015 presented by the management, the work team and the auditors. After thorough discussion, it made resolutions on these matters and reported the matters to the Board of Directors on a timely basis.

In addition, in accordance with the Implementation Rules for the Audit Committee, the Audit Committee communicated timely with the auditors, reviewed the financial statements of 2015 prepared by the Company before and after the auditors visits the Company and after the auditors have prepared their reports and formed a written opinion. When submitting the financial reports to the Board of Directors, the Audit Committee will also submit a report on the audit work done by the auditors for the year and submit a resolution in relation to re-appointment or change of auditors for the next year.

### 2. **Nomination Committee**

The Nomination Committee of the 8th Session of the Board held two meetings, and it is principally responsible for selecting the candidates for the directors and managers, determining selection criterion and procedures and making recommendations to the Board on the selection standard and process of the directors and managers.

In 2015, the Nomination Committee passed: (1) the Proposal in relation to the Appointment of Certain Directors of the Eighth Session of the Board of the Company; (2) the Proposal in relation to the Nomination of Candidates for Independent Non-executive Directors of the Eighth Session of the Board of the Company; and (3) the Proposal in relation to the Nomination of Chief Accountant of the Company. Each nomination is subject to the consideration and approval of the Board of Directors and the shareholders at a general meeting (if required).

### 3. **Emolument and Examination Committee**

The Emolument and Examination Committee is responsible for developing assessment standards for senior management, carrying out assessment and making recommendations, as well researching and reviewing the emolument policies and programs for senior management.

The Emolument and Examination Committee held a meeting on 15 February 2015, at which the proposal on adjustment to basic salary factors of senior management and determination of performance grade and performance incentive system for senior management was considered. The above matters have been submitted to the Board for approval.

### 4. **Strategy Committee**

The Strategy Committee is responsible for the review of the strategic development of the Company, and implements the strategic planning of the Company and monitors the execution of the strategic planning, and timely adjusts the strategic and governance structure of the Company.

### (iii) **Corporate governance function**

The Board is responsible for corporate governance functions collectively, including:

- Formulating, considering and analyzing the Company's corporate governance policy, principle, convention, practice and process, comparing them with the regulations of all guidelines ("Guidelines") formulated by all competent regulatory bodies from time to time, and making recommendations on improvement;
- Suggesting necessary changes to the Board in order to respond to and meet the requirements of the Guidelines;
- Reviewing and monitoring the Company's policies and practices for observing laws and supervisory regulations;
- Reviewing the Company's internal policies annually;
- Examining and monitoring the training and sustained professional development of directors and senior management;
- Developing, examining and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;
- Reviewing the Company's compliance with applicable laws and rules for corporate governance, (including but not limited to) the CG Code, as well as the requirements of the China Securities Regulatory Commission on corporate governance, and the Company's disclosure on the corporate governance in its annual reports and interim reports.

### II. SHAREHOLDERS AND GENERAL MEETINGS

The Board endeavors to maintain on-going communication with shareholders and considers the annual general meeting as a major opportunity to keep contact with shareholders. All shareholders holding shares of the Company are entitled to attend general meetings.

The Company holds annual general meeting each year and issues the notice and shareholders' circular at least 45 days and 20 business days before an annual general meeting respectively, which contains details of the matters for consideration at the meeting and the voting procedures. Separate resolutions are proposed at the general meeting and voted on by way of poll on each separate issue, including the election of individual directors. The chairman of the Board attends and presides over the general meeting and arranges for representatives of independent non-executive directors and the management of the Company to answer questions raised by shareholders at the meeting. The voting method and procedures at general meetings are set out in the Articles of Association and the Rules of Proceedings for General Meetings, contained in the shareholders' circular and explained at the meeting. For information of directors' attendance at general meetings, please refer to the information of directors' attendance at Board meetings and general meetings.

#### (i) Policy on Communication with Shareholders

The Company has established the following channels to maintain continuing communication with shareholders:

1. The Company's corporate communications published in printed form and available for inspection at the websites of the Hong Kong Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([comec.cssc.net.cn](http://comec.cssc.net.cn)), such as annual report, interim report and circular;
2. Announcement made periodically through The Stock Exchange of Hong Kong Limited, and set out at the websites of the Hong Kong Stock Exchange and the Company respectively;
3. The Company's information and the Articles of Association are available at the Company's website;
4. Board members (in particular the chairmen or their representatives of each specialized committee under the Board), proper administrative personnel and external auditors will attend the annual general meeting and answer shareholders' questions; and
5. In case of any doubt about the shares held by them, shareholders may bring forward such questions to the Company's share registrar (H Shares) or securities business department (A Shares) making transaction rules.

#### (ii) Shareholders' Rights

##### *Ways for shareholders to convene extraordinary general meeting*

Two or more shareholders holding more than 10% (including 10%) shares with voting rights issued by the Company in total shall have the right to propose the convening of extraordinary general meeting, and should make the proposal in writing to the Board.

The Board shall give a written reply on whether or not to agree with the proposal on convening extraordinary general meeting as soon as possible and in any event within 10 days after receiving the request in accordance with the requirements of laws, administrative rules and the Articles of Association.

If the Board agrees with the proposal on convening extraordinary shareholders' meeting, the Board shall give a notice on convening general meeting within 30 days after receiving the written request, and any alteration of the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree with the proposal on convening extraordinary general meeting, or if it fails to give a reply within 10 days after receiving the request or fails to give a notice on convening general meeting within 30 days after receiving the written request, the shareholders making the proposal may convene general meeting within four months after the Board receives the request, and the convening procedures shall, to the extent possible, be the same as that for the Board to convene general meeting.

In case shareholders convene general meeting themselves, they shall notify the Board in writing, and shall report to the local branch of the China Securities Regulatory Commission and the stock exchange of the jurisdiction where the Company is located.

The necessary expenses for general meeting convened by shareholders shall be borne by the Company.

### ***Procedures for shareholders to raise inquiry to the Board and related information***

After making a reasonable payment, shareholders have the right to inspect and obtain related information in accordance with the Company's Articles of Association, including:

1. All registers of shareholders;
2. Personal information of the Company's directors, supervisors, managers and other members of senior management;
3. The Company's share capital and bonds register;
4. The report on the total book value, quantity, highest price and lowest price of each class of its own shares repurchased by the Company since the end of the previous fiscal year, and the total expenses paid by the Company for purchasing such stocks;
5. Minutes of general meetings, resolutions passed at Board meetings, resolutions passed at meetings of the Supervisory Committee, and financial and accounting reports.

In order to make enquiries about/inspect the aforesaid related information or requesting documents, shareholders shall make the request through the Company's address in Mainland China (40 South Fangcun Main Road, Liwan District, Guangzhou, the People's Republic of China) or Hong Kong (54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong), and provide the Company with written documents evidencing the class and number of shares of the Company held by them. After checking and verifying shareholders' identity, the Company will provide related information or documents.

### ***Procedures for putting forward proposals at general meeting***

At a general meeting, shareholders holding more than 5% (including 5%) of the Company's shares with voting rights shall have the right to put forward new proposals in writing to the Company at least 10 days before the general meeting. Within 2 days after receiving the proposal, the Company shall give a supplementary notice on general meeting stating the contents of the proposal, and shall include matters within the responsibility scope of general meeting in the agenda of this meeting.

All shareholders who appear on the shareholders register on the record date shall have the right to attend in person or by one or more proxies, who need not to be shareholders, and vote at the general meeting. Shareholders and their proxies shall have the right to speak and vote at the general meeting.

### **(iii) The Company's Independence from the Controlling Shareholder**

During the year 2015, the controlling shareholder of the Company had never been involved in any acts of bypassing the general meeting or interfering, whether directly or indirectly, with the Company's decision-making or operation. The Company and the controlling shareholder are independent of each other in terms of personnel, assets, finance, organization and business.

All business dealings with Longxue Shipbuilding have been conducted pursuant to the requirements in respect of connected transactions. The connected transactions between the Company and CSSC were carried out in strict compliance with the listing rules of the relevant stock exchanges with the prior approval of independent non-executive directors and were reviewed by the Audit Committee. For material connected transactions, independent financial advisors were appointed to express their opinions. It is the policy of the Company and CSSC to conduct monthly monitoring of connected transactions and report to the Board of Directors on a monthly basis. The total value of continuing connected transactions in 2015 did not exceed the cap approved at general meetings.

(iv) **General meetings**

<b>Meeting</b>	<b>Date of holding</b>	<b>Index for details on websites designated for publishing resolutions</b>	<b>Date of Disclosure</b>
2014 annual general meeting	2015.04.08	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2015.04.08
First extraordinary general meeting for 2015	2015.05.08	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2015.05.08
Second extraordinary general meeting for 2015	2015.11.05	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2015.11.05
Third extraordinary general meeting for 2015	2015.12.29	Website of the Shanghai Stock Exchange, announcement on the website of the Stock Exchange, website of the Company	2015.12.29

**Information on general meetings**

1. Annual general meeting for 2014: at which the report of the Board for 2014, the report of the Supervisory Committee for 2014, the auditor's report for 2014, the full text of annual report for 2014, and the profit distribution proposal for 2014 were considered.
2. First extraordinary general meeting for 2015: the resolution on change of the Company's name, the resolution on amendments to the Articles of Association, the resolution on proposed grant of general mandate to the Board for issuing additional H shares, the resolution on adjustment to the remuneration of the eighth session of the Board, the resolution on electing Directors, the resolution on electing independent Directors and the resolution on electing Supervisors of the Company were considered.
3. Second extraordinary general meeting for 2015: the resolution on the supplemental agreement between the Company and CSSC to the framework agreement in relation to continuing connected transactions for 2014 to 2016, the resolution on adjustment to shareholding by the Company in certain subsidiaries, the resolution on transfer of equity interest in Guangzhou Shipyard Shipping Co., Ltd., the resolution on the proposed provision of guarantee between the Company and its subsidiaries and relevant cap for 2015, the resolution on appointment of auditor for the financial report for 2015, and the resolution on election of independent non-executive Directors of were considered.
4. Third extraordinary general meeting for 2015: the resolution on amendments to the Articles of Association and the resolution on transfer of assets of the Company to GSI were considered.



## III. PERFORMANCE OF DUTIES BY DIRECTORS

### Attendance of Directors at Board meetings and general meetings

Director Name	Independent or not	Attendance at Board meetings					Absence from two consecutive meetings or not	Attendance at general meetings
		Required attendance during the year	Attendance in person	Attendance by communication equipment	Attendance by proxy	Number of absence		
Han Guangde	No	12	2	10	0	0	No	4
Chen Zhongqian	No	12	1	10	1	0	No	0
Xiang Huiming	No	7	0	7	0	0	No	2
Zhou Dusheng	No	12	2	10	0	0	No	3
Yang Li	No	12	1	10	1	0	No	0
Wang Guozhong	No	12	2	10	0	0	No	2
Wang Jun	No	12	2	10	0	0	No	1
Song Dejin	Yes	12	2	10	0	0	No	2
Zhu Mingyou	Yes	12	2	10	0	0	No	3
Wang Yichu	Yes	2	0	2	0	0	No	2
Min Weiguo	Yes	2	0	2	0	0	No	2
Zhu Zhenyu	Yes	9	2	7	0	0	No	2
Li Junping	Yes	5	2	3	0	0	No	0
Chen Ji	No	5	2	3	0	0	No	1
Chen Liping	No	5	2	3	0	0	No	1
Liu Huaijing	Yes	0	0	0	0	0	No	1
Number of Board meetings during the year					12			
Including: number of meetings convened on-site					2			
Number of meetings convened by communication equipment					10			
Number of meetings convened both on-site and by communication equipment					0			

## IV. MAJOR COMMENTS AND SUGGESTIONS PROPOSED BY THE COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD. DETAILS OF ANY OBJECTIONS SHALL BE DISCLOSED

In reviewing the Company's regular reports, the Audit Committee recommended that: given the method of calculating completion progress of shipbuilding contracts of the Company has not been updated for far, the committee recommended that the Company should revise such calculation method for completion progress of shipbuilding contracts upon completion of the injection of assets of Huangpu Wenchong.

## V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

During the reporting period, no risk had been identified by the Supervisory Committee in monitoring the operation of the Company.

## VI. ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the reporting period, the Company assessed the performance of its senior management through annual KPI. It conducted annual assessment in accordance with the Detailed Rules for Assessment of Performance of the Eighth Session of the Board and Senior Management. The Company has not established a long-term incentive mechanism for senior management yet.

## VII. WHETHER INTERNAL CONTROL SELF-ASSESSMENT REPORT IS DISCLOSED

For details, please refer to the internal control self-assessment report of the Company for 2015 disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 24 March 2016.

### VIII. OTHER – INFORMATION ON REGISTRATION AND MANAGEMENT OF INSIDERS

The Company established the Insiders Registration and Management System in 2011, which mainly includes: (1) re-submitting the list of insiders in view of organizational adjustment; (2) strengthening the registration and management of insiders delivering information externally, and requiring confidentiality prompt; and (3) conducting the registration of insiders who carry out investors' investigation.

The Company is not aware of any trading in the shares of the Company by any director, supervisor, member of senior management or any other persons with access to inside information using inside information before the disclosure of material price-sensitive information of the Company such as its regular reports and information on major assets restructuring.

### IX. CONCLUSION

The Board of Directors of the Company considers that, raising the level of corporate governance is not just for applying and observing the CG Code, but also for pushing forward and developing moral and sound corporate culture. The Company will strive to constantly review and improve its practices at appropriate time by monitoring the changes and developments based on its own experience. In addition, shareholders are welcome to bring forward any opinions and recommendations in order to promote and improve the transparency of corporate governance.

### I. INTERNAL CONTROL RESPONSIBILITY STATEMENT

The Board of the Company is responsible for establishing and improving sound and effective internal control in accordance with the requirements for corporate internal control rules and system, assessing its effectiveness and issuing an internal control assessment report which gives a true and fair view. The Supervisory Committee monitors the Board's establishment and implementation of internal control. The managers are responsible for organising and leading day-to-day operation of internal control within the Group. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that there are no false or misleading statements in this report and severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the contents of this report.

The goal of internal control of the Company is to provide reasonable assurance about the operation and management of the Company in compliance with laws and regulations, the safety of its assets and the truthfulness and completeness of the financial report and related information, to improve its operational efficiency and effectiveness, and to facilitate the realization of its development strategy. Due to the inherent limitations of internal control, reasonable assurance can be provided for the fulfilment of above objectives only. In addition, as circumstance changes, internal control may become inappropriate or the level of compliance with the internal control and procedures may be lowered, and there is risk about the estimates of the effectiveness of future internal control based on the results of internal control assessment.

Whether internal control self-assessment report is disclosed: Yes

### II. INFORMATION ON INTERNAL CONTROL AUDIT REPORT

ShineWing has conducted independent audit of the effectiveness of the Company's internal control for 2016 and issued an internal control audit report without qualifying opinions. For details, please refer to the internal control audit report of the Company disclosed on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 24 March 2016.

### III. ACCOUNTABILITY SYSTEM FOR SIGNIFICANT ERRORS IN ANNUAL REPORT AND ITS IMPLEMENTATION

The Information Disclosure Management System of the Company set out the rules for accountability for significant errors in its annual reports, which stipulate that Directors, Supervisors, senior management and other staff involved in the disclosure of information in its annual reports shall be held responsible for any significant errors in information disclosed in its annual reports arising from their violation of relevant laws and regulations, regulatory document and rules of the Company or failing to perform their duties with due diligence or at all in accordance with the system. There were no significant errors in the annual report of the Company during the reporting period.



信永中和會計師事務所

ShineWing  
certified public accountants

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XYZH/2016BJA100102

## TO THE MEMBERS OF CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

We have audited the accompanying financial statements of CSSC Offshore & Marine Engineering (Group) Company Limited (the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2015; and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in equity for the year then ended, and the notes thereto.

### 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

### 2. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2015, and the consolidated and the Company's results of operation; and the consolidated and the Company's cash flows for the year then ended, in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

**Chinese Certified Public Accountant: Liang Xiaoyan**

**Chinese Certified Public Accountant: Zhao Xueping**  
24 March 2016

ShineWing Certified Public Accountants  
Beijing, PRC

# CONSOLIDATED BALANCE SHEET

As at 31 December 2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
<b>Current assets:</b>			
Cash and cash equivalents	1	<b>17,664,365,754.92</b>	16,726,702,642.38
Transaction settlement funds		-	-
Loans to other banks		-	-
Financial assets at fair value through profit and loss	2	<b>13,063,411.11</b>	17,905,895.15
Derivative financial assets		-	-
Notes receivable	3	<b>21,097,180.25</b>	27,283,280.83
Accounts receivable	4	<b>1,709,967,395.06</b>	718,056,504.75
Prepayments	5	<b>2,515,258,065.45</b>	2,882,805,966.38
Insurance premium receivable		-	-
Reinsurance premium receivable		-	-
Reserves for reinsurance contract receivable		-	-
Interest receivable	6	<b>192,335,788.34</b>	262,827,435.66
Dividends receivable	7	<b>635,116.05</b>	721,976.56
Other receivables	8	<b>694,376,182.24</b>	328,144,005.96
Financial assets purchased with agreement to re-sale		-	-
Inventories	9	<b>10,742,673,543.44</b>	8,342,108,150.38
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets	10	<b>845,000,000.00</b>	50,500,000.00
<b>Total current assets</b>		<b>34,398,772,436.86</b>	29,357,055,858.05
<b>Non-current assets:</b>			
Loans and advances to customers		-	-
Available-for-sale financial assets	11	<b>19,268,341.89</b>	14,426,737.16
Held-to-maturity investments		-	-
Long-term receivables	12	<b>356,141,245.87</b>	369,117,924.41
Long-term equity investments	13	<b>78,062,223.23</b>	82,455,679.64
Investment properties	14	<b>23,508,788.00</b>	24,137,500.16
Fixed assets	15	<b>10,533,735,083.01</b>	9,771,523,029.05
Construction in progress	16	<b>731,737,560.48</b>	809,764,544.77
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	17	<b>2,056,652,662.93</b>	2,056,507,030.08
Research and development expenses	18	-	-
Goodwill		-	-
Long-term deferred expenses	19	<b>20,711,576.42</b>	17,453,675.02
Deferred tax assets	20	<b>477,364,386.52</b>	733,657,109.09
Other non-current assets	21	<b>300,000,000.00</b>	505,000,000.00
<b>Total non-current assets</b>		<b>14,597,181,868.35</b>	14,384,043,229.38
<b>Total assets</b>		<b>48,995,954,305.21</b>	43,741,099,087.43

Legal Representative: Han Guangde

Accounting Director: Chen Qiongliang

Accounting Manager: Hou Zengquan

# CONSOLIDATED BALANCE SHEET

As at 31 December 2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans	22	<b>6,746,671,403.20</b>	7,150,873,869.57
Borrowings from central bank		-	-
Receipt of deposits and deposits from other banks		-	-
Loans from other banks		-	-
Financial liabilities at fair value through profit and loss	23	<b>181,241,917.70</b>	56,475,710.29
Derivative financial liabilities		-	-
Notes payable	24	<b>2,364,995,314.53</b>	2,165,483,743.47
Accounts payable	25	<b>6,735,387,372.25</b>	5,231,961,857.57
Advance from customers	26	<b>627,518,169.05</b>	1,173,880,958.53
Funds from selling out and repurchasing financial assets		-	-
Fee and commission payable		-	-
Employee benefits	27	<b>35,838,830.14</b>	46,080,312.09
Taxes payable	28	<b>-1,122,743,774.34</b>	-311,783,190.54
Interest payable	29	<b>21,533,573.71</b>	46,368,757.24
Dividends payable	30	<b>256,103,771.17</b>	177,721.77
Other payables	31	<b>245,194,170.01</b>	245,383,148.57
Reinsurance accounts payable		-	-
Reserves for insurance contracts		-	-
Brokerage for trading securities		-	-
Brokerage for consigning securities		-	-
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year	32	<b>1,777,500,000.00</b>	1,799,060,757.83
Other current liabilities	33	<b>12,090,184,240.88</b>	9,929,067,940.06
<b>Total current liabilities</b>		<b>29,959,424,988.30</b>	27,533,031,586.45
<b>Non-current liabilities:</b>			
Long-term loans	34	<b>6,690,567,600.00</b>	5,620,471,388.68
Bonds payable		-	-
Among which: Preferred shares		-	-
Perpetual bonds		-	-
Long-term payables		-	-
Long-term employee salary payable	35	<b>286,730,158.80</b>	286,692,732.20
Special payables	36	<b>984,839,744.58</b>	867,339,744.58
Estimated Liabilities	37	<b>443,104,113.90</b>	573,268,434.40
Deferred income	38	<b>260,320,055.21</b>	149,269,700.92
Deferred tax liabilities	20	<b>2,310,530.93</b>	3,069,736.73
Other non-current liabilities		-	-
<b>Total non-current liabilities</b>		<b>8,667,872,203.42</b>	7,500,111,737.51
<b>Total liabilities</b>		<b>38,627,297,191.72</b>	35,033,143,323.96

# CONSOLIDATED BALANCE SHEET

As at 31 December 2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Ending balance	Beginning balance
<b>Owner's equity</b>			
Share capital	39	<b>1,413,506,378.00</b>	1,030,534,651.00
Other equity instruments		-	-
Among which: Preferred shares		-	-
Perpetual bonds		-	-
Capital reserves	40	<b>6,867,585,222.21</b>	5,421,591,956.64
Less: Treasury shares		-	-
Other comprehensive income	41	<b>-60,166,725.82</b>	-45,284,836.15
Specific reserves	42	-	1,439,966.32
Surplus reserves	43	<b>943,767,421.48</b>	943,767,421.48
Reserve for ordinary risk		-	-
Retained earnings	44	<b>1,153,355,946.59</b>	1,310,184,662.42
<b>Total equity attributable to shareholders of the Company</b>		<b>10,318,048,242.46</b>	8,662,233,821.71
Non-controlling interest	45	<b>50,608,871.03</b>	45,721,941.76
<b>Total shareholder's equity</b>		<b>10,368,657,113.49</b>	8,707,955,763.47
<b>Total liabilities and shareholder's equity</b>		<b>48,995,954,305.21</b>	43,741,099,087.43

Legal Representative: Han Guangde

Accounting Director: Chen Qiongxiang

Accounting Manager: Hou Zengquan

# BALANCE SHEET OF THE COMPANY

As at 31 December 2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
<b>Current assets:</b>			
Cash and cash equivalents	1	<b>3,725,827,025.99</b>	6,703,553,411.25
Financial assets at fair value through profit and loss	2	<b>1,597,147.55</b>	13,007,994.71
Derivative financial assets		-	-
Notes receivable	3	<b>311,119.00</b>	2,700,000.00
Accounts receivable	4	<b>677,468,227.95</b>	414,520,890.74
Prepayments	5	<b>3,223,652,503.90</b>	2,627,312,549.15
Interest receivable	6	<b>69,002,234.43</b>	123,613,565.69
Dividend receivable	7	<b>47,600,000.00</b>	48,321,976.56
Other receivables	8	<b>3,476,271,808.07</b>	4,209,059,240.56
Inventories	9	<b>4,050,349,013.03</b>	2,617,308,654.45
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		-	-
<b>Total current assets</b>		<b>15,272,079,079.92</b>	16,759,398,283.11
<b>Non-current assets:</b>			
Available-for-sale financial assets	10	<b>1,000,000.00</b>	1,000,000.00
Held-to-maturity investments		-	-
Long-term receivables	11	<b>667,500,000.00</b>	-
Long-term equity investments	12	<b>6,203,078,728.58</b>	1,128,688,760.61
Investment properties	13	<b>23,508,788.00</b>	24,137,500.16
Fixed assets	14	<b>394,722,990.42</b>	428,676,105.26
Construction in progress	15	<b>205,913,567.86</b>	45,899,768.25
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	16	<b>21,313,210.43</b>	23,620,918.69
Research and development expenses	17	-	-
Goodwill		-	-
Long-term deferred expenses	18	<b>12,155,239.21</b>	6,772,678.20
Deferred tax assets	19	<b>20,000,000.00</b>	163,953,069.82
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>7,549,192,524.50</b>	1,822,748,800.99
<b>Total assets</b>		<b>22,821,271,604.42</b>	18,582,147,084.10

Legal Representative: Han Guangde

Accounting Director: Chen Qiongxiang

Accounting Manager: Hou Zengquan



# BALANCE SHEET OF THE COMPANY

As at 31 December 2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note XVI	Ending balance	Beginning balance
<b>Current liabilities:</b>			
Short-term loans	20	1,117,000,000.00	1,133,653,446.88
Financial liabilities at fair value through profit and loss	21	169,786,438.85	55,734,758.74
Derivative financial liabilities		-	-
Notes payable	22	666,115,033.68	795,965,835.62
Accounts payable	23	2,949,424,645.21	1,669,628,703.59
Advance from customers	24	102,971,450.69	447,659,099.74
Employee salary payable	25	19,231,876.14	19,605,868.71
Taxes payable	26	-926,830,947.39	-127,782,393.39
Interest payable	27	4,398,553.01	15,106,945.53
Dividends payable	28	174,345.96	177,721.77
Other payables	29	43,553,010.12	95,778,432.58
Liabilities classified as held for sale		-	-
Non-current liabilities repayable within one year	30	549,000,000.00	1,276,705,757.83
Other current liabilities	31	6,152,425,858.57	4,859,792,979.07
<b>Total current liabilities</b>		<b>10,847,250,264.84</b>	<b>10,242,027,156.67</b>
<b>Non-current liabilities:</b>			
Long-term loans	32	2,720,500,000.00	1,868,071,388.68
Bonds payable		-	-
Among which: Preferred shares			
Perpetual bonds		-	-
Long-term payables		-	-
Long-term employee salary payable	33	50,876,069.79	57,581,358.19
Special payables	34	99,370,000.00	24,570,000.00
Estimated liabilities	35	229,399,586.26	389,086,110.62
Deferred income	36	218,225,166.74	111,087,296.17
Deferred tax liabilities	19	-	1,951,199.21
Other non-current liabilities		-	-
<b>Total non-current liabilities</b>		<b>3,318,370,822.79</b>	<b>2,452,347,352.87</b>
<b>Total liabilities</b>		<b>14,165,621,087.63</b>	<b>12,694,374,509.54</b>
<b>Owner's equity:</b>			
Share capital	37	1,413,506,378.00	1,030,534,651.00
Other equity instruments		-	-
Among which: Preferred shares			
Perpetual bonds			
Capital reserves	38	6,147,927,729.10	1,952,637,215.67
Less: Treasury shares		-	-
Other comprehensive income		-	-
Specific reserves	39	-	-
Surplus reserves	40	453,894,266.30	453,894,266.30
Retained earnings	41	640,322,143.39	2,450,706,441.59
<b>Total shareholder's equity</b>		<b>8,655,650,516.79</b>	<b>5,887,772,574.56</b>
<b>Total liabilities and shareholder's equity</b>		<b>22,821,271,604.42</b>	<b>18,582,147,084.10</b>

Legal Representative: Han Guangde

Accounting Director: Chen Qiongxiang

Accounting Manager: Hou Zengquan

# CONSOLIDATED INCOME STATEMENT

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
<b>1. Total operating income</b>		<b>25,519,239,791.42</b>	21,046,990,626.80
Including: Operating income	49	<b>25,519,239,791.42</b>	21,046,990,626.80
Interest income		-	-
Earned insurance premiums		-	-
Fees and commission income		-	-
<b>2. Total cost of operation</b>		<b>27,239,057,441.56</b>	21,936,040,320.92
Including: Cost of operation	49	<b>24,821,158,371.84</b>	20,374,289,745.91
Interest expenses		-	-
Fees and commission expense		-	-
Refunded premiums		-	-
Net amount of compensation payout		-	-
Net amount of reserves for reinsurance contract		-	-
Policy dividend payment		-	-
Reinsured expenses		-	-
Business taxes and surcharges	50	<b>26,058,415.07</b>	35,130,162.16
Selling and distribution expenses	51	<b>210,814,276.68</b>	94,550,943.28
Administrative expenses	52	<b>1,453,253,072.82</b>	1,352,000,340.32
Financial expenses	53	<b>336,489,851.01</b>	29,569,154.39
Loss on impairment of assets	54	<b>391,283,454.14</b>	50,499,974.86
Add: Gain arising from the changes in fair value (loss listed with "-")	55	<b>-129,608,691.45</b>	-214,469,412.26
Investment income (Loss listed with "-")	56	<b>2,034,308,125.58</b>	504,809,584.21
Including: income from investments in associates and joint ventures (Loss listed with "-")		<b>1,279,915.09</b>	4,779,417.02
Exchange gain (Loss listed with "-")		-	-
<b>3. Operating profit (Loss listed with "-")</b>		<b>184,881,783.99</b>	-598,709,522.17
Add: Non-operating income	57	<b>289,796,380.33</b>	977,057,653.80
Including: Gain from disposal of non-current assets		<b>675,421.88</b>	6,420,129.62
Less: Non-operating expenses	58	<b>4,966,346.67</b>	4,224,209.85
Including: Loss on disposal of non-current assets		<b>3,910,944.82</b>	1,353,295.49
<b>4. Total profit (Loss listed with "-")</b>		<b>469,711,817.65</b>	374,123,921.78
Less: Income tax expenses	59	<b>365,814,179.00</b>	-48,275,306.82
<b>5. Net profit (Net loss listed with "-")</b>		<b>103,897,638.65</b>	423,399,228.60
Net profit attributable to shareholders of the Company		<b>98,320,709.38</b>	423,698,774.72
Non-controlling interest		<b>5,576,929.27</b>	-1,299,546.12

# CONSOLIDATED INCOME STATEMENT

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
<b>6. Net other comprehensive income after tax</b>	67	<b>-14,881,889.67</b>	-40,074,759.82
Net other comprehensive income after tax attributable to owners of the Company		<b>-14,881,889.67</b>	-40,074,759.82
(I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		<b>-14,478,500.00</b>	-50,280,000.00
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		<b>-14,478,500.00</b>	-50,280,000.00
2. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		-	-
(II) Other comprehensive income that will be subsequently reclassified to profit and loss		<b>-403,389.67</b>	10,205,240.18
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		-	0.00
2. Gains and losses from changes in fair value of available-for-sale financial assets		<b>-403,389.67</b>	10,205,240.18
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		-	-
4. Effective part of hedging gains and losses from cash flows		-	-
5. Exchange differences from translation of financial statements		-	-
6. Others		-	-
Net other comprehensive income after tax attributable to minority interests			
<b>7. Total comprehensive income</b>		<b>89,015,748.98</b>	382,324,468.78
Total comprehensive income attributable to shareholders of the Company		<b>83,438,819.71</b>	383,624,014.90
Total comprehensive income attributable to minority interests		<b>5,576,929.27</b>	-1,299,546.12
<b>8. Earnings per share</b>	65		
(I) Basic earnings per share		<b>0.0709</b>	0.3253
(II) Diluted earnings per share		<b>0.0709</b>	0.3253

For business combination under common control for the current year, net profit realized by the acquiree before the combination was RMB-31,285,206.87, net profit realized by the acquiree was RMB272,737,141.93 for the last year.

Legal Representative: Han Guangde

Accounting Director: Chen Qiongliang

Accounting Manager: Hou Zengquan

# INCOME STATEMENT OF THE COMPANY

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note XVI	Current Year	Last Year
<b>1. Operating income</b>	45	<b>10,492,252,507.38</b>	6,882,684,077.92
Less: Cost of operations	45	<b>10,965,979,118.19</b>	7,117,611,604.67
Business tax and surcharges	45	<b>2,598,736.02</b>	4,150,595.36
Selling expenses	47	<b>71,039,178.82</b>	36,009,954.24
Administrative expenses	48	<b>400,134,778.93</b>	400,031,391.87
Financial expenses	49	<b>118,118,926.51</b>	-78,390,808.01
Loss on impairment of assets	50	<b>560,943,121.79</b>	333,910,861.74
Add: Gain arising from the changes in fair value (Loss listed with "-")	51	<b>-125,462,527.27</b>	-111,936,847.78
Investment income (Loss listed with "-")	52	<b>-60,844,632.04</b>	387,732,474.15
Including: income from investments in associates and joint ventures (Loss listed with "-")		<b>87,687.51</b>	896,322.83
<b>2. Operating profit (Loss listed with "-")</b>		<b>-1,812,868,512.19</b>	-654,843,895.58
Add: Non-operating income	53	<b>140,439,707.46</b>	774,029,072.43
Including: Gain from disposal of non-current assets		<b>201,760.23</b>	594.97
Less: Non-operating expenses	54	<b>548,170.93</b>	130,498.07
Including: Loss from disposal of non-current assets		<b>500,651.89</b>	120,498.07
<b>3. Total profit (Total loss listed with "-")</b>		<b>-1,672,976,975.66</b>	119,054,678.78
Less: Income tax expenses	55	<b>137,407,322.54</b>	14,834,826.61
<b>4. Net profit (Net loss listed with "-")</b>		<b>-1,810,384,298.20</b>	104,219,852.17
<b>5. Net other comprehensive income after tax</b>	60	<b>-</b>	8,830,870.15
(I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		<b>-</b>	<b>-</b>
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		<b>-</b>	<b>-</b>
2. Share of other comprehensive income of investee that can not be subsequently reclassified to profit and loss under equity method		<b>-</b>	<b>-</b>
(II) Other comprehensive income that will be subsequently reclassified to profit and loss		<b>-</b>	8,830,870.15
1. Share of other comprehensive income of investee that will be subsequently reclassified to profit and loss under equity method		<b>-</b>	<b>-</b>
2. Gains and losses from changes in fair value of available-for-sale financial assets		<b>-</b>	8,830,870.15
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets		<b>-</b>	<b>-</b>
4. Effective part of hedging gains and losses from cash flows		<b>-</b>	<b>-</b>
5. Exchange differences from translation of financial statements		<b>-</b>	<b>-</b>
6. Others		<b>-</b>	<b>-</b>
<b>6. Total comprehensive income</b>		<b>-1,810,384,298.20</b>	113,050,722.32
<b>7. Earnings per share</b>			
(I) Basic earnings per share		<b>-</b>	<b>-</b>
(II) Diluted earnings per share		<b>-</b>	<b>-</b>

Legal Representative: Han Guangde

Accounting Director: Chen Qiongliang

Accounting Manager: Hou Zengquan

# CONSOLIDATED CASH FLOW STATEMENT

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		<b>24,599,940,805.38</b>	20,333,673,285.18
Net increase in deposits from customers and deposits from other banks		-	-
Net increase in loans from central bank		-	-
Net increase in loans from other financial institutions		-	-
Cash receipts of premium of direct insurance contracts		-	-
Net cash received from reinsurance contracts		-	-
Net increase in deposits from insurance policy holders and investment		-	-
Net increase in disposal of financial assets at fair value through profit and loss		-	-
Cash receipts of interest, fees and commission		-	-
Net increase in placement from banks and other financial institution		-	-
Net increase in sales and repurchase operations		-	-
Cash received from taxes refund		<b>991,882,287.09</b>	<b>828,552,861.07</b>
Other cash received relating to operating activities	69	<b>880,244,310.53</b>	1,725,484,677.99
<b>Sub-total of cash inflows from operating activities</b>		<b>26,472,067,403.00</b>	22,887,710,824.24
Cash paid for goods and services		<b>23,986,862,973.04</b>	19,408,953,815.33
Net increase in loans and disbursement to customers		-	-
Net increase in deposit with central bank and inter-banks		-	-
Cash paid for claims of direct insurance contracts		-	-
Cash paid for interest, fee and commission		-	-
Cash paid for dividends of insurance policies		-	-
Cash paid to and on behalf of employees		<b>2,154,246,882.33</b>	1,954,369,972.11
Payments of taxes and surcharges		<b>455,806,824.65</b>	387,255,993.38
Other cash paid relating to operating activities	69	<b>933,402,796.75</b>	1,030,673,285.82
<b>Sub-total of cash outflows from operating activities</b>		<b>27,530,319,476.77</b>	22,781,253,066.64
<b>Net cash flows from operating activities</b>		<b>-1,058,252,073.77</b>	106,457,757.60
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments		<b>50,500,000.00</b>	197,100,000.00
Cash received from investments income		<b>-50,832,425.66</b>	73,908,897.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>416,693.73</b>	10,729,521.42
Net cash received from disposal of subsidiaries and other business units		<b>725,267,198.41</b>	447,591,300.00
Other cash received relating to investing activities	69	<b>11,178,003,216.24</b>	10,010,294,854.46
<b>Sub-total of cash inflows from investing activities</b>		<b>11,903,354,682.72</b>	10,739,624,573.10
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>855,504,056.18</b>	761,641,464.93
Cash paid for investments		<b>640,000,000.00</b>	560,524,726.00
Net increase in pledged deposits		-	-
Net cash paid to acquire subsidiaries and other business units		<b>680,408,300.00</b>	599,843,453.82
Other cash paid relating to investing activities	69	<b>9,534,530,067.77</b>	9,180,929,345.91
<b>Sub-total of cash outflow from investing activities</b>		<b>11,710,442,423.95</b>	11,102,938,990.66
<b>Net cash flows from investing activities</b>		<b>192,912,258.77</b>	-363,314,417.56

# CONSOLIDATED CASH FLOW STATEMENT

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note VI	Current Year	Last Year
<b>3. Cash flows from financing activities:</b>			
Cash received from receiving investments		<b>1,585,323,292.57</b>	2,370,923,838.35
Including: Cash received by subsidiaries from receiving investments of non-controlling interest		-	-
Cash received from loans granted		<b>24,726,222,047.64</b>	18,875,621,177.62
Cash received from issue of bonds		-	-
Other cash received relating to financing activities		<b>170,000,000.00</b>	-
<b>Sub-total of cash inflows from financing activities</b>		<b>26,481,545,340.21</b>	21,246,545,015.97
Cash paid for settlement of debts		<b>24,460,305,299.09</b>	19,985,165,164.13
Cash paid for dividends, profits appropriation or payments of interest		<b>489,679,251.14</b>	909,393,594.98
Including: Dividends and profits paid to non-controlling interest		-	-
Other cash paid relating to financing activities	69	<b>4,333,624.12</b>	-
<b>Sub-total of cash outflows from financing activities</b>		<b>24,954,318,174.35</b>	20,894,558,759.11
<b>Sub-total of cash outflows from financing activities</b>		<b>1,527,227,165.86</b>	351,986,256.86
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>229,322,503.95</b>	44,259,653.08
<b>5. Net increase in cash and cash equivalents</b>		<b>891,209,854.81</b>	139,389,249.98
Add: Cash and cash equivalents at the beginning of the year		<b>8,341,435,741.37</b>	8,202,046,491.39
<b>6. Cash and cash equivalents at the end of the year</b>		<b>9,232,645,596.18</b>	8,341,435,741.37

Legal Representative: Han Guangde

Accounting Director: Chen Qiongxiang

Accounting Manager: Hou Zengquan

# CASH FLOW STATEMENT OF THE COMPANY

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Note XVI	Current Year	Last Year
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		9,620,628,940.98	7,823,353,729.93
Cash received from taxes refund		308,668,937.68	274,516,384.77
Other cash received relating to operating activities	62	1,793,068,173.52	717,967,815.55
<b>Sub-total of cash inflows from operating activities</b>		<b>11,722,366,052.18</b>	<b>8,815,837,930.25</b>
Cash paid for goods and services		12,004,823,637.92	8,100,809,981.01
Cash paid to and on behalf of employees		375,799,399.55	355,780,595.85
Payments of taxes and surcharges		112,285,983.77	78,409,116.68
Other cash paid relating to operating activities	62	281,306,852.70	3,230,031,877.26
<b>Sub-total of cash outflows from operating activities</b>		<b>12,774,215,873.94</b>	<b>11,765,031,570.80</b>
<b>Net cash flows from operating activities</b>		<b>-1,051,849,821.76</b>	<b>-2,949,193,640.55</b>
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments		-	37,100,000.00
Cash received from investments income		-53,814,807.15	82,477,236.44
Cash received from disposal of fixed assets, intangible assets and other long-terms assets		31,202.62	10,101,992.66
Net cash received from disposal of subsidiaries and other business units		-	447,591,300.00
Other cash received relating to investing activities	62	3,272,830,729.33	1,621,315,496.92
<b>Sub-total of cash inflows from investing activities</b>		<b>3,219,047,124.80</b>	<b>2,198,586,026.02</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		203,863,520.10	56,824,544.56
Cash paid for investments		3,005,413,332.60	600,912,916.82
Net cash paid to acquire subsidiaries or other business units		-	-
Other cash paid relating to investing activities	62	1,527,023,000.00	2,125,318,328.75
<b>Sub-total of cash outflows from investing activities</b>		<b>4,736,299,852.70</b>	<b>2,783,055,790.13</b>
<b>Net cash flows from investing activities</b>		<b>-1,517,252,727.90</b>	<b>-584,469,764.11</b>
<b>3. Cash flows from financing activities:</b>			
Cash received from receiving investments		1,541,373,292.57	2,201,832,410.24
Cash received from loans granted		13,553,612,719.70	4,102,149,040.51
Cash received from bonds issued		-	-
Other cash received relating to financing activities	62	170,000,000.00	-
<b>Sub-total of cash inflows from financing activities</b>		<b>15,264,986,012.27</b>	<b>6,303,981,450.75</b>
Cash paid for settlement of debts		13,580,613,842.38	2,531,630,400.74
Cash paid for dividends, profits appropriation or payments of interests		141,103,092.78	199,511,177.37
Other cash paid relating to financing activities	62	3,547,126.33	-
<b>Sub-total of cash outflows from financing activities</b>		<b>13,725,264,061.49</b>	<b>2,731,141,578.11</b>
<b>Net cash flows from financing activities</b>		<b>1,539,721,950.78</b>	<b>3,572,839,872.64</b>
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>51,022,475.62</b>	<b>20,995,630.66</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-978,358,123.26</b>	<b>60,172,098.64</b>
<b>Add: Cash and cash equivalents at the beginning of the year</b>		<b>3,702,545,149.25</b>	<b>3,642,373,050.61</b>
<b>6. Cash and cash equivalents at the end of the year</b>		<b>2,724,187,025.99</b>	<b>3,702,545,149.25</b>

Legal Representative: Han Guangde

Accounting Director: Chen Qionxiang

Accounting Manager: Hou Zengquan

# CONSOLIDATED STATEMENT OF OWNERS' CHANGES IN EQUITY

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Current Year													Total shareholder's equity
	Shareholder's equity attributable to the parent company													
	Share Capital	Other equity instruments			Capital Reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Non-controlling interest		
Preference Shares		Perpetual bonds	Others											
<b>I. Ending balance of Last Year</b>	1,030,534,651.00	-	-	- 5,421,591,956.64	-	-45,284,836.15	1,439,966.32	943,767,421.48	-	1,310,184,662.42	45,721,941.76	6,707,855,763.47		
Add: changes in accounting policies														
Corrections of previous errors														
Business combination under common control														
Others														
<b>II. Beginning balance of Current Year</b>	1,030,534,651.00	-	-	- 5,421,591,956.64	-	-45,284,836.15	1,439,966.32	943,767,421.48	-	1,310,184,662.42	45,721,941.76	6,707,855,763.47		
<b>III. Change in Current Year (Loss listed with "+")</b>	382,971,727.00	-	-	- 1,445,993,265.57	-	-14,881,889.67	-1,439,966.32	-	-	-156,828,715.63	4,886,929.27	1,600,701,350.02		
(1) Total comprehensive income						-14,881,889.67				96,320,709.38	5,576,929.27	89,015,749.98		
(2) Contribution and withdrawal of capital by shareholders	382,971,727.00	-	-	- 1,445,993,265.57	-	-	-	-	-	-	-	1,828,964,992.57		
1. Ordinary shares contributed by shareholders	382,971,727.00													
2. Capital contributed by other equity instrument holders														
3. Amounts of share-based payments recognized in shareholder's equity														
4. Others														
(3) Profit distribution										-255,149,425.21	-690,000.00	-255,839,425.21		
1. Appropriation of surplus Reserves														
2. Appropriation of general risk reserves														
3. Dividends distributed to owners (or shareholders)										-255,149,425.21	-1,470,000.00	-256,619,425.21		
4. Others											780,000.00	780,000.00		
(4) Internal transfer of shareholders' equity														
1. Capitalized capital reserves														
2. Capitalized surplus reserves														
3. Surplus reserves for making up losses														
4. Others														
(5) Special reserves							-1,439,966.32					-1,439,966.32		
1. Appropriation during the year							52,374,577.20					52,374,577.20		
2. Utilization during the year							-53,814,543.52					-53,814,543.52		
(6) Others														
<b>IV. Ending balance of Current Year</b>	1,413,506,378.00	-	-	- 6,867,585,222.21	-	-60,166,725.82	-	943,767,421.48	-	1,153,355,946.59	50,608,871.03	10,368,657,113.49		

Legal Representative: Han Guangde

Accounting Director: Chen Qionxiang

Accounting Manager: Hou Zengquan



# CONSOLIDATED STATEMENT OF OWNERS' CHANGES IN EQUITY

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Last Year													Total shareholder's equity
	Shareholder's equity attributable to the parent company													
	Share Capital	Other equity instruments			Capital Reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Non-controlling interest		
Preference Shares		Perpetual bonds	Others											
<b>I. Ending balance of Last Year</b>	643,080,854.00	-	-	-	2,138,063,611.56	-	-8,830,670.15	966,026.41	444,646,093.25	-	691,646,062.40	16,662,067.21	3,928,225,664.68	
Add: changes in accounting policies													-	
Corrections of previous errors													-	
Business combination under common control					3,196,183,666.15		3,620,793.82		385,133,982.60		546,273,244.00	1,702,140.16	4,132,913,716.73	
Others													-	
<b>II. Beginning balance of Current Year</b>	643,080,854.00	-	-	-	5,334,247,167.71	-	-5,210,076.33	966,026.41	829,782,075.85	-	1,237,919,306.40	20,364,227.37	8,061,139,581.41	
<b>III. Change in Current Year (Loss listed with "-")</b>	387,453,797.00	-	-	-	87,344,788.93	-	-40,074,759.62	483,939.91	113,985,345.63	-	72,265,356.02	25,357,714.29	646,616,182.06	
(1) Total comprehensive income							-40,074,759.62				423,696,774.72	-1,293,546.12	382,324,468.78	
(2) Contribution and withdrawal of capital by shareholders	387,453,797.00	-	-	-	87,344,788.93	-	-	-	-	-	-	-	474,798,585.93	
1. Ordinary shares contributed by shareholders	387,453,797.00				87,344,788.93								-	
2. Capital contributed by other equity instrument holders													-	
3. Amounts of share-based payments recognized in shareholder's equity													-	
4. Others													-	
(3) Profit distribution									113,985,345.63		-351,433,418.70	26,657,260.51	-210,790,812.56	
1. Appropriation of surplus reserves									113,985,345.63		-113,985,345.63		-	
2. Appropriation of general risk reserves													-	
3. Dividends distributed to owners (or shareholders)											-237,448,073.07		-237,448,073.07	
4. Others												26,657,260.51	26,657,260.51	
(4) Internal transfer of shareholders' equity													-	
1. Capitalized capital reserves													-	
2. Capitalized surplus reserves													-	
3. Surplus reserves for making up losses													-	
4. Others													-	
(5) Special reserves								483,939.91					483,939.91	
1. Appropriation during the year								40,652,429.59					40,652,429.59	
2. Utilization during the year								-40,168,489.68					-40,168,489.68	
(6) Others													-	
<b>IV. Ending balance of Current Year</b>	1,030,534,651.00	-	-	-	5,421,591,956.64	-	-45,284,836.15	1,439,966.32	943,767,421.48	-	1,310,184,662.42	45,721,941.76	8,707,855,763.47	

Legal Representative: Han Guangde

Accounting Director: Chen Qiongliang

Accounting Manager: Hou Zengquan

# STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Current Year										
	Share Capital	Other equity			Capital Reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus Reserves	Undistributed Profits	Total shareholder's equity
I. Ending balance of Last Year	1,030,534,651.00	-	-	-	1,952,637,215.67	-	-	-	453,894,266.30	2,450,706,441.59	5,887,772,574.56
Add: changes in accounting policies											-
Corrections of previous errors											-
Others											-
II. Beginning balance of Current Year	1,030,534,651.00	-	-	-	1,952,637,215.67	-	-	-	453,894,266.30	2,450,706,441.59	5,887,772,574.56
III. Change in Current Year (Loss listed with "-")	382,971,727.00	-	-	-	4,195,290,513.43	-	-	-	-	-1,810,384,298.20	2,767,877,942.23
(1) Total comprehensive income										-1,810,384,298.20	-1,810,384,298.20
(2) Contribution and withdrawal of capital by shareholders	382,971,727.00	-	-	-	4,195,290,513.43	-	-	-	-	-	4,578,282,240.43
1. Ordinary shares contributed by shareholders	382,971,727.00				4,195,290,513.43						4,578,282,240.43
2. Capital contributed by other equity instrument holders											-
3. Amounts of share-based payments recognized in shareholder's equity											-
4. Others											-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserves											-
2. Dividends distributed to owners (or shareholders)											-
3. Others											-
(4) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserves											-
2. Capitalized surplus reserves											-
3. Surplus reserves for making up losses											-
4. Others											-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year										28,166,388.42	28,166,388.42
2. Utilization during the year										-28,166,388.42	-28,166,388.42
3. Others											-
IV. Ending balance of Current Year	1,413,506,378.00	-	-	-	6,147,927,729.10	-	-	-	453,894,266.30	640,322,143.39	8,655,650,516.79

Legal Representative: Han Guangde

Accounting Director: Chen Qiongliang

Accounting Manager: Hou Zengquan

# STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

2015

Prepared by: CSSC Offshore & Marine Engineering (Group) Company Limited

Unit: RMB

Item	Last Year										
	Share Capital	Preference Shares	Perpetual bonds	Others	Capital Reserves	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus Reserves	Undistributed Profits	Total shareholder's equity
<b>I. Ending balance of Last Year</b>	643,080,854.00	-	-	-	503,564,939.20	-	-8,830,870.15	-	443,472,281.08	2,367,213,921.15	3,948,501,125.28
Add: changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of previous errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
<b>II. Beginning balance of Current Year</b>	643,080,854.00	-	-	-	503,564,939.20	-	-8,830,870.15	-	443,472,281.08	2,367,213,921.15	3,948,501,125.28
<b>III. Change in Current Year (Loss listed with "-")</b>	387,453,797.00	-	-	-	1,449,072,276.47	-	8,830,870.15	-	10,421,985.22	83,492,520.44	1,939,271,449.28
(1) Total comprehensive income	-	-	-	-	-	-	8,830,870.15	-	-	104,219,852.17	113,050,722.32
(2) Contribution and withdrawal of capital by shareholders	387,453,797.00	-	-	-	1,449,072,276.47	-	-	-	-	-	1,836,526,073.47
1. Ordinary shares contributed by shareholders	387,453,797.00	-	-	-	1,449,072,276.47	-	-	-	-	-	1,836,526,073.47
2. Capital contributed by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in shareholder's equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	10,421,985.22	-20,727,331.73	-10,305,346.51
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	10,421,985.22	-10,421,985.22	-
2. Dividends distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-10,305,346.51	-10,305,346.51
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserves	-	-	-	-	-	-	-	-	-	-	-
2. Capitalized surplus reserves	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves for making up losses	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-	11,239,462.64	-	11,239,462.64
2. Utilization during the year	-	-	-	-	-	-	-	-	-11,239,462.64	-	-11,239,462.64
6) Others	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Ending balance of Current Year</b>	1,030,534,651.00	-	-	-	1,952,637,215.67	-	-	-	453,894,266.30	2,450,706,441.59	5,887,772,574.56

Legal Representative: Han Guangde

Accounting Director: Chen Qiongliang

Accounting Manager: Hou Zengquan

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 1. BACKGROUND INFORMATION

CSSC Offshore & Marine Engineering (Group) Company Limited (the “Company”, together with its subsidiaries, the “Group”) is a joint-stock company with limited liability independently established by Guangzhou Shipyard in 1993 as approved by Guo Jia Ti Gai Sheng [1993] No. 83. On 5 July 1993, it was converted into a public joint-stock company with limited liability as approved by Guo Jia Ti Gai Sheng [1993] No. 110. The Company was established on 7 June 1993, with its registered address at 40 South Fangcun Main Road, Liwan District, Guangzhou City and its headquarters located at 40 South Fangcun Main Road, Liwan District, Guangzhou City.

As approved by Circular (1993) No.31 issued by the China Securities Regulatory Commission, Zheng Jian Fa Shen (1993) No.26 issued by the China Securities Regulatory Commission and Circular Shang Zheng Shang (1993) No.2076 issued by the Shanghai Stock Exchange, the Company publicly issued 337,279,600 A shares on 22 September 1993 which became listed on the Shanghai Stock Exchange on 28 October 1993, publicly issued 157,398,000 H shares on 28 October 1993, which are listed on the Shanghai Stock Exchange, and publicly issued 157,398,000 H shares on 21 July 1993, which became listed and traded on The Stock Exchange of Hong Kong Limited on 6 August 1993. Its total share capital following public offering amounted to 494,677,600 shares.

Pursuant to the Company’s 2010 shareholders’ meeting and revised Articles of Association, the Company’s paid-up capital (share capital) transferred from capital reserves increased by RMB148,403,274, and relevant procedures of H shares and A shares were completed on 15 July 2011 and 19 July 2011, respectively. The registered capital was therefore increased to RMB643,080,854.

Based on the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, the Company completed the issuance of 345,940,890, 31,134,680 and 10,378,227 H Shares with face value of RMB1 per share to CSSC (Hong Kong) Shipping Company Limited (“CSSC HK”), Baosteel Resources International Co., Ltd. (“Baosteel International”) and China Shipping (H.K.) Holdings Co., Ltd. (“China Shipping HK”), respectively. All issued shares are ordinary shares and the registered capital has been therefore increased to RMB1,030,534,651.

According to the Replies on Approval of Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (Zheng Jian Xu Ke [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation (“CSSC”) for purchase of CSSC’s 85% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited (“Huangpu Wenchong”) and paid cash to CSSC for acquisition of 15% equity interest in Huangpu Wenchong; placed 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. (“Yangzhou Kejin”) for purchase of its relevant shipbuilding assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.

On 8 May 2015, a resolution on change of the name of the Company was considered and passed at the first extraordinary general meeting of the Company for 2015, and the name of the Company was changed to “CSSC Offshore & Marine Engineering (Group) Company Limited” from “Guangzhou Shipyard International Company Limited”.

On 19 June 2015, the Company received the new business license No. 440101400025144 issued by Guangzhou Municipal Administration for Industry & Commerce with legal representative of Han Guangde. As at 31 December 2015, the share capital of the Company was 1,413,506,378 shares, of which 345,940,890 shares held by CSSC HK were subject to sale restriction for a period of 36 months starting from 11 February 2014, 272,099,300 shares held by CSSC were subject to sale restriction for a period of 36 months starting from 8 April 2015, 68,313,338 shares held by Yangzhou Kejin were subject to sale restriction for a period of 12 months starting from 8 April 2015 and 42,559,089 shares held by 7 specific investors were subject to sale restriction for a period of 12 months starting from 8 April 2015.

The Group belongs to shipbuilding industry. The principal activities of the Group includes: asset management; investment management; design, develop, manufacture, repair, modify, lease and sale of ship and ship accessories, marine engineering and equipment, energy equipment, transportation equipment, environmental protection equipment, electrical and electronic equipment, and metal structures and components; import and export business.

The Company’s controlling shareholder is CSSC which is a wholly state-owned company incorporated in the PRC, while the ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

## 2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Group includes 25 companies, including: Guangzhou Shipyard International Company Limited (formerly known as CSSC Guangzhou Longxue Shipbuilding Co.,Ltd.), Guangzhou Longxue Pipe Co., Ltd., Guangzhou Wanda Marine Engineering Co., Ltd., Guangzhou Xingshun Marine Services Co., Ltd., United Structures Ltd., Guangdong GSI elevator Co., Ltd., Guangzhou Hongfan Technology Co., Ltd., Guangzhou Guangli Shipbuilding Human Resources Service Company, Limited, Guangzhou Hongfan hotel Limited, Glory Group Development Co., Ltd., Fanguang Development Co., Ltd., Fanguang (Macau) Development Co., Ltd., Guangchuan Large-scale Machinery and Equipment Co., Ltd., Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., Guangzhou Shipyard International Marine Engineering Co., Ltd., GSI Yangzhou Co., Ltd., CSSC Huangpu Wenchong Shipbuilding Co., Ltd., Guangzhou Huangchuan Ocean Engineering Co. Ltd., Zhanjiang Nanhai Ship Hi-Tech Services Ltd., Guangzhou Xinhang Human Resources Service Co., Ltd., Guangzhou Longxue Properties Co., Ltd., Guangzhou Wenchong Shipyard Co. Ltd., Guangzhou CSSC Wenchong Binshen Facilities Co., Ltd., Guangzhou Wenchong Heavy Industrial Co. Ltd., and Guangzhou Xingji Maritime Engineering Design Co., Ltd.. Compared with the same period last year, the Company acquired 10 companies due to business combination under the same control namely CSSC Huangpu Wenchong Shipbuilding Co., Ltd., Guangzhou Huangchuan Ocean Engineering Co. Ltd., Zhanjiang Nanhai Ship Hi-Tech Services Ltd., Guangzhou Xinhang Human Resources Service Co., Ltd., Guangzhou Longxue Properties Co., Ltd., Guangzhou Wenchong Shipyard Co. Ltd., Guangzhou CSSC Wenchong Binshen Facilities Co., Ltd. and Guangzhou Wenchong Heavy Industrial Co. Ltd. and newly incorporated companies including GSI Yangzhou Co., Ltd. and Guangzhou Xingji Maritime Engineering Design Co., Ltd., and disposed of a company being Guangzhou Shipyard Shipping Co., Ltd.. Please refer to “VII. Change in the Scope of Consolidation” and “VIII. Interest in Other Entities” for details.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

### 1. Basis for preparation

Based on going-concern assumption and transactions and events actually occurred, the consolidated financial statements of the Group have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, (hereinafter referred to as "Accounting Standards for Business Enterprises"), and No.15 of regulations on information disclosures of companies that issue public offering shares – General Rules of preparing financial reports (revised in 2014) issued by China Securities Regulatory Commission (CSRC), the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and regulations of Hong Kong Companies Ordinance as well as the accounting policies and estimation as described in IV Significant Accounting Policies and Accounting Estimates to this note.

### 2. Going concern

The Group's ship construction contracts in hand are sufficient. As at 31 December 2015, ship construction contracts in hand were 8,900,600 DWT, orders for shipbuilding plan has been arranged until 2018. Current capital condition can satisfy the Group's production and operation, it is reasonable for the Group to prepare the financial statements on a going concern basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Notes on specific accounting policies and accounting estimates: The Group adopts accounting policies and accounting estimates based on the features of its own production and operation, which cover the recognition and measurement of provision for bad debts, measurement of inventories delivered, methods for classification and depreciation of fixed assets, amortisation of intangible assets, conditions to capitalisation of research and development expenses, and recognition and measurement of revenue.

### 1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises, and reflect a true and fair view of information such as financial position as at the end of the reporting period, the results of operation and the cash flows of the Company and the Group for the reporting period.

### 2. Accounting year

The accounting year is from January 1 to December 31.

### 3. Operating cycle

The Group's operating cycle is 12 months.

### 4. Reporting currency

The reporting currency of the Company and the subsidiaries is Renminbi ("RMB").

These financial statements of the Group are expressed in RMB

### 5. Accounting treatments for a business combination involving enterprises under and not under common control

The assets and liabilities obtained by the Group (as the acquirer) by business combination under common control, are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to reviewed. The excess of the fair value of net identifiable assets of the acquiree acquired over the cost of business combination will be recognized in the consolidated non-operating for the current period after review.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 6. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its controlled subsidiaries.

Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, balances and un-realized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the parent company, and proportion of profit or loss for the current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders".

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the beginning of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existing since the final controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the acquiree under common control and finally become business combination, when preparing consolidated financial statements, shall be regarded as the final controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time not earlier than the Group and the acquiree are both under the control of final controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets added due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is earlier, to the date of combination, the related profit or loss recognized, other comprehensive income and other change in assets, shall be written off retained income at the beginning of the comparative period and profit or loss for the current period.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the acquiree under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be remeasured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for the current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, and change to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loss control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for the current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for the current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loss control through disposal of shareholding in subsidiaries belongs to package deal, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary, shall be recognized as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for the current period upon loss of control.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 7. Classification of joint arrangement and accounting method for joint operation

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognizes assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assume in proportion, and related income and fees will be recognized according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

## 8. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

## 9. Foreign currency transaction

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date.

On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for from the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into profit and loss for the period. For non-monetary accounts measured in foreign currency under historical cost method, the foreign currency is also translated into RMB at the spot exchange rate. For non-monetary items in foreign currency measured at fair value, the exchange rate on the date when the fair value is recognized which is applied and the exchange difference is accounted into profit and loss for the period as a result of fair value change, or recognized as other comprehensive income and charged into capital reserves.

## 10. Financial assets and financial liabilities

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognized.

### (1) Financial assets

#### 1) Classification of financial assets, basis of recognition and method of measurement

The Group classified financial assets into financial assets at fair market value through profit or loss, held-to-maturity investments, receivables and financial assets available for sale according to the investment purpose and the economic stance.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated into financial assets at profit or loss at initial recognition. Financial asset is classified as held for trading if one of the following conditions is satisfied: It has been acquired principally for the purpose of selling in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; hybrid instruments which contain one or more embedded derivatives, unless the embedded derivatives does not have a substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from the relevant hybrid instruments; hybrid instruments that have to be separated but cannot be individually measured after it has been obtained or the balance sheet date afterwards. Such kind of financial assets designated by the Group mainly includes forward exchange settlement business. The Group applies subsequent measurement based on fair value in respect of such kind of financial assets. Changes in fair values include in the fair value profit or loss; interests or cash dividends obtained during the period of holding assets, shall be recognized as investment income; difference between the fair value and the amount initial record, recognized as investment income on disposal, and the fair value change profit or loss will be adjusted at the same time.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognized in the income statement.

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories. For equity instruments which do not have quotations in active market and the fair values of which cannot be reliably measured and linked to that equity instrument, and derivatives linked to such equity instrument and settled through delivery of such equity instrument, will be measured at cost. Except for exchange of impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previously recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

## 2) *Recognition basis of transfer of financial assets and measure method*

A financial asset is derecognized when any one of the following conditions is satisfied: (1) the rights to receive cash flows from the asset expire, (2) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an enterprise neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

## 3) *Testing of impairment of financial assets and accounting method*

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

The published market price of available-for-sale equity instruments on the balance sheet date is used to measure the fair value by the Group. If it is satisfied one of the following conditions, the investment of available-for-sale equity instruments is impaired, the provision of impairment is provided based on the amount which the fair value is lower than the cost, and recorded into the current profit and loss account: 1) on the balance sheet date, the fair value has decreased dramatically, the decrease of fair value is equal or over 50% of the decrease in cost. 2) on the balance sheet date, the fair value has non-temporary decrease, it means that the continuing decrease period is or over 12 months.

When available-for-sale financial assets are disposed, difference between the proceeds received and the carrying amount of the financial assets is recognized as investment income (loss). Meanwhile, the accumulated changes in fair value attributed to the disposal financial assets is deducted from equity and recognized as investment income (loss).

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Financial Liabilities

### 1) Classification of financial liabilities, recognition basis and measure method

Financial liabilities of the Group are classified as “financial liabilities at fair value through profit or loss” and other financial liabilities” on initial recognition.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

### 2) Conditions of derecognition of financial liabilities

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and an lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

### 3) Method for determination of fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities of the Group are measured by fair values of principal market to calculate fair values of financial assets and financial liabilities of the Group. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The inputs which are used to measure the fair value has been divided into 3 levels by the Group, first the level 1 inputs shall be used, and then use level 2 inputs and level 3 inputs will be the last one to use.

Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. The active markets where the quantities and frequencies of transactions of related assets and liabilities can continuously provide pricing information. Measurement for the fair value of the available-for-sale equity securities of the Group (stock of public listed company) adopts this level of inputs.

Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Fair value measurement of the Group's forward foreign exchange contract adopts this level of input.

Level 3-inputs are unobservable inputs to the related assets or liabilities.

An observable input is the input which is obtained from market data. The observable input reflects the assumption which is used by the market anticipator to determine the price of related assets and liabilities.

An unobservable input is the input which cannot be obtained from the market data. The unobservable inputs shall be determined based on the best information of assumption which is used by the market anticipator to determine the price of related assets and liabilities.

## 11. Bad debts provision for receivables

Receivables include accounts receivable and other receivables, etc. The Group's accounts receivable from selling products and providing services are initially recorded at consideration of contract value from buyer or service receiver.

Criteria for provision for bad debts: Provision for bad debts on receivable is made when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; or the receivable are defaulted; or when there are objective evidences indicating the debts are not recovered or not likely to be recoverable Provision for bad debts is made using allowance account method.

At the end of the period, receivables are assessed for impairment on individual or group basis and the provision for bad debts is recognised in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the provision for bad debts as a loss of bad debts according to the required procedures of approval of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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When the receivables are collected by the Group, difference between price of acquisition and the carrying value of the receivables is included into the profit or loss for the current period.

The Group divides trade receivable into those without provision for impairment and those with provision for impairment. Receivables of companies in the scope of consolidation do not make provision. Those with provision are divided into single significant receivables and single insignificant receivables, and the provision method is as follows:

**(1) Accounts receivable that are individually significant and are provided for bad debts on individual basis**

Balance of individual receivables over RMB10,000,000.00 are recognized as significant.

On balance sheet date, the Group assess the significant receivables individually for impairment, and recognize the amount of impairment loss at the difference between discounted present value of future cash flow and the carrying amount, recording bad debt allowance.

**(2) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis**

Insignificant individual receivables aged over 1 year or there is an indication of impairment, are categorized into provision of individual receivables with significant level. For the impaired receivables, the provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables, and recording bad debt allowance.

**(3) Accounts receivable accrued bad debt provision on collective basis**

The provision is made on individual receivables with no provision grouped with other no impairment tested accounts receivables, based upon ratio of 0.5% of the amount at balance sheet date.

## 12. Inventories

The inventories of the Group include raw material, packing materials, low-valued consumables, work-in-process inventories, and finished goods, etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. Low value consumables are amortised in full when received for use.

The net realizable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realizable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

## 13. Long-term equity investment

Long-term investment of the Group is the investment in subsidiaries and investment in associates and investment in joint ventures.

Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

The Group directly or indirectly owns 20% (inclusive) or more but less than 50% shares with voting rights in the invested company, usually have significant influence to the invested company. For voting rights less than 20% in the invested company, the Board or representative in similar authority in the invested company or the implementation processes of financial or operation policies of invested company have also been taken into account, or significant transaction with the invested company, or management personnel send to the invested company, or significant technology information provided to the invested company which have significant influence to the invested company.

The Group's subsidiaries are invested companies which form control. For long-term investment obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of acquisition in the consolidated financial statements of the final controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree is negative, investment cost of long-term equity investment is calculated as zero.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement.

Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognized as investment income for the current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognized after adjustment is made to the net profit of the invested company.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal. When the Group loss control in the invested company due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for under available-for-sale financial assets, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period.

Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for-sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting method for each transaction will be treated as disposing subsidiary and loss of control. However, difference between each disposal price before loss of control and the carrying value of the long-term investment of the equity disposed, shall be recognized as comprehensive income, and shall be transfer to profit or loss for the current period upon loss of control.

## 14. Long-term receivables

For the long-term receivables from sale of goods with financing nature by using deferred methods, the discount value of contract or agreement prices receivable (contract or agreement prices receivable less unrealized financing income) are taken as its initial cost. At end of period, the Group separately carries out impairment test for long-term receivables, and the impairment loss is recognized and provision for bad debts are made based on the differences from the present value of future cash flows lower than its book value.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. Investment properties

The investment properties of the Group include leased buildings, which is measured through the cost pattern.

The investment properties of the Group are depreciated or amortized in the straight line method based on its estimated useful life and net salvage value. The estimated useful life, net residual value ratio and annual depreciation (amortization) rate are as follows:

Classes	Estimated useful life (Year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings	45-70	3	1.39-2.16

## 16. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or rendering of services, leasing to others, or for administrative purposes; have useful life over one accounting year. The cost of an item of fixed assets shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets consist of buildings, machinery, transportation facilities and others.

Apart from fixed assets which are provided in full and continue to use and land which is accounted for separately, the Group made provision for all the fixed assets. The Group made provision for depreciation using straight-line method. The useful life, estimated residual value ratio and depreciation rate of fixed assets of the Group are classified as below:

Classification	Useful life (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Buildings	8-50	3-10	1.8-12.13
Machinery	6-20	3-10	4.5-16.17
Transportation Equipment	10-15	3-10	6.00-9.7
Others	3-50	3-10	1.80-32.33

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

For the fixed assets of financial lease nature, if the ownership can be determined reasonably at the end of lease, then same depreciation method as other fixed assets will be adopted during the leased assets' useful life; if the ownership cannot be determined reasonably at the end of lease, the same depreciation method as other fixed assets will be adopted for either useful life of the leased assets or lease term whichever is shorter.

A fixed asset is derecognized when it is disposed or expected not bringing economic benefit from its use or disposal. The net amount of proceeds from disposal, transfer, retirement or damage of the asset after the carrying amount and related taxes is recognized in profit or loss for the Current Year.

## 17. Construction in progress

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed, but it is not necessary to adjust the previous recorded depreciation or amortization amount.

## 18. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected usable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for the current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 19. Intangible assets

The intangible assets of the Group include the land use right, non-patent technology and software, and are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the assets are measured at its fair value.

The Group amortizes land use right on the basis of its useful life by straight-line method since it is acquired. The non-patent technology are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

The Group would assess the estimated useful life of intangible assets with uncertain useful life during each accounting period.

Research and development expenses of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognized in profit or loss for the period as incurred.

Expenditure on the development phase will be recognized as intangible assets while satisfying the following conditions:

- 1) It is technically feasible that the intangible asset can be used or sold upon completion;
- 2) There is intention to complete the intangible asset for use or sale;
- 3) There is evidence that the products produced using the intangible asset having a market or the intangible asset itself has a market;
- 4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- 5) The expenses attributable to the development stage of the intangible asset can be measured reliably.

Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period. Capitalized expenditure on the development phase are stated in the balance sheet as 'Development Expenditure' and transfer to as 'Intangible assets' when they become ready for their intended use.

## 20. Long-term assets impairment

The Group would assess intangible assets such as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress and intangible assets with limited useful lives at each of the assets balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the period end regardless of whether there is indication of impairment loss.

The difference should be accrued as impairment and accounted for impairment losses if the result of impairment test indicates that the book value of assets over recoverable amount. Recoverable amount should be measured at the higher of the fair value after subtracting the costs of disposal of the net and the present value of estimated future cash flows. Assets' provision for impairment is calculated based on the single asset; if the recoverable amount of single asset is difficult to estimate then the portfolio of which the single asset belonged to should be used as calculation unit. The portfolio is the minimal combination of assets that can generate cash inflow independently.

After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss. The above assets impairment loss once recognized, cannot be transferred in the subsequent accounting period.

## 21. Long-term unamortized assets

Long-term unamortized assets of the Group include Long Island Ferry additional Dolphins Engineering, pipe industry transformation expenses. The expenses are amortized evenly over the estimated benefit period. If the Long-term unamortized expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 22. Employee benefits

Employee benefits of the Group include short-term compensation, post employment benefits, termination benefits and other benefits.

Short-term compensation including: wages, bonuses, medical insurance, injury insurance, maternity insurance, supplemental medical insurance, housing fund, union funds and workers education, outsourcing Labor compensation and others. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Group in order to obtain services from employees, except for the short-term compensation and termination benefits.

The Group's defined contribution plan represents the basic endowment insurance, unemployment insurance and enterprise annuity paid for its employee in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Group will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profit and loss or costs of assets.

In addition to defined contribution plan, Huangpu Wenchong, a subsidiary of the Company also has its defined benefit plan. The welfare responsibilities generated from defined benefit plan based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets. The deficit or surplus generated from the present value of obligations of the defined benefit plan minus the fair value of the assets of defined benefit plan is recognized as net liabilities or net assets. When the defined benefit plan has surplus, the Group will measure the net assets of the defined benefit plan at the lower of the surplus of defined benefit plan and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit plan and the net interest of the net liabilities and net assets of the defined benefit plan would be charged into the current profit and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit plan would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period.

When the defined benefit plan is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit plan as at the balance sheet date.

Termination benefits are the compensation to employees when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. The compensation liability for the termination of employment relationship with employee are charged to the profit or loss for the Current Year at the earlier of the following dates: 1. when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; 2. when the Group recognize and pay the related costs for a restructuring of termination benefits.

Other long-term employee welfare refers to the employee compensation except for short-term compensation, post employment benefits, and termination benefits.

## 23. Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfillment of obligations will probably to cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

Estimated liabilities are initially recognized at the most appropriate estimation of obligations by considering relative risks, uncertainties and time value etc. If the effect from time value of currency is significant, the most appropriate estimation will be discounted into present value. The increase amount of book value of estimated contingent liability due to over time discounted is recognized as interest expenses.

The Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes, in order to indicate the most appropriate estimation of obligations.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 24. Work safety fees

According to the regulation for accrued work safety fees and usage (Caiqi [2012] No.16), the Group's shipbuilding companies and supporting manufacturing enterprises should standardize the work safety fees accrual and usage.

The accrued work safety fees were charged into the product's cost, and specific reserves. When writing off work safety fees within specified range, it should directly write off specific reserves when accounted for as expenses; if capitalizing work safety fees into Fixed assets, it should be pooled in Work in progress and transfer to Fixed assets when the projects reach intended use state, the cost of which should write off Special reserves, and recognize accumulated depreciation at the same amount. This Fixed asset would not be depreciated in the future fiscal years.

The balance of work safety fees can be transferred to next fiscal year. If the work safety fees are not enough, the difference can be recorded as normal costs or expenses, and no supplementary work safety fees would be accrued.

## 25. Recognition and measurement of revenue

The revenue of the Group is mainly revenue from sales of goods, provision of services, transference of right to use assets and revenue from construction contracts. Revenue recognition principles are as follows:

### (1) Sales of goods

The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group doesn't hold continuing management rights or effective control rights of goods, and the relevant economic benefits may flow into the Group, and the amount of this relevant revenue can be measured reliably.

### (2) Provision of services

The revenue from rendering service will be recognized when the total income and cost of service can be measured reliable, relative economic benefits likely flow into the Group, and the percentage of completion of the service can be measured reliably.

As at the balance sheet date, the amount of rendering could be reliably measured, is recognized at percentage of completion, which is determined by the completed actual divided by total costs; The amount of rendering could not be reliably measured, is subject to estimated revenue generated from incurred costs, carry forward same amount into labor costs. If the amount of rendering could not be reliably measured, the incurred costs could not generate future benefit; the costs are accounts to current profits and losses, not recognized as services revenue

### (3) Transfer of right to use assets

The revenue from the property alienation will be recognized on the contract date by the contract method, when the economic benefits related to transactions may flow into the Group, and the amount of this relevant revenue can be measured reliably.

### (4) Dividend income

Dividend income will be recognized when the shareholders' rights to receive dividend is determined, when the economic benefits may flow into the Group, and the amount of this relevant revenue can be measured reliably.

### (5) Interest income

Interest income of financial assets will be recognized when the economic benefits may flow into the Group and the amount of sale income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 26. Construction contracts

When the outcome of a construction contract can be estimated reliably at the balance date, contract related economic benefits could be probably flow into the Group, the percentage of completion and estimated future costs could be reliably measured, contract revenue and contract expenses will be recognized by using the percentage of completion method. The percentage is calculated by completion contract workload divided by estimated total contract workload.

When the outcome of a construction contract cannot be estimated reliably, if contract costs can be recovered, contract revenue will be recognized to the extent of the contract costs that can be recovered; and contract costs will be recognized as contract expenses in the period in which they are incurred; if contract costs cannot be recovered, they will be recognized as contract expenses immediately when incurred and contract revenue will not be recognized.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Long term ship construction contract, such as a first-made shipbuilding contract, the contract result is reasonable foreseeable when the construction progress reached 50%; and for the ships of batch production, the Company could anticipate the result when the construction progress reached 30%. If progress of ship constructions could not be reasonably estimated, construction costs is recognized at the actual amount of incurred expenditure, and equivalent amount as revenue, zero margin as a result.

Foreign currency revenue is recognized based upon contracted currency. For the foreign currency received when revenue recognized, the revenue is subject to the received amount; for the foreign currency not received when revenue recognized, the revenue is subject to the amount calculated by spot rate at balance date. The amount of combination is recognized as accumulated RMB revenue. The accumulated RMB revenue less prior accounting period accumulated RMB revenue is recognized as Current Year RMB revenue.

The Group would usually conduct checking for the progress of ship construction contract at the end of each period. If the estimated cost of the construction contract in total is larger than the estimated income in total, provision shall be made to the estimated loss on contracts, and at the same time increase the assets impairment loss and provision for price decrease in inventory – estimated contract loss. Gross profit not recognized before the construction progress reaching 30% (non first-made shipbuilding contract) or 50% (first-made shipbuilding contract), price decrease in inventory will not be written back. Gross profit are recognized when the construction progress reached 30% (non firstmade shipbuilding contract) or 50% (first-made shipbuilding contract), provision for price decrease of inventory are written back according to progress, offsetting main business cost. At the end of each period, in respect of uncompleted ships with provision made for price decrease provision in the last period, if the provision made in the previous period was not enough, it is necessary to make supplementary provision, at the same time increase the assets impairment loss and provision for price decrease of inventory-estimated contract loss. If provision made in the last period was excess, it is necessary to reversed, at the same time decrease the assets impairment loss and provision for price decrease of inventory – estimated contract loss. Upon ship delivery, balance of provision for price decrease of inventory shall be written back main business cost. On the assets balance sheet date, carrying value of inventory which formed from the inventory in construction contracts will be analyzed, which is the balance of carry value less provision for price decrease of inventory. If the carry value is negative, it will be re-classified and list under expected liabilities. If the carrying value is positive, it will be compared with the settlement amount of the project, using the lower amount to offset, the balance after offset will be listed under inventory or other current liabilities.

## 27. Government grants

Government grants are monetary or non-monetary assets obtained from the governments, excluding the contributed capital from the government investor. The special grant of investment from government, which should recognized as capital reserves according to related Federal documents, should also be capitalized in nature, and therefore shouldn't be recognized as government grants.

A government grant of the Group shall be recognized if the Group can meet the conditions for the government grant and also can obtain the government grant.

If a government subsidy is a monetary asset, it is measured at actual received amount; if the amount is fixed or reasonable evidence indicates legal compliance is satisfied and amount is likely to be received in the future, it is measured at receivable amount.

If a government grant is a non-monetary asset, it is measured at its fair value. If the fair value of a non-monetary asset cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

The Group classifies government subsidies as grants pertinent to assets and grants pertinent to incomes, and the base of determination is as the following: grants pertinent to assets are the government subsidy used in the generation of long-term assets through construction or others. Grants pertinent to incomes are the government subsidy other than grants pertinent to assets.

The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life.

The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses are directly recognized in profit or loss.

When the deferred income exists when the recognized government grant should be returned, reverse the deferred income, the exceed amount is accounts to current profits and losses; if deferred income does not exist, the amount is directly accounts to current profits and losses.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 28. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liability are recognized at the differences (temporary tax differences) between the tax base of an asset or liability and its book value. According to Taxation Law, the Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference. For the temporary difference arise from goodwill recognition is not recognized as deferred tax liability. For assets or liabilities arise from non-consolidation transactions, which do not give any influence on the temporary difference, arise from neither accounting profits nor taxable profits, is not recognized as deferred tax assets or deferred tax liability. On the balance sheet date, deferred tax assets and deferred tax liability are measured at applicable tax rate which is relevant to the period of expected assets return or pay liability.

The Group recognizes deferred tax assets as a result of deductible temporary difference, limited to the most probable deductible temporary difference.

## 29. Leasing

Leasing of the Group includes financial lease and operational lease.

The Group, as the lessee under the financial lease, on the start date of financial lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two recorded as unrecognized financial expense.

The Group, as the lessee under operational lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method directly.

## 30. Fair value measurement

### (1) Initial measurement of fair value

For assets and liabilities measured at fair value, the Group considers the features of the assets and liabilities and determines their fair value based on the price receivable for disposal of an assets or payable for transfer of a liability in an orderly transaction between market participants at the measurement date. In measuring assets or liabilities at fair value, a transaction in which market participants dispose of assets or transfer liabilities at the measurement date represents an orderly transaction under current market conditions; the orderly transaction for disposal of assets or transfer of liabilities shall be conducted in the major market for the relevant assets or liabilities. Where there is no major market, the transaction is assumed to be conducted in the most favourable market for the relevant assets or liabilities; it is assumed that the purpose of market participants in determining pricing of the assets or liabilities is to maximize their economic benefits. In measuring non-financial assets at fair value, the ability of market participants to use such asset in the best manner to generate economic benefits or dispose of such asset to other market participant which can use the asset in the best manner to generate economic benefits is considered.

### (2) Valuation techniques

In measuring the relevant assets or liabilities at fair value, the Group adopts valuation techniques applicable under current conditions for which there are sufficient data available and other information support. The valuation techniques adopted mainly include market approach, income approach and cost approach. In using valuation techniques, the relevant observable input will be used first, and the unobservable input will be used only when the relevant observable input is unavailable for is impracticable to obtain.

### (3) Fair value measurement hierarchy

The Group determines the hierarchy of fair value measurement based on the lowest level of input significant to the overall fair value measurement. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. The active markets where the quantities and frequencies of transactions of related assets and liabilities can continuously provide pricing information. Level 2 inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3 inputs are unobservable inputs to the related assets or liabilities.

## 31. Segment information

Business segment is confirmed in accordance with governance structure, management requests, internal reporting system, and the Group confirms the report segment on the basis of business segment.

Business segment is a component of the Group that satisfies the following conditions simultaneously: the component can take revenue and expenses; the management level can appraise the operating performance of the component in order to allocation of resource and appraise the performance; and the Group can acquire the financial position, operating performance and cash flow of the component etc. If two or more than two segments carry similar economic characteristics, and satisfied certain condition, could merge as one operation segment.

## 32. Significant changes in accounting policies and accounting estimates

During the reporting period, there were no changes in accounting policies and accounting estimates which are required to be disclosed.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 33. Significant accounting estimates and judgments

When preparing financial statements, the management of the Group needs to use assumptions and evaluations, which might influence accounting policy application and the amounts of assets, liabilities revenues and expenses. The effective result might have conflicts with these estimates. The management continues to evaluate the uncertain factors and key assumptions that affect estimates. The changes on accounting estimates effects should be recognized in the Current Year or carry forward.

The following accounting estimates and key assumptions would result in significant adjustment of the book value of assets and liabilities for next fiscal year

### a. *Provision for receivables*

As disclosed in Note IV.11, the Group would review the Accounts receivables measured with amortized costs on the balance sheet date to evaluate the existence of impairment, and determine the estimated amount of impairment. The proof for impairment includes data indicated that the future cash flow for individual or combined accounts receivable's significant decrease; data indicated that the debtors for individual or combined accounts receivable negative financial issues. If it's proved that the value of accounts receivable has recovered, and objectively related to the post damage, then the impairment is reversed.

### b. *Impairment for inventories*

As stated in Note IV.12, the Group would estimate net realizable value of Inventories on a regular basis, and the difference of inventory cost higher than net realizable value would be recognized as loss from inventory devaluation. The estimating net realizable value is based on estimated price of similar goods, net of costs, selling expense and related taxes. If the effective price is different from estimated price, the management would adjust the net realizable value. Therefore the estimation according to current experience would be different from the actual value, resulting in adjustment of book value of Inventories in the Balance sheet. Provision for Inventory impairment could be revised because of the above issues. The adjustment for Provision for Inventory impairment could impact the current profit or loss.

### c. *Provision for impairment of long-term receivables*

As stated in Note IV/14, the Group separately carries out impairment test for long-term receivables on each balance sheet date, and the impairment loss is recognized and provision for bad debts are made based on the differences from the present value of future cash flows lower than its book value.

### d. *Accounting estimates for fixed assets impairment*

The Group would carry out impairment test for fixed assets such as buildings, machinery and equipment, etc. The higher of collectable value and discounted future cash flow; and fair value net of the disposal costs, the calculation of which needs accounting estimates.

If the management revises the applied gross margin rate for asset group or its future cash flow calculation, and the revised gross margin rate is lower than effective discount rate applied, the Group should increase the accrual the impairment for fixed assets.

If the management revises the pre-tax cash flow discount rate, and the revised pre-tax discount rate is higher than the effective discount rate applied, the Group should increase the accrual the impairment for fixed assets.

If the effective gross margin rate or the pre-tax discount rate is higher or lower than estimated, the Group would not recover the impairment for fixed assets accrued.

### e. *Accounting estimates for deferred income tax assets recognized*

The estimates for deferred income tax assets need include taxable income and applicable tax rate for the future years. The deferred income tax assets' existence depends on whether the Group has enough taxable income in the future. The recover spot time for tax rate change and temporary difference might also influence Income tax expenses (income) and the balance of deferred income tax. The change for above estimates might result in significant adjustment in deferred income tax.

### f. *The useful life for fixed assets and intangible assets*

The Group would review the estimated useful life for fixed assets and Intangible assets at year-end for at least once a year. The estimated useful life is determined by the management based on previous experience, and that of the same industry, together with the upgrade of technology. If the previous experience changes significantly, the Group needs to adjust the depreciation expense and amortization expense in the future years.

### g. *The estimated total cost of construction contract*

The Group reviews the estimated total cost of construction contract on a regular basis. The estimated cost of uncompleted part that might incur in the future would be revised constantly based on the total cost of the same type ships, which have completed, actual cost and progress of the ships in progress, changes in materials and employees and others.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 5. TAXATION

### 1. Major taxes and rates

Tax	Tax base	Tax rate
Value-Added	Tax The sale of goods and provision of processing, repairing, repair services	17%
	Modern service <sup>Note</sup>	6%
Business	Tax Transportation and construction installation	3%
	Other services	5%
City Maintenance and Construction Tax	Turnover tax payable	7%
Education Surcharge	Turnover tax payable	3%
Local education Surcharge	Turnover tax payable <sup>Note</sup>	2%
Flood control and maintain expenses	Main business income and other incomes	0.072%

Note 1: According to finance and tax [2012]71, part of the modern service industry in Guangdong province start to pay VAT from 1 November 2012.

Note 2: Guangdong province levy local education surcharge by 2% of turnover tax payable from 1 January 2011.

Note 3: According to the requirements of the Letter on Cessation of Embankment Control and Maintenance Tax issued by the Bureau of Finance of Guangzhou City (Hui Cai Han [2014] No.235), the embankment control and maintenance tax in Guangzhou was no longer levied starting from 1 January 2015.

### 2. Corporate income tax

Company name	Tax rate	Note
The Company	15%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Glory Group Development Co., Ltd.	16.5%	Registered in HK
Fanguang Development Co., Ltd.	16.5%	Registered in HK
Fanguang (Macau) Development Single Person Co., Ltd.	12%	Registered in Macau
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	20%	Small low-profit enterprise
Other subsidiaries	25%	

### 3. Tax incentives and approvals

#### (1) Value-added tax

Export revenues: The Company is an enterprise concerned with production and operation, and for its self-operated export and self-produced goods, all policies of tax exemption, deduction and refund are applicable with a tax refund rate of 17%, tax refund rate of 9% for steel structure products and tax refund rate of 15% for large-scale facilities.

Revenues from military products: The contracts for production (ordering) military products are not subject to any value-added tax after completion of relevant tax exemption formalities.

#### (2) Enterprise Income Tax

The Company and its subsidiaries Guangzhou Hongfan Technology Co., Ltd. (Hongfan Technology) and CSSC Huangpu Wenchong Shipbuilding Co., Ltd. (Huangpu Wenchong) are approved to be Hi-tech Enterprises. The enterprise income tax rate applicable to Hongfan Technology for the period from 1 January 2014 to 31 December 2016 is 15%. The enterprise income tax rate applicable to Huangpu Wenchong for the period from 1 January 2015 to 31 December 2017 is 15%.

The Company may enjoy preferential income tax treatments for the period from 1 January 2014 to 31 December 2016. On 13 November 2015, as approved by a resolution of the 25th meeting of the eighth session of the Board, the assets and liabilities relating to the production and operation of the Company, based on their carrying value as at 31 December 2015, were transferred to Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company. As at the date of this report, the Company has substantially completed the transfer of the assets and liabilities relating to the production and operation of the Company. It is expected that the Company will no longer be qualified as a high technology enterprise and as such will no longer be entitled to preferential income tax treatments in 2016. An income tax rate of 25% is applicable to the Company in 2016.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 6. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless specifically specified, "Beginning Balance" refers to 1 January 2015, and "Ending Balance" refers to 31 December 2015. "Current Year" refers to the period from 1 January 2015 to 31 December 2015, and "Last Year" refers to the period from 1 January 2014 to 31 December 2014. The currency is in RMB.

### 1. Cash and cash equivalents

Items	Ending Balance	Beginning Balance
Cash	456,708.87	315,056.97
Bank deposits	9,232,133,831.88	8,340,933,684.06
Others	8,431,775,214.17	8,385,453,901.35
<b>Total</b>	<b>17,664,365,754.92</b>	16,726,702,642.38
Including: total amount deposited overseas	27,262,282.90	13,702,979.66

Note 1: The ending balance of other monetary funds of the Group include credit card deposit of RMB55,055.43 (beginning balance: RMB187,000.34); guarantee deposit of RMB10,471,716.20 (beginning balance: RMB35,995,913.47); deposit for construction-in-progress of RMB5,092,920.54 (beginning balance: RMB5,092,920.54); fixed deposit for long-term and short-term mortgage loans of RMB4,376,311,442.00 (beginning balance: RMB6,766,897,582.00), this guaranteed fixed deposit would be terminated after the debt redemption; total time deposits over 3 months amounted to RMB3,839,844,080.00 (beginning balance: RMB1,577,280,485.00); and deposit for bank acceptance bills of RMB200,000,000.00.

Note 2: The amount deposited overseas of the Group at the end of the period is the deposit for establishment of Glory Group Development Co., Ltd. (in Hong Kong), Fanguang Development Co., Ltd. (Hong Kong) and Fanguang (Macau) Development Single Person Co., Ltd..

### 2. Financial assets at fair value through profit and loss

#### (1) Classification of financial assets at fair value through profit and loss

Item	Ending Balance	Beginning Balance
Financial assets at fair value through profit and loss	13,063,411.11	17,905,895.15
Including: forward foreign exchange contracts	13,063,411.11	17,905,895.15
<b>Total</b>	<b>13,063,411.11</b>	17,905,895.15

#### (2) Analysis of trading financial assets:

Item	Ending fair value	Beginning fair value
Listed		
Unlisted	13,063,411.11	17,905,895.15
<b>Total</b>	<b>13,063,411.11</b>	17,905,895.15

The financial assets at fair value through profit and loss are all forward foreign exchange contract. At measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The debt rate published by the PBOC is chosen to be discount rate. The fair value is calculated according to the formulation as follows.

As for forward settle foreign exchange contract, choose the highest price to be input value, fair value=exchange price x (contract rate-public rate)/discount rate<sup>period</sup>.

As for forward purchase foreign exchange contract, choose the lowest price to be input value, fair value=exchange price x (public rate-contract rate)/discount rate<sup>period</sup>.

If the fair value is positive, the company disclose it as "Financial assets at fair value through profit and loss"; if negative, disclose it as "Financial liabilities at fair value through profit and loss".

### 3. Notes receivable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	21,097,180.25	27,283,280.83
<b>Total</b>	<b>21,097,180.25</b>	27,283,280.83

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 4. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	1,747,486,656.26	737,404,885.47
Less: provision for bad debts	37,519,261.20	19,348,380.72
<b>Net amount</b>	<b>1,709,967,395.06</b>	<b>718,056,504.75</b>

### (1) Terms of sales on credit

Business	Credit Term
Shipbuilding	1 month after invoicing
Other businesses	Usually 1 to 6 months

### (2) Ageing analysis

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt provision		Net value	Book value		Bad debt provision		Net value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year	1,629,786,151.55	93.26	12,095,764.59	0.74	1,617,690,386.96	630,342,433.02	85.48	3,104,475.20	0.50	627,237,957.82
1-2 years	61,228,720.04	3.50	364,792.83	0.60	60,863,927.21	55,464,785.99	7.52	320,191.12	0.58	55,144,594.87
2-3 years	21,062,108.45	1.21	225,691.11	1.07	20,836,417.34	16,386,928.92	2.22	303,837.61	1.85	16,083,091.31
3-4 years	14,215,910.78	0.81	9,164,423.64	64.47	5,051,487.14	11,571,745.44	1.57	9,421,385.83	81.42	2,150,359.61
4-5 years	11,257,082.83	0.65	9,627,071.05	85.52	1,630,011.78	15,096,943.37	2.05	1,436,182.34	9.51	13,660,761.03
Over 5 years	9,936,682.61	0.57	6,041,517.98	60.80	3,895,164.63	8,542,048.73	1.16	4,762,308.62	55.75	3,779,740.11
<b>Total</b>	<b>1,747,486,656.26</b>	<b>-</b>	<b>37,519,261.20</b>	<b>-</b>	<b>1,709,967,395.06</b>	<b>737,404,885.47</b>	<b>-</b>	<b>19,348,380.72</b>	<b>-</b>	<b>718,056,504.75</b>

### (3) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt provision		Net value	Book value		Bad debt provision		Net value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	28,926,460.22	1.65	28,926,460.22	100.00	0.00	15,740,926.19	2.13	15,740,926.19	100.00	0.00
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	1,718,560,196.04	98.35	8,592,800.98	0.50	1,709,967,395.06	721,663,959.28	97.87	3,607,454.53	0.50	718,056,504.75
Accounts receivable accrued bad debt provision by a certain percentage of the balance	1,747,486,656.26	-	37,519,261.20	-	1,709,967,395.06	737,404,885.47	-	19,348,380.72	-	718,056,504.75
<b>Total</b>	<b>1,747,486,656.26</b>	<b>-</b>	<b>37,519,261.20</b>	<b>-</b>	<b>1,709,967,395.06</b>	<b>737,404,885.47</b>	<b>-</b>	<b>19,348,380.72</b>	<b>-</b>	<b>718,056,504.75</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- 1) *Accounts receivable that are individually insignificant but are provided for bad debts on individual basis as at the end of the year*

Company name	Book value	Bad debts	%	Reasons
ASTA LTD-KINGSTOWN ST. VINCENT AND THE GRENADINE SC/O	5,170,529.00	5,170,529.00	100	Counterparty unable to pay due to financial difficulty
THYSSENKRUPP MATERIALS HANDLING	9,041,039.28	9,041,039.28	100	Counterparty unable to pay due to financial difficulty
TENOVA AUSTRALIA PTY LTD	3,966,667.18	3,966,667.18	100	Note
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,956,480.68	3,956,480.68	100	Counterparty unable to pay due to financial difficulty
WHL-FONKWANG	2,665,660.02	2,665,660.02	100	Long ageing and counterparty in operational difficulty
Chongqing Yuandong Fushi Electromechanical Company	894,670.00	894,670.00	100	Long ageing and counterparty in operational difficulty
Fuzhou Hongjia Electronic Technology Company	688,188.00	688,188.00	100	Long ageing and counterparty in operational difficulty
Guilin Hongyuan Elevators Company	398,250.00	398,250.00	100	Long ageing and counterparty in operational difficulty
Chongqing South Group Company	263,698.87	263,698.87	100	Long ageing and counterparty in operational difficulty
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100	Long ageing and counterparty in operational difficulty
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100	Long ageing and counterparty in operational difficulty
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100	Long ageing and counterparty in operational difficulty
China Railway 12th Bureau Group Co., Ltd.	138,281.00	138,281.00	100	Long ageing and counterparty in operational difficulty
Chongqing Guangchuan Elevators Co., Ltd.	129,999.76	129,999.76	100	Long ageing and counterparty in operational difficulty
Chongqing Yicheng Property Co., Ltd.	123,465.32	123,465.32	100	Long ageing and counterparty in operational difficulty
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100	Long ageing and counterparty in operational difficulty
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100	Long ageing and counterparty in operational difficulty
Wuhan Yujie Property Co., Ltd.	105,500.00	105,500.00	100	Long ageing and counterparty in operational difficulty
17 others	591,956.27	591,956.27	100	Long ageing and counterparty in operational difficulty
<b>Total</b>	<b>28,926,460.22</b>	<b>28,926,460.22</b>	<b>-</b>	

Note: In March 2014, the Company entered into a reclaimers sales contract with TENOVA AUSTRALIA PTY LTD. In January 2015, the Company delivered the reclaimers and recognised receivable. As at the end of the year, based on the communication with TENOVA AUSTRALIA PTY LTD, the Company expects that the likelihood that the remaining outstanding receivable of US\$365,000 can be recovered is low and provision for bad debts has been made in full for such receivable.

- 2) *Accounts receivable accrued bad debt provision by a certain percentage of the balance as at the end of the year*

Items	Book value	Percentage (%)	Bad debts
Within 1 year	1,625,819,484.37	0.50	8,129,097.41
1-2 years	61,169,776.09	0.50	305,848.88
2-3 years	20,941,122.96	0.50	104,705.62
3-4 years	5,076,871.50	0.50	25,384.36
4-5 years	1,638,202.80	0.50	8,191.02
Over 5 years	3,914,738.32	0.50	19,573.69
<b>Total</b>	<b>1,718,560,196.04</b>	<b>-</b>	<b>8,592,800.98</b>

**(4) Bad debts provision reversed (or recovered) as at the end of the year**

Provision for bad debts reversed or recovered on individual basis for the year was RMB43,930.99.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (5) Accounts receivable written-off as at the end of the year

Name of company	Nature of accounts receivable	Amount written-off	Reason for writing-off	Whether arising from connected transaction
Shantou Road and Bridge Construction General Company Guangzhou Inner Ring Project Office	Construction expenses	380,035.00	As per court judgment	No
Hubei Dongfang Entertainment Company	Retention money	20,000.00	Counterparty unable to pay due to insolvency	No
<b>Total</b>		<b>400,035.00</b>		

## (6) Top 5 Clients as at the end of the year

Company Name	Relationship	Amount	Ageing	Proportion in accounts receivable (%)	Ending balances of bad-debt provision
Client 1	Third party	262,348,900.00	Within 1 year	15.04	1,311,744.50
Client 2	Third party	187,955,040.00	Within 1 year	10.77	939,775.20
Client 3	Third party	165,396,400.00	Within 1 year	9.48	826,982.00
Client 4	Under the same control of CSSC	136,969,455.41	Within 1 year	7.85	684,847.28
Client 5	Third party	126,644,956.98	Within 1 year	7.26	633,224.78
<b>Total</b>		<b>879,314,752.39</b>		<b>50.40</b>	<b>4,396,573.76</b>

## 5. Prepayments

### (1) Ageing analysis

Items	Ending Balance		Beginning Balance	
	Amount	%	Amount	%
Within 1 year	<b>2,031,907,046.94</b>	<b>80.78</b>	2,655,706,055.85	92.12
1-2 years	<b>444,791,064.71</b>	<b>17.69</b>	207,257,397.48	7.19
2-3 years	<b>21,182,886.96</b>	<b>0.84</b>	13,366,208.54	0.46
Over 3 years	<b>17,377,066.84</b>	<b>0.69</b>	6,476,304.51	0.23
<b>Total</b>	<b>2,515,258,065.45</b>	<b>-</b>	2,882,805,966.38	-

### (2) Prepayments with ageing over one year and are of significant amount, and the reasons for not settling on time.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Company Name	Relationship	Amount	Proportion in prepayments (%)	Ageing	Reasons
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	150,209,985.08	5.97	1-2 years	Equipment not received yet
China Shipbuilding Trading Shanghai Co., Ltd.	Under common control of CSSC	88,192,731.03	3.51	1-2 years	Unsettled
China Shipbuilding Industry Corporation X1 Research Institute	Third party	63,766,250.00	2.54	1-2 years	Equipment not received yet
Tognum Asia Ltd.	Third party	28,854,422.00	1.15	1-2 years	Equipment not received yet
China Zhiteng Development Co., Ltd.	Third party	19,296,535.64	0.77	1-2 years	Equipment not received yet
Wenzhou Bofeng Electric Co., Ltd.	Third party	15,194,750.00	0.60	1-2 years	Equipment not received yet
China Shipbuilding Trading Co., Ltd.	Under common control of CSSC	13,605,349.89	0.54	1-2 years	Equipment not received yet
China Shipbuilding Industry Corporation X2 Research Institute	Third party	12,870,000.00	0.51	1-2 years	Equipment not received yet
Hayward Global Solutions AS	Third party	19,134,345.62	0.76	1-3 years	Equipment not received yet
SEVENTRENENORATEXAS LLC	Third party	7,098,498.37	0.28	1-2 years	Equipment not received yet
SIEMENS AG	Third party	6,215,114.88	0.25	1-2 years	Equipment not received yet
M.E.P.-PELLEGRINI MARINE EQUIPMENTS s.r.l.	Third party	6,033,168.00	0.24	1-2 years	Equipment not received yet
CSSC Nanjing Oasis Machine Co., Ltd.	Under common control of CSSC	1,900,000.00	0.08	1-2 years	Equipment not received yet
HYUNDAI WELDING CO., LTD	Third party	1,644,706.56	0.07	1-2 years	Equipment not received yet
<b>Total</b>		<b>434,015,857.07</b>	<b>17.27</b>		

(3) **Top five advances to suppliers by supplier based on closing balance:**

Name of company	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	382,889,395.95	0-2 years	15.22
China Shipbuilding Trading Shanghai Co., Ltd.	227,262,064.87	0-2 years	9.04
Eastern Shanghai Heavy Machinery Co., Ltd.	149,702,000.00	Within 1 year	5.95
WARTSILA Company (Finland)	137,468,591.00	Within 1 year	5.47
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	100,000,000.00	Within 1 year	3.98
<b>Total</b>	<b>997,322,051.82</b>	<b>–</b>	<b>39.66</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 6. Interest receivable

Items	Ending Balance	Beginning Balance
Interest income from fixed deposits	155,659,076.01	262,601,223.33
Income on entrusted wealth management products	36,676,712.33	226,212.33
<b>Total</b>	<b>192,335,788.34</b>	262,827,435.66

## 7. Dividends receivable

Items (or invested company)	Ending Balance	Beginning Balance
South China Special Coating Industrial Co., Ltd. In Guangzhou Economic and Technological Development Zone	635,116.05	721,976.56
<b>Total</b>	<b>635,116.05</b>	721,976.56

## 8. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	708,305,951.44	340,219,992.87
Less: provision for bad debts	13,929,769.20	12,075,986.91
<b>Net amount</b>	<b>694,376,182.24</b>	328,144,005.96

### (1) Ageing analysis

Items	Ending Balance					Beginning Balance				
	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value
Within 1 year	678,573,584.10	95.79	3,392,767.91	0.50	675,180,816.19	297,695,244.00	87.50	1,484,476.22	0.50	296,210,767.78
1-2 years	10,107,043.37	1.43	50,535.23	0.50	10,056,508.14	19,588,210.61	5.76	97,941.04	0.50	19,490,269.57
2-3 years	2,896,916.58	0.41	14,484.58	0.50	2,882,432.00	1,430,728.59	0.42	7,153.64	0.50	1,423,574.95
3-4 years	1,314,013.32	0.19	6,570.06	0.50	1,307,443.26	3,883,658.31	1.14	19,418.29	0.50	3,864,240.02
4-5 years	2,131,239.80	0.30	10,656.20	0.50	2,120,583.60	5,121,922.47	1.51	25,609.63	0.50	5,096,312.84
Over 5 years	13,283,154.27	1.88	10,454,755.22	78.71	2,828,399.05	12,500,228.89	3.67	10,441,388.09	83.53	2,058,840.80
<b>Total</b>	<b>708,305,951.44</b>	-	<b>13,929,769.20</b>	-	<b>694,376,182.24</b>	<b>340,219,992.87</b>	-	<b>12,075,986.91</b>	-	<b>328,144,005.96</b>

### (2) Classification

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt provision		Net value	Book value		Bad debt provision		Net value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other receivables that are individually significant and provided for bad debts on individual basis	10,340,232.15	1.45	10,340,232.15	100.00	-	10,340,232.15	3.04	10,340,232.15	100.00	-
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	100,310.00	0.01	100,310.00	100.00	-	90,810.00	0.03	90,810.00	100.00	-
Accounts receivable accrued bad debt provision by a certain percentage of the balance	697,865,409.29	98.54	3,489,227.05	0.50	694,376,182.24	329,788,950.72	96.93	1,644,944.76	0.50	328,144,005.96
<b>Total</b>	<b>708,305,951.44</b>	-	<b>13,929,769.20</b>	-	<b>694,376,182.24</b>	<b>340,219,992.87</b>	-	<b>12,075,986.91</b>	-	<b>328,144,005.96</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- 1) Other receivables that are individually significant and provided for bad debts on individual basis as at the end of the year

Company Name	Ending Balance		Provision proportion (%)	Reasons
	Book value	Bad debts		
Mitsubishi International Co., Ltd., Hong Kong	10,340,232.15	10,340,232.15	100.00	note
<b>Total</b>	10,340,232.15	10,340,232.15	-	-

Note: Trusted deposits have been exchanged for some assets with Guangzhou National Investment Corp. under the Company and Guangzhou National Investment Debt Restructuring Agreement. On 17 August 2005, according to "the contract of transfer rights" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB10,640,000 to Hong Kong Guanghong international Corp, which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Guanghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before September 2005, and pay the rest of debt with interest in Guanghong Optoelectronic Technology Corp, on which Hong Kong Guanghong international Corp has the right of disposition. On 21 September 2009, the Guangdong Province Higher People's Court of Final Appeal has made the judgment, Hong Kong Guanghong international Corp. has to settle the debt principal and interest of the Company within 10 days from the legal effective day. The company has recorded bad debt for the unreceived debt. As at the end of the year, the Company had not received the above mentioned debt principal and interest, and shall pay attention to further follow-up.

- 2) Other receivables that are individually insignificant but are provided for bad debts on individual basis

Company Name	Book value	Bad debts	Provision proportion (%)	Reasons
Guangzhou Urban Construction Archives Tian He District People's Court in Guangzhou City	57,600.00	57,600.00	100.00	Unrecoverable
Guangdong Machinery Import & Export Co., Ltd.	33,210.00	33,210.00	100.00	Unrecoverable
	9,500.00	9,500.00	100.00	Unrecoverable
<b>Total</b>	100,310.00	100,310.00	-	-

- 3) Other receivables accrued bad debt provision by a certain percentage of the balance

Items	Ending balance		Provision proportion (%)
	Other receivables	Bad debts	
Within 1 year	678,573,584.10	3,392,767.91	0.50
1-2 years	10,107,043.37	50,535.23	0.50
2-3 years	2,896,916.58	14,484.58	0.50
3-4 years	1,314,013.32	6,570.06	0.50
4-5 years	2,131,239.80	10,656.20	0.50
Over 5 years	2,842,612.12	14,213.07	0.50
<b>Total</b>	697,865,409.29	3,489,227.05	-

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

**(3) Provision for bad debts made, reversed (recovered) during the year**

Provision for bad debts made during the year amounted to RMB1,853,782.29, including provision made for bad debts on individual basis of RMB9,500.00; provision for bad debts recovered or reversed during the year amounted to RMBnil.

**(4) As at end of the year, there were no account receivables that have been actually written off**

**(5) Other receivables by nature**

Nature	Ending book value	Beginning book value
Refundable deposits	3,838,041.89	11,448,679.83
Temporary receipts receivable	16,846,137.76	24,725,677.77
Subsidy receivables	24,921,565.79	255,129,556.97
Reserve fund	34,878,152.38	22,797,729.23
Other current account	34,132,238.62	26,118,349.07
Consideration for equity transfer	593,689,815.00	
<b>Total</b>	<b>708,305,951.44</b>	<b>340,219,992.87</b>

**(6) Top five other receivables by ending balance of debtors**

Name of company	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Provision for bad debts Ending balance
Shanghai Lingxiang Equity Investment Co., Ltd.	Equity transfer payment	593,689,815.00	Within 1 year	83.82	2,968,449.08
Guangzhou Liwan Administration for Taxation	Refund of tax for exports	24,921,565.79	Within 1 year	3.52	112,773.15
Guangzhou Shipyard Shipping Co., Ltd.	Current account	9,700,000.00	Within 1 year	1.37	48,500.00
Guangzhou Nansha Pingqian Automobile Industrial Park Co., Ltd.	Deposit	3,982,863.00	1-5 years	0.56	19,914.32
Yantai Jiatai Ship Engineering Co., Ltd.	Current account	1,757,548.59	Within 1 year	0.25	8,787.74
<b>Total</b>		<b>634,051,792.38</b>		<b>89.52</b>	<b>3,158,424.29</b>

**(7) Receivables involving government subsidy**

Name	Projects	Ending Balance	Ageing	Date	Expected receipt	
					Amount	Basis
Guangzhou Liwan Administration for Taxation	Refund of tax for exports	24,921,565.79	Within 1 year	January 2016	24,921,565.79	Interim Regulations of the People's Republic of China on Value-added Tax
<b>Total</b>	-	<b>24,921,565.79</b>	-	-	<b>24,921,565.79</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 9. Inventories

### (1) Classification

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Raw materials	2,011,571,552.79	23,373,095.36	1,988,198,457.43	1,888,845,406.43	22,990,496.17	1,865,854,910.26
Work-in-progress	1,049,300,993.01	22,581,177.14	1,026,719,815.87	1,034,908,185.27	24,203,582.47	1,010,704,602.80
Merchandise inventories	27,782,549.68	15,951.95	27,766,597.73	22,569,443.45	31,903.89	22,537,539.56
Capitalized construction contracts	8,268,934,660.21	607,793,041.24	7,661,141,618.97	5,889,265,878.55	478,886,633.68	5,410,379,244.87
Goods in transit	38,847,053.44	-	38,847,053.44	32,631,852.89	-	32,631,852.89
<b>Total</b>	<b>11,396,436,809.13</b>	<b>653,763,265.69</b>	<b>10,742,673,543.44</b>	<b>8,868,220,766.59</b>	<b>526,112,616.21</b>	<b>8,342,108,150.38</b>

### (2) Provision for impairment of inventories

Item	Beginning balance	Increase		Decrease		Ending balance
		Provision	Others	Reversal or writing-off	Other transfers	
Raw materials	22,990,496.17	382,599.19	-	-	-	23,373,095.36
Work-in-progress	24,203,582.47	13,048,494.67	-	14,670,900.00	-	22,581,177.14
Merchandise inventories	31,903.89	-	-	15,951.94	-	15,951.95
Capitalized construction contracts (under inventories)	478,886,633.68	437,896,929.26	-	553,987,796.25	-	607,793,041.24
Capitalized construction contracts (under estimable liabilities)	274,786,802.71	-	-	-	-	29,789,528.16
<b>Subtotal</b>	<b>800,899,418.92</b>	<b>451,328,023.12</b>	<b>-</b>	<b>568,674,648.19</b>	<b>-</b>	<b>683,552,793.85</b>
Less: Capitalized construction contracts (under estimable liabilities)	274,786,802.71	-	-	-	-	29,789,528.16
<b>Total</b>	<b>526,112,616.21</b>	<b>451,328,023.12</b>	<b>-</b>	<b>568,674,648.19</b>	<b>-</b>	<b>653,763,265.69</b>

### (3) Methods of provision for inventory impairment

Items	Basis for determination of net realisable value	Reasons
Raw materials	Book value higher than NPV (Estimated disposal proceeds less taxes)	
Work in progress	Book value higher than NPV (Estimated disposal proceeds less related expenses)	Selling finished products
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)	Confirmation of inability to recover
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Write off according to construction process

### (4) Completed non-settled capitalized construction contracts as at the end of the year

Items	Amount
Accumulated cost incurred	22,228,427,216.48
Accumulated gross profit recognised	-176,216,322.08
Less: estimated loss	637,582,569.40
Add: estimated loss reclassified to estimated liabilities	29,789,528.16
Less: settled amount	13,783,276,234.19
Completed non-settled capitalized construction contracts	7,661,141,618.97

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## 10. Other current assets

Item	Ending balance	Beginning balance
Entrusted wealth management products <sup>note 1</sup>	705,000,000.00	50,500,000.00
Wealth management products <sup>note 2</sup>	140,000,000.00	–
<b>Total</b>	<b>845,000,000.00</b>	<b>50,500,000.00</b>

Note 1: The breakdown of the entrusted wealth management products of Huangpu Wenchong, a subsidiary, is as follows:

Trustee	Amount	Date of commencement	Date of ending
CSSC Finance Company Limited	205,000,000.00	2014-12-29	2016-12-29
CSSC Finance Company Limited	300,000,000.00	2014-12-29	2017-6-21
CSSC Finance Company Limited	110,000,000.00	2015-7-3	2016-8-14
CSSC Finance Company Limited	390,000,000.00	2015-7-3	2016-11-14
<b>Total</b>	<b>1,005,000,000.00</b>		
Including: Due within one year	705,000,000.00		

Note 2: According to a resolution passed at the 25th meeting of the eighth session of the Board, Huangpu Wenchong entered into a wealth management product agreement and related documents with the head office of China CITIC Bank Corporation Limited ("CITIC Bank") on 27 November 2015, and purchased four types of Zhiying Series Renminbi Structured Wealth Management Products issued by China CITIC Bank Corporation Limited with RMB210 million out of its temporarily unutilised proceeds raised. As at 31 December 2015, the balance of wealth management products for which the Company has entered into agreement was RMB140,000,000.00:

Product name	Principal	Estimated interest rate	Date of commencement	Date of ending	Cycle (days)
Zhiying series Renminbi structured	20,000,000.00	3.10%	2015/11/27	2016/3/1	95
wealth management products	60,000,000.00	3.17%	2015/11/27	2016/3/25	119
	60,000,000.00	3.20%	2015/11/27	2016/5/25	180
<b>Total</b>	<b>140,000,000.00</b>				

## 11. Available-for-sale financial assets

### (1) Available-for-sale financial assets

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Equity instrument available-for-sale						
Measured at fair value	3,517,862.88		3,517,862.88	3,714,513.60		3,714,513.60
Measured at cost	20,466,789.27	4,716,310.26	15,750,479.01	15,428,533.82	4,716,310.26	10,712,223.56
<b>Total</b>	<b>23,984,652.15</b>	<b>4,716,310.26</b>	<b>19,268,341.89</b>	<b>19,143,047.42</b>	<b>4,716,310.26</b>	<b>14,426,737.16</b>

### (2) The analysis is as follows:

Items	Ending Balance	Beginning Balance
Listed	3,517,862.88	3,714,513.60
Including: China (except Hong Kong)	3,517,862.88	3,714,513.60
Unlisted	15,750,479.01	10,712,223.56
<b>Total</b>	<b>19,268,341.89</b>	<b>14,426,737.16</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (3) The ending balance of available-for-sale financial assets measured at cost

Investee	Book value			Provision for impairment			Share holding of investee (%)	Cash dividend for the year
	Beginning Balance	Increase	Ending Balance	Beginning Balance	Increase	Decrease		
CSSC Finance Company Limited	5,828,000.00		5,828,000.00				0.33	
CSSC Heavy Equipment Co., Ltd.		5,038,255.45	5,038,255.45				16.13	
Nanjing Tongchuang Computer Co., Ltd.	4,716,310.26		4,716,310.26	4,716,310.26			4.60	
Beijing Shipbuilding Information Technology Co., Ltd.	1,700,000.00		1,700,000.00				10.63	
Huangou Hongshan Community Health Service Center	1,200,000.00		1,200,000.00				20	
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	1,000,000.00		1,000,000.00				4.05	
Shanghai Yangzi International Travel Agent Co., Ltd.	497,758.10		497,758.10				10	
Guangzhou Wenchuan Industrial Co., Ltd.	380,040.46		380,040.46				5.07	
Guangzhou Xinzhou Service Co., Ltd.	106,425.00		106,425.00				6.25	
<b>Total</b>	<b>15,428,533.82</b>	<b>5,038,255.45</b>	<b>20,466,789.27</b>	<b>4,716,310.26</b>			<b>4,716,310.26</b>	<b>-</b>

Note: The paid-up capital of CSSC Heavy Equipment Co., Ltd. (formerly Guangzhou China Shipping Steel Structure Co., Ltd.) at the beginning of the year was RMB43 million, and the Group's shareholdings in it was 34.88% with initial investment of RMB15 million. In March 2015, the Group's shareholding in it changed to 16.13% after additional capital contribution of RMB50 million made by CSSC, which are transferred to financial assets available for sale from long term equity investment for accounting treatment based on 34.88% of net assets of CSSC Heavy Equipment Co., Ltd. attributable to the Group on 28 February 2015.

## 12. Long-term receivables

Item	Ending balance		Beginning balance	
	Balance	Provision for bad debts	Balance	Provision for bad debts
Receipt in instalments for sale of goods	<b>443,507,053.80</b>	<b>87,365,807.93</b>	456,980,412.63	87,862,488.22
<b>Total</b>	<b>443,507,053.80</b>	<b>87,365,807.93</b>	456,980,412.63	87,862,488.22

Note: The sales of goods by instalments represents the shipbuilding amounts settled by instalments, the bad debt provision for which are made based on 15%-25% of balances of sales of goods by instalments as the Group expected 15%-25% of amounts may have risk of collection.

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## 13. Long-term equity investment

### (1) Classification

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year					Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment		
I. Associates										
Zhejiang CSSC Equipment Co., Ltd.	42,925,266.89			1,366,335.94						44,291,602.83
South China Special Coating Industrial Co., Ltd.	3,905,513.57			500,222.88			635,116.05			3,770,620.40
CSSC Heavy Equipment Co., Ltd.	5,624,899.18			-586,643.73				5,038,255.45		
II. Joint ventures										
Baiyin Sanfeng Wenchuan Environmental Protection Power Generation Co., Ltd.	30,000,000.00									30,000,000.00
<b>Total</b>	<b>82,455,679.64</b>			<b>1,279,915.09</b>			<b>635,116.05</b>	<b>5,038,255.45</b>		<b>78,062,223.23</b>

### (2) Analysis

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	<b>78,062,223.23</b>	82,455,679.64
<b>Total</b>	<b>78,062,223.23</b>	82,455,679.64

## 14. Investment properties

### (1) Investment properties measured at cost

Items	Buildings	Total
(I) Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase for the year		
3. Decrease for the year		
(1) Disposal		
4. Ending balance	29,171,739.00	29,171,739.00
(II) Accumulated depreciation and amortization		
1. Beginning balance	5,034,238.84	5,034,238.84
2. Increase for the year	628,712.16	628,712.16
(1) Provision or amortization	628,712.16	628,712.16
3. Decrease for the year		
(1) Disposal		
4. Ending balance	5,662,951.00	5,662,951.00
(III) Impairment provision		
1. Beginning balance		
2. Increase for the year		
3. Decrease for the year		
(1) Disposal		
4. Ending balance		
(IV) Carrying amount		
1. Ending carrying amount	23,508,788.00	23,508,788.00
2. Beginning carrying amount	24,137,500.16	24,137,500.16

The depreciation and amortization of investment properties through profit and loss for Current Year is RMB628,712.16 (Last Year: RMB690,021.09).

The provision for impairment of the investment properties for the year is RMB0.00 (Last Year: RMB0.00).

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(2) **Investment properties analyzed by region and term:**

Items	Ending balance	Beginning Balance
Inside China Mid-term (10-50 years)	<b>23,508,788.00</b>	24,137,500.16
<b>Total</b>	<b>23,508,788.00</b>	24,137,500.16

15. **Fixed assets**

(1) **Fixed assets category**

Items	Buildings	Machinery	Transportation facilities	Others	Total
I. Original carrying amount					
1. Beginning balance	8,030,561,260.58	4,686,695,891.40	732,842,236.99	301,851,586.23	13,751,950,975.20
2. Increase for the year	1,265,265,085.80	464,408,426.41	16,626,761.66	16,433,881.97	1,762,734,155.84
(1) Transfer from construction in progress	567,269,766.64	266,478,897.75	15,501,688.96	16,433,881.97	865,684,235.32
(2) Acquisition of shipbuilding assets of Yangzhou Kejin	697,995,319.16	197,929,528.66	1,125,072.70		897,049,920.52
3. Decrease for the year	572,667,683.52	49,956,550.57	3,456,017.11	1,626,900.23	627,707,151.43
(1) Disposal or retirement	44,659,358.42	14,686,786.63	3,456,017.11	1,626,900.23	64,429,062.39
(2) Disposal of Guangzhou Shipyard Shipping	528,008,325.10	35,269,763.94			563,278,089.04
4. Ending balance	8,723,158,662.86	5,101,147,767.24	746,012,981.54	316,658,567.97	14,886,977,979.61
II. Accumulated depreciation					
1. Beginning balance	1,510,409,018.54	2,001,517,284.69	318,359,213.55	142,899,136.67	3,973,184,653.45
2. Increase for the year	290,844,462.37	290,716,718.65	51,327,508.78	29,636,614.49	662,525,304.29
(1) Provision made	290,844,462.37	290,716,718.65	51,327,508.78	29,636,614.49	662,525,304.29
3. Decrease for the year	243,344,598.62	42,385,462.05	2,543,471.49	1,436,821.68	289,710,353.84
(1) Disposal or retirement	42,380,699.59	12,499,459.95	2,543,471.49	1,436,821.68	58,860,452.71
(2) Disposal of Guangzhou Shipyard Shipping	200,963,899.03	29,886,002.10			230,849,901.13
4. Ending balance	1,557,908,882.29	2,249,848,541.29	367,143,250.84	171,098,929.48	4,345,999,603.90
III. Provision for impairment					
1. Beginning balance		7,243,292.70			7,243,292.70
2. Increase for the year					
3. Decrease for the year					
4. Ending balance		7,243,292.70			7,243,292.70
IV. Carrying amount					
1. Ending carrying amount	7,165,249,780.57	2,844,055,933.25	378,869,730.70	145,559,638.49	10,533,735,083.01
2. Beginning carrying amount	6,520,152,242.04	2,677,935,314.01	414,483,023.44	158,952,449.56	9,771,523,029.05

The amortization of fixed assets recognized through profit or loss is RMB662,525,304.29 for Current Year (Last Year: RMB616,187,100.68).

The increased fixed assets during the year included RMB865,684,235.32 of capitalized construction in progress.

(2) **Buildings analyzed by region and term:**

Items	Ending Balance	Beginning Balance
Inside China Mid-term (10-50 years)	<b>7,150,278,667.66</b>	6,504,793,735.70
Outside China Long-term (over 50 years)	<b>14,971,112.91</b>	15,358,506.34
<b>Total</b>	<b>7,165,249,780.57</b>	6,520,152,242.04



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## (3) Fixed assets without certificate of title

Items	Book value	Reasons
Integrated building of machinery processing centre	7,299,174.25	Not obtained for the whole land parcel
Machinery processing workshop	107,594,428.53	Not obtained for the whole land parcel
Protection building project for submarine force at Longxue Factory	7,310,994.59	In the progress of obtaining ownership certificate
Ship owner's auxiliary building for new platform at Longxue Factory	4,951,348.97	In the progress of obtaining ownership certificate
<b>Total</b>	<b>127,155,946.34</b>	

## 16. Construction in progress

### (1) Category

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Workers' dormitory project at CSSC Longxue Base (Phase I)	0.00		0.00	291,802,034.52		291,802,034.52
Residential project for workers	71,800,258.90		71,800,258.90	70,185,099.30		70,185,099.30
Shipbuilding platform	203,061,049.83		203,061,049.83	36,304,659.16		36,304,659.16
Financing project	154,131,152.83		154,131,152.83	0.00		0.00
Project 7	57,519,747.92		57,519,747.92	29,267,295.22		29,267,295.22
Offshore platform project	30,381,945.09		30,381,945.09	22,402,940.95		22,402,940.95
Offshore engineering project phase I	16,302,940.78		16,302,940.78	15,293,332.07		15,293,332.07
Project 3	11,607,396.81		11,607,396.81	12,983,024.45		12,983,024.45
Project 6	12,857,724.17		12,857,724.17	76,991,367.25		76,991,367.25
Project 2	14,778,793.05		14,778,793.05	10,900,041.87		10,900,041.87
Construction of Zhongshan Base (Phase I)	10,126,087.90		10,126,087.90	3,300,201.63		3,300,201.63
Technological upgrading project	36,523,242.66		36,523,242.66	153,367,517.04		153,367,517.04
Project 4	9,667,882.20		9,667,882.20	9,112,257.45		9,112,257.45
Relocation of assets at Sanjiao Town, Zhongshan	0.00		0.00	8,492,239.46		8,492,239.46
Project 5	8,373,143.47		8,373,143.47	7,566,977.72		7,566,977.72
2 sets of 200T gantry cranes project and auxiliary project	7,084,715.82		7,084,715.82	4,879,789.78		4,879,789.78
New elevator and decompression bed construction project	9,836,135.69		9,836,135.69	195,754.71		195,754.71
Energy upgrading for Nos.7-9 slipways	5,195,889.08		5,195,889.08	-		-
Nansha Factory upgrading project	23,153,375.06		23,153,375.06	-		-
Coating room upgrading project	2,871,197.64		2,871,197.64	-		-
Advance works for repair and upgrading for Nos.7-9 slipways	2,455,069.87		2,455,069.87	-		-
Section workshop lighting and separation power supply upgrading	1,321,457.26		1,321,457.26	-		-
Upgrading of factory office of China Shipping owner	1,165,075.96		1,165,075.96	-		-
Nansha cutting and processing plant east-side (A900) terrace upgrading project	1,592,022.28		1,592,022.28	-		-
External workers shift room	1,754,315.42		1,754,315.42	-		-
CO2 gas protection welding machine	2,278,205.12		2,278,205.12	-		-
Other projects	35,898,735.67		35,898,735.67	56,720,012.19		56,720,012.19
<b>Total</b>	<b>731,737,560.48</b>		<b>731,737,560.48</b>	<b>809,764,544.77</b>		<b>809,764,544.77</b>

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## (2) Changes in significant construction in progress

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Decrease	
Workers' dormitory project at CSSC Longxue Base (Phase I)	291,802,034.52	189,079,174.90	480,881,209.42		0.00
Residential project for workers	70,185,099.30	1,691,548.49	76,388.89		71,800,258.90
Technological upgrading project	153,367,517.04	12,162,869.04	129,007,143.42		36,523,242.66
Project 6	76,991,367.25	441,419.52	64,575,062.60		12,857,724.17
Shipbuilding platform	36,304,659.16	166,756,390.67	0.00		203,061,049.83
Financing project	0.00	167,200,383.60	13,069,230.77		154,131,152.83
Project 7	29,267,295.22	29,510,417.18	1,257,964.48		57,519,747.92
Offshore platform project	22,402,940.95	8,123,324.14	144,320.00		30,381,945.09
Offshore engineering project phase I	15,293,332.07	2,964,032.77	1,954,424.06		16,302,940.78
Project 3	12,983,024.45	0.00	1,375,627.64		11,607,396.81
<b>Total</b>	<b>708,597,269.96</b>	<b>577,929,560.31</b>	<b>692,341,371.28</b>		<b>594,185,458.99</b>

Project Name	Budget	Budget use-up ratio (%)	Progress	Accumulated capitalized interest	Including: Capitalized interest for Current Year	Capitalization ratio (%)	Source of capital
Workers' dormitory project at CSSC Longxue Base (Phase I)	627,700,000.00	76.61	Completed	-	-	-	Self-financed
Residential project for workers	568,440,000.00	12.63	Under construction	-	-	-	Self-financed
Technological upgrading project	169,000,000.00	98.69	Under construction	-	-	-	Self-financed
Project 6	201,000,000.00	96.83	Under construction	-	-	-	Self-financed/ state-subsidised
Shipbuilding platform	666,670,000.00	30.46	Under construction	-	-	-	Self-financed/ state-subsidised
Financing project	653,000,000.00	25.60	Under construction	-	-	-	Self-financed
Project 7	424,940,000.00	73.99	Under construction	-	-	-	State-subsidised
Offshore platform project	278,630,000.00	53.45	Under construction	12,116,618.09	5,089,828.17	1.70	Self-financed/loans
Offshore engineering project phase I	770,000,000.00	92.65	Under construction	65,768,454.86	-	-	Self-financed/loans
Project 3	239,090,000.00	96.90	Under construction	24,729,118.48	-	-	Self-financed/loans
<b>Total</b>	<b>4,598,470,000.00</b>	<b>-</b>	<b>-</b>	<b>102,614,191.43</b>	<b>5,089,828.17</b>	<b>-</b>	

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## 17. Intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,018,473,182.70	145,232,000.00	165,662,117.48	64,675.00	2,329,431,975.18
2. Increase for the year	73,693,691.10		868,815.11	2,359,259.00	76,921,765.21
(1) Purchase			868,815.11		868,815.11
(2) Acquisition of shipbuilding assets of Yangzhou Kejin	73,693,691.10				73,693,691.10
(3) Other transfer				2,359,259.00	2,359,259.00
3. Decrease for the year	28,679,944.19				28,679,944.19
(1) Disposal of Guangzhou Shipyard Shipping	28,679,944.19				28,679,944.19
4. Ending balance	2,063,486,929.61	145,232,000.00	166,530,932.59	2,423,934.00	2,377,673,796.20
II. Accumulated amortization					
1. Beginning balance	147,278,527.09	16,701,679.77	108,931,264.24	13,474.00	272,924,945.10
2. Increase for the year	42,258,755.88	2,904,639.96	15,428,624.37	6,467.52	60,598,487.73
(1) Provision made	42,258,755.88	2,904,639.96	15,428,624.37	6,467.52	60,598,487.73
3. Decrease for the year	12,502,299.56				12,502,299.56
(1) Disposal of Guangzhou Shipyard Shipping	12,502,299.56				12,502,299.56
4. Ending balance	177,034,983.41	19,606,319.73	124,359,888.61	19,941.52	321,021,133.27
III. Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
IV. Carrying amount					
1. Ending carrying amount	1,886,451,946.20	125,625,680.27	42,171,043.98	2,403,992.48	2,056,652,662.93
2. Beginning carrying amount	1,871,194,655.61	128,530,320.23	56,730,853.24	51,201.00	2,056,507,030.08

There were no intangible assets formed from internal research and development of the Company during the year.

Land use right analyzed by region and term:

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	<b>1,886,451,946.20</b>	1,871,194,655.61
<b>Total</b>	<b>1,886,451,946.20</b>	1,871,194,655.61

The amortization of intangible assets recognized through profit or loss is RMB60,598,487.73 for Current Year (Last Year: RMB66,934,676.30).

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## 18. Research and development expenses

Item	Beginning balance	Increase in internal research and development expenses	Decrease in transfer to profit or loss for the current period	Ending balance
Research and development and industrial application of large-output multi-purpose ships		188,613,914.54	188,613,914.54	
Research and development and industrial application of offshore oil spill recovery ships		100,084,382.55	100,084,382.55	
Research and development of key technologies for meter deepwater drillships		57,398,024.91	57,398,024.91	
Research and development and industrial application of design and building technology for 76,000 ton semi-submerged carriers		55,828,659.10	55,828,659.10	
Development of 2,500 TEU containerships		35,187,275.28	35,187,275.28	
Development of new 1,700 TEU containerships		16,906,513.54	16,906,513.54	
2,200 TEU shallow draft containership upgrading		16,214,359.92	16,214,359.92	
Development of 1,100 TEU super energy-saving containerships		14,708,213.93	14,708,213.93	
Research and development of key technologies for drilling platforms		13,543,182.89	13,543,182.89	
Yacht project		10,509,710.21	10,509,710.21	
Research of key technologies for polar deck ships		16,984,627.60	16,984,627.60	
Research and manufacture of drilling wave compensation device		9,810,347.58	9,810,347.58	
Research and development of offshore field environment-friendly operation ships		9,323,923.08	9,323,923.08	
Decoration design and building technology research for typical cabins of luxury cruises		15,447,800.38	15,447,800.38	
Research and development and industrial application of design and building technology for 300,000 ton super deepwater floating production, storage and offloading (FPSO) domestic module units		10,246,367.10	10,246,367.10	
28,000 DWT Stern casting fixed fin design and production process research		7,439,473.52	7,439,473.52	
Development and research of cold storage ships		7,416,295.57	7,416,295.57	
Manufacturing, verification and research of typical kitchen cabins		7,116,838.11	7,116,838.11	
Research of key common technology for ocean fishing ships		5,891,970.89	5,891,970.89	
Other miscellaneous projects		171,025,574.40	171,025,574.40	
<b>Total</b>		<b>769,697,455.10</b>	<b>769,697,455.10</b>	

During the year, development expense of RMB513,015,922.65 was transferred to administrative expense, and development expense of RMB256,681,532.45 was transferred to operating cost.

There was no intangible asset formed from internal research and development of the Company during the year.

## 19. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Decrease	Ending Balance
Improvement in leased fixed assets	6,732,836.06	9,067,761.26	3,528,115.82		<b>12,272,481.50</b>
Reconstruction cost of plant	7,246,727.27		1,073,589.20		<b>6,173,138.07</b>
Dining hall complex modification	2,793,885.95		986,077.44		<b>1,807,808.51</b>
Renovation of ventilation and air-conditioning system of technical center building	560,225.74		192,077.40		<b>368,148.34</b>
Drawing review and certification fees	120,000.00		30,000.00		<b>90,000.00</b>
<b>Total</b>	<b>17,453,675.02</b>	<b>9,067,761.26</b>	<b>5,809,859.86</b>		<b>20,711,576.42</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 20. Deferred tax assets and deferred tax liabilities

### (1) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	253,271,316.45	45,185,901.48	980,633,963.89	158,031,271.37
Deductible loss	1,316,973,433.50	329,243,358.37	1,937,447,902.02	457,407,550.98
Prepaid housing subsidy	223,301.96	55,825.49	14,201,836.96	2,171,995.34
Medical insurance for retired employees within 10 years			860,229.87	129,034.48
Payroll for retiring employees	235,854,089.05	52,457,039.28	217,531,369.74	32,629,705.46
Accrued expenses	269,447,169.54	48,821,358.68	206,694,626.28	31,158,091.85
Payroll balance owing at year end			183,006.00	27,450.90
Financial liabilities at fair value through profit and loss	6,743,350.55	1,011,502.58	56,475,710.29	8,471,356.54
Employee education expense			15,612,686.47	2,341,902.97
Monetary housing allowance for retired employees			53,318,868.40	7,997,830.26
Timing differences for long-term deferred expenses	2,357,602.61	589,400.64	1,729,043.43	432,260.86
Timing differences of tooling material cost amortization			17,067,368.36	4,266,842.09
Others (Note)			190,612,106.60	28,591,815.99
<b>Total</b>	<b>2,084,870,263.66</b>	<b>477,364,386.52</b>	3,692,368,718.31	733,657,109.09

Note: In August 2014, the Company made capital injection to Guangzhou Hongfan Hotel Co., Ltd ("Hongfan Hotel") by its properties, the evaluated value of such property is RMB76,251,487.47, which has been confirmed by the "Assets Valuation Report" (Zhong Lian Ping Bao [2014] No.713) issued by China United Assets Appraisal Group Co., Ltd., on 7 August 2014. In November 2014, the Company contributed to the establishment of Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") by its land and buildings and structures, the evaluated value of land and buildings and structures are RMB876,809,045.44, which have been confirmed by "Assets Valuation Report" (Zhong Lian Ping Bao [2014] No.1211-03) issued by China United Assets Appraisal Group Co., Ltd., on 19 September 2014. According to Cai Shui [2014] No. 116: "Non-monetary assets transfer as confirmed by foreign investments by resident enterprise using non-monetary assets, cannot within a period not exceeding five years, include in taxable income for the corresponding years equally in stages, should pay enterprise income tax as stipulated". As the tax bases of the relevant assets were higher than their carrying amounts, resulting in deductible temporary differences, in view of the taxation payable for each period, 1/5 of deferred tax assets were recognised based on the gain on valuation appreciation as at the end of 2014. In 2015, the Company transferred its entire interest in Hongfan Hotel and Guangzhou Shipyard Shipping to Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company, according to a resolution passed at a general meeting, which was treated as the realisation of gain from asset transfer, and relevant taxation adjustments had been made.

### (2) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Fair value changes in financial assets available for sale	2,362,365.58	590,591.40	2,559,016.30	383,852.45
Change in fair value of financial assets at fair value through profit or loss	11,466,263.56	1,719,939.53	17,905,895.15	2,685,884.28
<b>Total</b>	<b>13,828,629.14</b>	<b>2,310,530.93</b>	20,464,911.45	3,069,736.73

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

### (3) Unrecognized as deferred tax assets

Items	Ending Balance	Beginning Balance
Deductible temporary difference	1,313,863,231.15	133,371,053.37
Deductible loss	2,041,221,087.11	1,353,529,947.05
<b>Total</b>	<b>3,355,084,318.26</b>	1,486,901,000.42

Note: The Company and its subsidiaries, Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., Guangchuan Large-scale Machinery and Equipment Co., Ltd., Guangzhou Shipyard International Marine Engineering Co., Ltd., Guangzhou CSSC Wenchong Binshen Facilities Co., Ltd. And Guangzhou Huangchuan Ocean Engineering Co. Ltd. are uncertain about whether or not be able to generate enough taxable income, and are judged there's no deductible temporary difference and deductible loss recognized as deferred tax assets. Guangzhou Shipyard International Company Limited recognized deferred tax assets of RMB244,582,433.18 in respect of part of the uncovered losses made during the past years according to the estimated earnings in the next five years and did not recognize deferred tax assets in respect of the remaining undistributed deficit. Guangzhou Wenchong Shipyard Co., Ltd. recognized deferred tax assets of RMB64,150,936.27 in respect of part of the uncovered losses made during the past years according to the estimated earnings in the next five years and recognized deferred tax assets of RMB79,222,213.18 in respect of the deductible temporary difference.

### (4) Deductible loss that is not recognized as deferred assets will expire in the following years

Items	Ending Balance	Beginning Balance
2015		16,041,202.76
2016		
2017	83,410,331.25	85,225,249.41
2018	66,400,666.45	228,876,078.86
2019	927,659,716.43	1,023,387,416.02
2020	963,750,372.98	
<b>Total</b>	<b>2,041,221,087.11</b>	1,353,529,947.05

### 21. Other non-current assets

Item	Ending balance	Beginning balance
Entrusted wealth management products	300,000,000.00	505,000,000.00
<b>Total</b>	<b>300,000,000.00</b>	505,000,000.00

Note: Please refer to Note VI.10 headed "Other current assets".

### 22. Short-term loans

Category	Ending Balance	Beginning Balance
Mortgage loans	3,740,518,000.00	5,945,329,096.88
Credit loans	3,006,153,403.20	405,544,772.69
Guaranteed loans	-	800,000,000.00
<b>Total</b>	<b>6,746,671,403.20</b>	7,150,873,869.57

Mortgage:

As at the end of the year, short-term loans of RMB3,740,518,000.00 were secured by the Group's fixed deposit receipt of RMB376,099,510.00 and fixed deposit receipt of US\$499,000,000.00.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 23. Financial liabilities at fair value through profit or loss

Items	Ending Balance	Beginning Balance
Financial liabilities designated at fair value through profit or loss Including: forward exchange contracts	177,459,147.05	56,475,710.29
Short USD call options	3,782,770.65	-
<b>Total</b>	<b>181,241,917.70</b>	<b>56,475,710.29</b>

## 24. Notes payable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	1,987,065,708.98	1,898,821,036.95
Commercial acceptance bill	377,929,605.55	266,662,706.52
<b>Total</b>	<b>2,364,995,314.53</b>	<b>2,165,483,743.47</b>

There were no notes payable which were past due but not yet settled at the end of the year.

## 25. Accounts payable

### (1) Accounts payable

Items	Ending Balance	Beginning Balance
Materials purchased	5,294,699,709.50	3,800,814,738.70
Settlements for projects	317,751,893.10	211,870,498.21
Product settlement	489,885,334.50	347,690,454.66
Warranty	279,016,442.68	226,556,326.47
Other projects and labour services	354,033,992.47	645,029,839.53
<b>Total</b>	<b>6,735,387,372.25</b>	<b>5,231,961,857.57</b>

### (2) Ageing analysis of accounts payable

As at the end of the year, the ageing analysis of accounts payable based on its invoice date are as follows:

Items	Ending Balance	Beginning Balance
Within 1 year	6,294,237,944.36	4,838,660,298.43
1-2 years	228,221,851.45	173,162,749.03
2-3 years	138,489,337.36	84,084,764.45
Over 3 years	74,438,239.08	136,054,045.66
<b>Total</b>	<b>6,735,387,372.25</b>	<b>5,231,961,857.57</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (3) Significant accounts payable aged more than 1 year

Name of company	Ending balance	Including: Over 1 year	Reason for or unsettlement carrying forward
China Shipbuilding Industry Corporation X3 Research Institute	34,062,535.00	5,256,485.00	Retention money
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,372,294.28	Construction expenses
China Shipbuilding Industry Corporation X4 Research Institute	14,756,250.00	14,756,250.00	Retention money
Anqing CSSC Diesel Engine Co., Ltd.	31,112,094.02	14,560,000.00	Undue
Sandvik Mining and Construction Material Handing GmbH & Co KG	13,757,219.01	13,757,219.01	Undue
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	752,935,065.74	9,452,558.75	Undue
Nanjing Panda Handa Technology Co., Ltd.	10,400,000.00	10,400,000.00	Retention money
China Shipbuilding Industry Corporation X5 Research Institute Kunming Branch	20,768,000.00	9,608,000.00	Retention money
Wuhan Marine Machinery Co., Ltd.,	8,417,500.00	3,559,500.00	Retention money
Shanghai Alefa Ship Equipment Co., Ltd.	7,355,458.46	2,951,634.00	Undue
Shaanxi Diesel Engine Co., Ltd.	6,395,999.96	2,099,999.98	Retention money
Eastern Shanghai Heavy Machinery Co., Ltd.	24,982,341.43	3,997,000.00	Undue
Kalzip (Guangzhou) Limited Company	5,650,559.31	5,650,559.31	Undue
Guangzhou Construction Group Co., Ltd.	4,364,242.99	4,364,242.99	Undue
China Shipbuilding Industry Corporation X6 Research Institute	3,524,250.00	3,524,250.00	Retention money
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	82,761,153.87	78,598,249.54	Undue
Havyard Global Solutions AS	24,262,779.64	24,262,779.64	Undue
CSSC System Engineering Research Institute	330,641,800.00	14,505,000.00	Undue
China Offshore Environmental Service (Tianjin) Co., Ltd.	13,385,154.00	13,385,154.00	Retention money
China Aerospace Science and Industry Corporation No.1 Research Institute	13,200,000.00	13,200,000.00	Retention money
Kongsberg Marine BV	9,003,450.93	9,003,450.93	Retention money
China State Shipbuilding Steel Structure Engineering Company Limited	8,650,000.00	8,517,341.88	Retention money
China Shipbuilding Industry Corporation X7 Research Institute	6,150,000.00	6,150,000.00	Retention money
Guangzhou Second Construction & Engineering Co., Ltd.	4,961,204.54	4,894,353.90	Undue
China Shipbuilding Industry Corporation X8 Research Institute	3,400,000.00	3,400,000.00	Undue
No.5 Engineering Company of CCCC First Harbor Engineering Co. Ltd	3,164,323.68	3,164,323.68	Undue
China Shipbuilding International Trading Co., Ltd.	2,884,175.00	2,873,618.73	Undue
Shengbang Navigation System Co., Ltd.	2,869,820.24	2,869,820.24	Undue
Shanghai Jiachuan Engineering Equipment Supervision Co., Ltd.	2,445,283.00	2,445,283.00	Undue
Shanghai Jiadi Steel Building Products Co., Ltd.	2,366,362.75	2,366,362.75	Undue
Guangzhou Nanfang Electric Group Nanqu Construction Co., Ltd.	2,254,346.78	2,254,346.78	Undue
<b>Total</b>	<b>1,469,353,664.63</b>	<b>314,200,078.39</b>	



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## 26. Advances from customers

### (1) Advances from customers

Item	Ending balance	Beginning balance
Ship and offshore engineering products		364,377,858.51
Steel structure engineering	<b>102,160,637.38</b>	18,575,524.31
Advance from customers for ship maintenance	<b>296,295,905.20</b>	467,992,683.31
Other products	<b>229,061,626.47</b>	322,934,892.40
<b>Total</b>	<b>627,518,169.05</b>	1,173,880,958.53

### (2) Top 5 advances from customers aged more than 1 year

Company name	Ending Balance	Reasons
Customer 1	<b>76,508,714.95</b>	Project undue
Customer 2	<b>43,412,871.81</b>	Project undue
Customer 3	<b>24,960,000.00</b>	Project undue
Customer 4	<b>23,313,272.72</b>	Project undue
Customer 5	<b>21,524,308.16</b>	Project undue
<b>Total</b>	<b>189,719,167.64</b>	–

## 27. Employee benefits payable

### (1) Classification of employee benefits payable

Items	Beginning Balance	Increase	Decrease	Ending Balance
Short-term payroll	41,997,777.52	4,688,276,856.44	4,697,779,608.90	<b>32,495,025.06</b>
Post-employment benefits – Defined contribution plan	1,260,938.85	247,566,358.82	248,827,297.67	–
Severance benefits	26,015.72	1,323,706.16	1,349,721.88	–
Other benefits due within one year	2,795,580.00	3,343,805.08	2,795,580.00	<b>3,343,805.08</b>
<b>Total</b>	<b>46,080,312.09</b>	<b>4,940,510,726.50</b>	<b>4,950,752,208.45</b>	<b>35,838,830.14</b>

### (2) Short-term payroll

Items	Beginning Balance	Increase	Decrease	Ending Balance
Wages or salaries, bonuses, allowances and subsidies	2,588,194.79	1,875,213,561.46	1,876,294,984.91	<b>1,506,771.34</b>
Staff welfare	5,073,261.30	82,442,600.33	82,443,440.33	<b>5,072,421.30</b>
Social insurance	476,470.98	146,023,539.77	146,500,010.75	–
Including: medical insurance	463,054.50	120,962,815.31	121,425,869.81	–
Work-related injury insurance	–	5,021,346.63	5,021,346.63	–
Maternity insurance	–	12,946,699.87	12,946,699.87	–
Supplementary medical insurance	13,416.48	7,092,677.96	7,106,094.44	–
Housing fund	5,832,460.00	183,577,226.00	189,079,828.00	<b>329,858.00</b>
Union & education funds	26,885,926.23	27,967,942.53	30,087,709.92	<b>24,766,158.84</b>
Outsourcing labour costs and others	1,141,464.22	2,373,051,986.35	2,373,373,634.99	<b>819,815.58</b>
Non-monetary benefits	–	–	–	–
<b>Total</b>	<b>41,997,777.52</b>	<b>4,688,276,856.44</b>	<b>4,697,779,608.90</b>	<b>32,495,025.06</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (3) Defined contribution plan

Items	Beginning Balance	Increase	Decrease	Ending Balance
Basic medical insurance	1,197,113.48	217,431,136.32	218,628,249.80	-
Unemployment insurance	63,825.37	15,567,364.50	15,631,189.87	-
Enterprise annuity	-	14,567,858.00	14,567,858.00	-
<b>Total</b>	<b>1,260,938.85</b>	<b>247,566,358.82</b>	<b>248,827,297.67</b>	<b>-</b>

## 28. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	-1,233,012,725.95	-511,640,906.25
Business Tax	1,509,477.42	2,686,796.37
Corporate Income Tax	68,236,904.48	157,012,458.63
Individual Income Tax	26,476,870.55	23,585,896.95
City Maintenance and Construction Tax	2,463,456.21	1,938,196.41
Real Estate Tax	4,338,075.65	3,913,772.88
Land Appreciation Tax	1,675,868.05	1,682,911.05
Education Surcharge	1,754,425.39	1,379,072.76
Other taxes and charges	3,813,873.86	7,658,610.66
<b>Total</b>	<b>-1,122,743,774.34</b>	<b>-311,783,190.54</b>

As at the end of the year, income tax payable in Hong Kong and Macau amounted to RMB2,286,870.42.

## 29. Interest payable

Items	Ending Balance	Beginning Balance
Interest payable for long-term borrowings, for which interest are paid in instalments and the principal is paid at the maturity date	12,452,683.55	35,783,338.69
Interest payable for short-term borrowings	9,080,890.16	10,585,418.55
<b>Total</b>	<b>21,533,573.71</b>	<b>46,368,757.24</b>

## 30. Dividends payable

Items	Ending Balance	Beginning Balance
Dividend payable for A Shares	63,634.72	67,010.53
Dividend payable for H Shares	110,711.24	110,711.24
Dividend payable to minority interests	780,000.00	-
Dividend for Huangpu Wenchong before completion of transfer	255,149,425.21	-
<b>Total</b>	<b>256,103,771.17</b>	<b>177,721.77</b>

Note: The profit and loss of Huangpu Wenchong during its delivery period shall be enjoyed and assumed by its former shareholder CSSC according to the acquisition agreement.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 31. Other payables

### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Pledged deposits	134,388,118.92	54,654,779.96
Payable of temporary receipts	110,806,051.09	190,728,368.61
<b>Total</b>	<b>245,194,170.01</b>	245,383,148.57

### (2) Significant other payables aged more than 1 year

Company Name	Ending Balance	Reasons
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	8,555,853.15	Deposit
China Xinxing Construction & Development General Company	3,275,198.69	Deposit
Shanghai Jiadi Steel Building Products Co., Ltd.	891,418.10	Deposit
Guangdong No.1 Construction Engineering Co., Ltd.	641,642.22	Deposit
Hong Kong Hualian Ship Co., Ltd.	469,396.39	Payable for temporary receipts
<b>Total</b>	<b>13,833,508.55</b>	

## 32. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	1,777,500,000.00	1,799,060,757.83
<b>Total</b>	<b>1,777,500,000.00</b>	1,799,060,757.83

## 33. Other current liabilities

### (1) Classification of other current liabilities

Items	Ending Balance	Beginning Balance
<b>Long-term project settlement</b>	<b>12,071,881,483.19</b>	9,925,214,078.38
Shipbuilding products	12,071,881,483.19	9,925,214,078.38
<b>Deferred income</b>	<b>18,302,757.69</b>	3,853,861.68
Government grant	18,302,757.69	3,853,861.68
<b>Total</b>	<b>12,090,184,240.88</b>	9,929,067,940.06

### (2) Projects that are settled but not yet completed under construction contract at the end of the year

Items	Amount
Settled amount	25,855,157,717.38
Less: accumulated costs	13,783,276,234.19
Projects that are settled but not yet completed under construction contract	12,071,881,483.19

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

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## (3) Government subsidy

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Relating to assets/ relating to income
Enterprise technology centre innovation capability development project	300,000.00		300,000.00	300,000.00	300,000.00	Relating to assets
150 tons self-propelled hydraulic flatbed trailer	166,666.68		166,666.68	166,666.68	166,666.68	Relating to assets
Coating technology process and transformation	153,698.64		153,698.64	153,698.64	153,698.64	Relating to assets
Technical upgrading for new ship research equipment	142,191.84		142,191.84	142,191.84	142,191.84	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	50,000.04		33,333.36	14,041.67	30,708.35	Relating to assets
No. 1 Dock adaptive transformation (1)	33,333.36		33,333.36	33,333.36	33,333.36	Relating to assets
No. 1 Dock adaptive transformation	26,666.64		26,666.64	26,666.64	26,666.64	Relating to assets
Noise control engineering for painting workshop	15,789.48		15,789.48	15,789.48	15,789.48	Relating to assets
Metering scientific instruments for the Group	9,999.96		9,999.96	9,999.96	9,999.96	Relating to assets
Noise control engineering for new area	9,519.96		9,519.96	9,519.96	9,519.96	Relating to assets
Shipbuilding projects	2,348,780.76			-2,348,780.76		Relating to assets
Infrastructure project	535,031.54			-535,031.54		Relating to assets
Base construction subsidy	62,182.78		62,182.77	62,182.77	62,182.78	Relating to assets
Offshore platform project				300,000.00	300,000.00	Relating to assets
Offshore expansion projects				3,500,000.00	3,500,000.00	Relating to assets
Offshore engineering phase I				1,500,000.00	1,500,000.00	Relating to assets
Design of deepwater drillships				6,000,000.00	6,000,000.00	Relating to income
Deepwater diving support				2,500,000.00	2,500,000.00	Relating to income
Demonstration unit of intellectual property right in Guangzhou				110,000.00	110,000.00	Relating to income
Ship design and manufacturing integration				200,000.00	200,000.00	Relating to income
System equipment manufacturing				96,000.00	96,000.00	Relating to income
Drilling wave compensation device				961,050.00	961,050.00	Relating to income
Research and development of key technologies for large equipment				68,950.00	68,950.00	Relating to income
Key technologies for polar multi-purpose ships				1,680,000.00	1,680,000.00	Relating to income
Ship follow-up green cooling system				336,000.00	336,000.00	Relating to income
Construction of technical centre				100,000.00	100,000.00	Relating to income
<b>Total</b>	<b>3,853,861.68</b>		<b>953,382.69</b>	<b>15,402,278.70</b>	<b>18,302,757.69</b>	

## 34. Long-term loans

### (1) Category

Type	Ending Balance	Beginning Balance
Mortgage loans	—	3,245,032,146.51
Secured loans	2,289,067,600.00	2,075,000,000.00
Unsecured loans	6,179,000,000.00	2,099,500,000.00
Less: Due within 1 year	1,777,500,000.00	1,799,060,757.83
<b>Total</b>	<b>6,690,567,600.00</b>	<b>5,620,471,388.68</b>

Note: Interest rates of long-term loans mainly within the range of 1.85%-6.21%.

Guarantee:

As at the end of the year, long-term loan of RMB500,000,000.00 was guaranteed by CSSC Offshore & Marine Engineering (Group) Company Limited;

As at the end of the year, long-term loan of RMB500,000,000.00 was guaranteed by Guangzhou Wenchong Shipyard Co. Ltd.;

As at the end of the year, loans of RMB1,104,000,000.00 and US\$28,500,000.00 of long-term loans were guaranteed by CSSC Huangpu Wenchong Shipbuilding Ship Company Limited;

Details of interest rate: As at the end of the year, weighted average annual interest rate of long-term loans was 3.17%.

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## (2) Long-term loans due date analysis

Items	Ending Balance	Beginning Balance
1 – 2 years	4,060,567,600.00	2,489,471,388.68
2 – 5 years	2,130,000,000.00	2,631,000,000.00
Over 5 years	500,000,000.00	500,000,000.00
<b>Total</b>	<b>6,690,567,600.00</b>	<b>5,620,471,388.68</b>

## 35. Long-term staff welfare payable

Items	Ending Balance	Beginning Balance
Monetary housing subsidies for retirees	49,101,266.74	62,422,848.42
Housing assistance for employees	10,193,308.20	5,104,299.92
Medical insurance for retirees	1,660,229.85	1,660,229.85
Three kinds of personnel costs <sup>note</sup>	225,775,354.01	217,505,354.01
<b>Total</b>	<b>286,730,158.80</b>	<b>286,692,732.20</b>

Note: Three kinds of personnel costs: According to "Notice of the Ministry of Finance on the financial management of the payments for the resettlement of employees in the restructuring of enterprises" ([2009] No.117 of the Ministry of Finance) and "Notice of the Ministry of Finance on the financial management of the overall external expenses of retirees in the restructuring of the central enterprises" ([2010] No.84 of the Ministry of Finance), the subsidiary company Huangpu Wenchong accrued costs of three kinds of personnel according to the actuarial report on costs of "three kinds of personnel" (retire, retired and retreated) provided by Towers Watson Consult Company. On 10 October 2014, State-owned Assets supervision and Administration Commission approved the actuarial report on three kinds of personnel costs as at 30 April 2014 according to "The approval on the relevant expenses of retired and retreated personnel in the restructuring and reorganization of CSSC Huangpu Wenchong Shipbuilding Company Limited" (Guo Zi Fen Pei [2014] No.997). As at the end of the year, Huangpu Wenchong, a subsidiary of the Company conducted accounting treatment according to the actuarial report on costs of "three kinds of personnel" (retire, retired and retreated) provided by Towers Watson Consult Company.

## 36. Special payable

Items	Beginning Balance	Increase	Decrease	Ending Balance
Project A	17,850,000.00			17,850,000.00
Project B	6,720,000.00			6,720,000.00
Project C		26,600,000.00		26,600,000.00
Project D		4,500,000.00		4,500,000.00
Project E		43,700,000.00		43,700,000.00
Project F	241,969,744.58			241,969,744.58
Project G	211,000,000.00			211,000,000.00
Project H	150,000,000.00	42,700,000.00		192,700,000.00
Project I	168,150,000.00			168,150,000.00
Project J	71,650,000.00			71,650,000.00
<b>Total</b>	<b>867,339,744.58</b>	<b>117,500,000.00</b>		<b>984,839,744.58</b>

Note: The above are state funds allocated to the projects, and as the capital investment in the Group from the state, they belong to the state exclusively when the projects have been completed and approved qualified. According to a resolution of the Board, these special purpose payable can be converted into investment of CSSC upon increase of capital.

## 37. Estimated liabilities

Items	Ending Balance	Beginning Balance
Product quality warranties	413,314,585.74	298,481,631.69
Onerous construction contracts	29,789,528.16	274,786,802.71
<b>Total</b>	<b>443,104,113.90</b>	<b>573,268,434.40</b>

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## 38. Deferred income

### (1) Classification of deferred income

Items	Beginning Balance	Increase	Decrease	Ending Balance
Government subsidy	149,269,700.92	345,622,940.00	234,572,585.71	<b>260,320,055.21</b>
<b>Total</b>	<b>149,269,700.92</b>	<b>345,622,940.00</b>	<b>234,572,585.71</b>	<b>260,320,055.21</b>

### (2) Government subsidy items

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Relating to assets/relating to income
Construction of protection conditions	30,000,000.00	170,000,000.00			<b>200,000,000.00</b>	Relating to income
Research of shipbuilding process and technology	16,981,842.95		16,981,842.95			Relating to income
Decoration design and building technology research for typical cabins of luxury cruises		6,600,000.00	6,600,000.00			Relating to income
Research of key technologies for polar deck ships		9,900,000.00	9,900,000.00			Relating to income
Research and development and industrial application of design and building technology for carriers		28,000,000.00	28,000,000.00			Relating to income
Research and development and industrial application of design and building technology for FPSO domestic module units		5,600,000.00	5,600,000.00			Relating to income
Research of comprehensive building process and technology		8,000,000.00	447,749.81		<b>7,552,250.19</b>	Relating to income
Research and development of engineering ships		11,100,000.00	6,172,666.36		<b>4,927,333.64</b>	Relating to income
Offshore expansion projects	21,000,000.00		3,500,000.00	-3,500,000.00	<b>14,000,000.00</b>	Relating to income
Research and development of offshore oil spill recovery ships		11,500,000.00	11,500,000.00			Relating to income
Research and development of large-output multi-purpose ships		28,000,000.00	28,000,000.00			Relating to income
Research and development and industrial application of design and building technology for deepwater drillships		26,400,000.00	14,400,000.00	-6,000,000.00	<b>6,000,000.00</b>	Relating to income
Research and manufacture of drilling wave compensation device		12,600,000.00	2,350,000.00	-961,050.00	<b>9,288,950.00</b>	Relating to income
Others	81,287,857.97	27,922,940.00	24,616,425.42	-66,042,851.17	<b>18,551,521.38</b>	
<b>Total</b>	<b>149,269,700.92</b>	<b>345,622,940.00</b>	<b>158,068,684.54</b>	<b>-76,503,901.17</b>	<b>260,320,055.21</b>	

## 39. Share capital

Changes of authorised, issued and paid-up share capital in Current Year are listed as below. The Company's shares are all ordinary shares of nominal value of RMB1 per share.

### Current Year

Name/type of shareholder	Beginning balance		Increase or decrease (+, -)				Ending balance		
	Amount	Proportion (%)	Issue of new shares	Bonus issue	Capitalisation of reserves	Others	Subtotal	Amount	Proportion (%)
<b>Shares not subject to restrictions on trading</b>									
Ordinary shares denominated in RMB	438,463,454.00	42.55						<b>438,463,454.00</b>	<b>31.02</b>
Overseas listed foreign shares	246,130,307.00	23.88						<b>246,130,307.00</b>	<b>17.41</b>
<b>Shares subject to restrictions on trading</b>									
Ordinary shares denominated in RMB			382,971,727.00				382,971,727.00	<b>382,971,727.00</b>	<b>27.10</b>
Shares held by foreign investors	345,940,890.00	33.57						<b>345,940,890.00</b>	<b>24.47</b>
Including: Shares held by overseas legal persons	345,940,890.00	33.57						<b>345,940,890.00</b>	<b>24.47</b>
<b>Total number of shares</b>	<b>1,030,534,651.00</b>	<b>100.00</b>	<b>382,971,727.00</b>				<b>382,971,727.00</b>	<b>1,413,506,378.00</b>	<b>100.00</b>

Note: According to the Replies on Approval of Issue of Shares by Guangzhou Shipyard International Company Limited to Parties including China State Shipbuilding Corporation for Purchase of Assets and Raising of Related Financing (Zheng Jian Xu Ke [2015] No. 330) issued by the China Securities Regulatory Commission, on 8 April 2015, the Company placed 272,099,300 ordinary shares of RMB1 each to China State Shipbuilding Corporation for purchase of CSSC's 85% equity interest in CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong") and paid cash to CSSC for acquisition of 15% equity interest in Huangpu Wenchong; placed 68,313,338 ordinary shares of RMB1 each to Yangzhou Kejin Shipyard Co., Ltd. for purchase of its relevant shipbuilding assets; and placed 42,559,089 ordinary shares of RMB1 each to 7 specific investors. The registered capital upon change is RMB1,413,506,378.

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## Last year

Name/Class	Beginning Balance		Changes				Ending Balance		
	Amount	Percentage (%)	Issue of new shares	Stock dividends	Shares converted from public reserve	Others	Subtotal	Amount	Percentage %
<b>Unlimited shares</b>									
RMB Ordinary shares	438,463,454.00	68.18						438,463,454.00	42.55
Foreign share	204,617,400.00	31.82	41,512,907.00				41,512,907.00	246,130,307.00	23.88
<b>Restricted shares</b>									
Shares held by foreign investor			345,940,890.00				345,940,890.00	345,940,890.00	33.57
Of which: Shares held by foreign legal person			345,940,890.00				345,940,890.00	345,940,890.00	33.57
<b>Total</b>	<b>643,080,854.00</b>	<b>100.00</b>	<b>387,453,797.00</b>				<b>387,453,797.00</b>	<b>1,030,534,651.00</b>	<b>100.00</b>

Note: Based on the approval of Guangzhou Guangchuan International Co., Ltd to list overseas for issuing foreign stocks capital (CSRC permitted [2014] No.117) issued by CSRC, on 11 February 2014, the Company completed the issuance of 345,940,890, 31,134,680 and 10,378,227 overseas listed foreign shares with face value of RMB1 each to CSSC HK, Baosteel International and China Shipping HK respectively. All issued shares are ordinary shares and the registered capital upon change is RMB1,030,534,651.

## 40. Capital reserves

### Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	5,337,884,029.53	5,982,048,646.03	4,536,055,380.46	<b>6,783,877,295.10</b>
Other capital reserves	65,447,048.32			<b>65,447,048.32</b>
Capital reserves transferred in from the original system	18,260,878.79			<b>18,260,878.79</b>
<b>Total</b>	<b>5,421,591,956.64</b>	<b>5,982,048,646.03</b>	<b>4,536,055,380.46</b>	<b>6,867,585,222.21</b>

Note: During the period, share capital premium increased by RMB1,445,993,265.57. On 8 April 2015, the Company completed issuance of 382,971,727 ordinary shares (A shares) to CSSC, Yangzhou Kejian and 7 special investors, share capital premium increased by RMB5,982,048,646.03; in March 2015, Huangpu Wenchong completed industrial and commercial registration of changes of shareholders, the Company completed the acquisition of 100% equity interest in Huangpu Wenchong (for details of acquisition, please refer to Note VII/1), at the end of delivery 100% of Huangpu Wenchong shares recognized as corresponding net assets to pay the price difference, set off share capital premium of RMB1,786,758,132.60; when preparing consolidated financial statements, due to business combination under common control, share capital premium decreased by RMB2,749,297,247.86.

### Last year

Item	Beginning balance	Increase	Decrease	Ending balance
Share capital premium	5,250,539,240.60	1,812,155,347.66	1,724,810,558.73	<b>5,337,884,029.53</b>
Other capital reserves	65,447,048.32			<b>65,447,048.32</b>
Capital reserves transferred in from the original system	18,260,878.79			<b>18,260,878.79</b>
<b>Total</b>	<b>5,334,247,167.71</b>	<b>1,812,155,347.66</b>	<b>1,724,810,558.73</b>	<b>5,421,591,956.64</b>

Note: The balance increased by RMB4,828,183,556.15 from the beginning of 2014 due to business combination under common control in 2015. During the year 2014, share capital premium increased by RMB1,812,155,347.66. On 11 February 2014, the Company completed the issuance of 387,453,797 overseas-listed foreign shares (H shares) in aggregate to CSSC HK, Baosteel International and China Shipping HK. Share capital premium therefore increased by the remaining proceeds after the issuance cost; During the year 2014, share capital premium decreased by RMB1,724,810,558.73: (1) On 28 February 2014, the Company completed the acquisition of 100% equity interest in Longxue Shipbuilding, among which, acquisition of CSSC 60% interest in Longxue Shipbuilding according to business combination under common control, difference between initial investment cost which is 60% of the net assets value recognized on the corresponding combination date (if net assets value on the date of acquisition is negative, then long-term equity investment will be decreased to zero) and the consideration, set off share capital of RMB363,083,071.19; when preparing consolidated financial statements, investment cost of acquisition of 40% minority interests and the unrecognized excess loss set off share capital reserve of RMB267,320,059.10; (2) The assets-stripping of Huangpu Wenchong decreased share capital premium by RMB1,094,407,428.44.

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## 41. Other comprehensive income

Items	Beginning Balance	Income tax for the year	Amount			Attributable to minority shareholders after tax	Ending Balance
			Less: Transferred from other comprehensive income in previous year to current profit and loss	Less: Income tax expense	Attributable to the Company after tax		
1. Other comprehensive income that will not be subsequently re-classified into profit or loss Including: Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	-35,000,000.00	-18,070,000.00		-3,591,500.00			-49,478,500.00
2. Other comprehensive income that will be subsequently re-classified into profit or loss Including: Gains and losses from changes in fair value of available-for-sale financial assets	-10,284,836.15	-196,650.72		206,738.95			-10,688,225.82
<b>Total other comprehensive income</b>	<b>-45,284,836.15</b>	<b>-18,266,650.72</b>		<b>-3,384,761.05</b>			<b>-60,166,725.82</b>

## 42. Special reserves

### Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees	1,439,966.32	52,374,577.20	53,814,543.52	0.00
<b>Total</b>	<b>1,439,966.32</b>	<b>52,374,577.20</b>	<b>53,814,543.52</b>	<b>0.00</b>

### Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees	956,026.41	40,652,429.59	40,168,489.68	1,439,966.32
<b>Total</b>	<b>956,026.41</b>	<b>40,652,429.59</b>	<b>40,168,489.68</b>	<b>1,439,966.32</b>

## 43. Surplus reserves

### Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	923,846,651.25			923,846,651.25
Discretionary surplus reserves	19,920,770.23			19,920,770.23
<b>Total</b>	<b>943,767,421.48</b>			<b>943,767,421.48</b>

### Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	809,861,305.62	113,985,345.63		923,846,651.25
Discretionary surplus reserves	19,920,770.23			19,920,770.23
<b>Total</b>	<b>829,782,075.85</b>	<b>113,985,345.63</b>		<b>943,767,421.48</b>



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## 44. Undistributed profits

### Current Year

Items	Amounts	Percentage (%)
<b>Ending Balance of Last year</b>	<b>1,310,184,662.42</b>	
Add: Beginning retained earnings adjustment		
Including: Retroactive adjustment according to new Accounting standards		
Including: Changes in accounting policies		
Including: Corrections of Prior Period Error		
Including: Change of consolidation scope under common control		
Including: Other adjustments		
<b>Beginning Balance of Current Year</b>	<b>1,310,184,662.42</b>	
Add: Net profit attributable to Parent Company of Current Year	<b>98,320,709.38</b>	
Less: Provision of statutory surplus reserve		10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable		
Capitalized ordinary share dividend		
	<b>255,149,425.21</b>	
<b>Ending Balance of Current Year</b>	<b>1,153,355,946.59</b>	

### Last Year

Items	Amounts	Percentage (%)
<b>Ending Balance of Last Year</b>	691,646,062.40	
Add: Beginning retained earnings adjustment		
Including: Changes in accounting policies		
Including: Corrections of previous Errors		
Including: Change of consolidation scope under common control		
Including: Other adjustments	546,273,244.00	
<b>Beginning Balance of Current Year</b>	1,237,919,306.40	
Add: Net profit attributable to Parent Company of Current Year	423,698,774.72	
Less: Provision of statutory surplus reserve	113,985,345.63	10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	237,448,073.07	
Capitalized ordinary share dividend		
<b>Ending Balance of Current Year</b>	<b>1,310,184,662.42</b>	

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## 45. Minority shareholders' interest

Name of subsidiaries	Proportion of minority shareholders' interest (%)	Ending Balance	Beginning Balance
Guangzhou Hongfan Technology Co., Ltd.	49.00	15,029,073.90	14,033,222.09
Guangzhou Longxue Pipe Co., Ltd.	57.14	28,939,930.79	27,986,415.16
Guangzhou CSSC Wenchong Binshen Facilities Co., Ltd.	40.00	1,219,934.22	1,366,922.82
Fanguang Development Co., Ltd.	20.00	2,683,007.29	836,846.11
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.50	516,911.15	474,163.47
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	911,005.78	967,204.55
Guangzhou Longxue Properties Co., Ltd.	33.33	58,078.92	57,167.56
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	25.00	1,250,928.98	–
<b>Total</b>	–	<b>50,608,871.03</b>	45,721,941.76

## 46. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	34,398,772,436.86	29,357,055,858.05
Less: current liabilities	29,959,424,988.30	27,533,031,586.45
<b>Net current assets</b>	<b>4,439,347,448.56</b>	1,824,024,271.60

## 47. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	48,995,954,305.21	43,741,099,087.43
Less: current liabilities	29,959,424,988.30	27,533,031,586.45
<b>Total assets less current liabilities</b>	<b>19,036,529,316.91</b>	16,208,067,500.98

## 48. Loans

Details of the borrowings of the Group are as follows:

Items	Ending Balance	Beginning Balance
Short-term loans	6,746,671,403.20	7,150,873,869.57
Non-current assets due within 1 year	1,777,500,000.00	1,799,060,757.83
Long-term loans	6,690,567,600.00	5,620,471,388.68
<b>Total</b>	<b>15,214,739,003.20</b>	14,570,406,016.08

### (1) Analysis

Items	Ending Balance	Beginning Balance
Bank loans		
– Bank loans due within 5 years	9,452,739,003.20	11,453,336,016.08
– Bank loans due after 5 years		
Other loans		
– Other loans due within 5 years	5,262,000,000.00	2,617,070,000.00
– Other loans due after 5 years	500,000,000.00	500,000,000.00
<b>Total</b>	<b>15,214,739,003.20</b>	14,570,406,016.08

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## (2) Due date analysis

Items	Ending Balance	Beginning Balance
On demand or within 1 year	8,524,171,403.20	8,949,934,627.40
1-2 years	4,060,567,600.00	2,489,471,388.68
2-5 years	2,130,000,000.00	2,631,000,000.00
Over 5 years	500,000,000.00	500,000,000.00
<b>Total</b>	<b>15,214,739,003.20</b>	<b>14,570,406,016.08</b>

## 49. Operating income & Operating cost

Items	Current Year	Last Year
Main operating income	25,244,868,269.93	20,683,782,317.59
Other operating income	274,371,521.49	363,208,309.21
<b>Total</b>	<b>25,519,239,791.42</b>	<b>21,046,990,626.80</b>
Main operating cost	24,615,050,816.56	20,098,365,638.98
Other operating cost	206,107,555.28	275,924,106.93
<b>Total</b>	<b>24,821,158,371.84</b>	<b>20,374,289,745.91</b>

### Gross profit

Items	Current Year	Last Year
Main operating income	25,244,868,269.93	20,683,782,317.59
Main operating cost	24,615,050,816.56	20,098,365,638.98
Gross profit	629,817,453.37	585,416,678.61

### Revenue from building contracts

Items	Current Year	Last Year
Revenue from building contracts	23,455,556,253.70	19,437,634,104.56

## (1) Main operating income – by products

Items	Current Year	Last Year
<b>Operating income</b>		
Shipbuilding	23,455,556,253.70	19,437,634,104.56
Ship Maintenance	325,085,211.89	193,262,773.20
Steel Structure Engineering	877,728,423.35	405,617,815.60
Mechanical and electrical products and others	586,498,380.99	647,267,624.23
<b>Total</b>	<b>25,244,868,269.93</b>	<b>20,683,782,317.59</b>
<b>Operation cost</b>		
Shipbuilding	22,997,921,562.81	18,892,514,956.71
Ship Maintenance	272,290,249.41	192,136,049.38
Steel Structure Engineering	826,665,071.09	369,998,188.27
Mechanical and electrical products and others	518,173,933.25	643,716,444.62
<b>Total</b>	<b>24,615,050,816.56</b>	<b>20,098,365,638.98</b>

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## (2) Main operating income – by regions

Region	Current Year	Last Year
<b>Operating income</b>		
China (including Hong Kong, Macau and Taiwan)	<b>15,357,756,253.15</b>	13,565,254,891.66
Other regions in Asia	<b>1,366,451,925.85</b>	838,395,330.10
Europe	<b>6,383,139,684.49</b>	4,283,805,535.83
Oceania	<b>1,818,632,261.02</b>	285,340,056.74
North America	<b>252,583,712.91</b>	715,044,847.05
Africa	<b>60,232,770.37</b>	941,433,134.96
South America	<b>6,071,662.14</b>	54,508,521.25
<b>Total</b>	<b>25,244,868,269.93</b>	20,683,782,317.59
<b>Operating cost</b>		
China (including Hong Kong, Macau and Taiwan)	<b>14,001,201,497.44</b>	12,504,455,319.25
Other regions in Asia	<b>1,587,187,170.66</b>	888,626,775.58
Europe	<b>6,496,695,029.26</b>	4,513,658,193.58
Oceania	<b>2,152,893,717.68</b>	276,208,134.05
North America	<b>244,225,161.85</b>	761,179,723.82
Africa	<b>127,939,217.38</b>	1,124,086,344.89
South America	<b>4,909,022.29</b>	30,151,147.81
<b>Total</b>	<b>24,615,050,816.56</b>	20,098,365,638.98

## (3) Other operating income and other operating cost

Items	Current Year	Last Year
<b>Other operating income</b>		
Sales of materials	<b>77,613,210.27</b>	189,242,968.60
Sales of scrap materials	<b>63,770,923.30</b>	35,486,626.60
Service income	<b>34,075,075.43</b>	35,443,302.87
Rental income	<b>33,478,977.37</b>	23,670,276.61
Energy income	<b>57,262,724.53</b>	60,211,642.84
Investment income from disposal of investment properties		10,098,900.00
Others	<b>8,170,610.59</b>	9,054,591.69
<b>Total</b>	<b>274,371,521.49</b>	363,208,309.21
<b>Other operating cost</b>		
Sales of materials	<b>54,678,676.20</b>	164,250,568.08
Sales of scrap materials	<b>44,587,808.28</b>	26,051,249.61
Service income	<b>26,525,386.96</b>	10,571,565.37
Rental income	<b>24,599,896.34</b>	7,546,259.63
Energy income	<b>50,864,923.04</b>	58,097,924.63
Cost of disposal of investment properties		5,699,943.61
Others	<b>4,850,864.46</b>	3,706,596.00
<b>Total</b>	<b>206,107,555.28</b>	275,924,106.93

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (4) Contract Revenue

Items	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Falling price reserves provided
Fixed price contracts					
Total contracts under construction	59,757,200,485.14	22,228,427,216.48	-176,216,322.08	25,855,157,717.38	637,582,569.40
Including: Contracts under construction which are expected to incur loss at the end of the year					
Rescue ships	436,000,000.00	305,579,835.86	-7,485,856.52	306,584,615.36	1,487,189.60
Fishing ships	215,083,200.00	89,846,965.86	-5,564,108.62	128,682,256.41	9,936,096.48
Multi-purpose ships	984,240,000.00	473,667,976.68	-20,241,075.24	217,458,153.86	23,002,139.16
Bulk carriers	951,320,359.61	492,058,945.92	-49,040,352.40	188,941,261.95	14,908,485.17
Platform supply ships	1,269,618,386.40	1,103,271,714.60	-28,445,243.84	103,311,600.00	36,522,942.44
Multi-purpose heavy life ships	391,256,352.00	1,593,142.93	-	36,207,904.00	5,402,200.00
Containerships	1,525,059,911.63	1,152,006,046.63	-102,117,937.38	382,462,448.60	46,211,662.62
250,000 ton series (tankers for product oil/chemicals)	3,274,067,855.71	1,278,214,057.42	-258,958,805.02	813,593,516.31	59,443,914.88
115,000 ton series (tankers for product oil/chemicals)	3,611,343,141.11	2,695,950,262.12	-546,426,130.74	2,271,807,651.16	246,875,709.43
50,000 ton series (tankers for product oil/chemicals)	6,184,772,891.28	4,722,947,168.04	-765,858,343.36	2,983,628,827.94	186,377,994.70
Ro-ro passenger ships	2,440,379,796.41	86,099,636.91	-266,975.54	1,171,799,000.00	4,424,039.07
250,000 ton ore sand tankers	784,031,721.69	472,549,681.16	-14,740,326.97	227,217,729.66	2,990,195.85

As the shipbuilding market is still in the trough period and ship price is at a low level, as well as the estimated total cost increase because of the delay of the shipbuilding schedule for various reasons such as improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, the strict periodic inspection by ship owners, and the lower willingness for taking over the ships, the estimated total cost exceeds the estimated total revenue for some ship contracts of the Group, resulting in an estimated loss.

## (5) Operating income from top 5 clients

Client	Amount	Percentage of the total main operating revenue (%)
Client 1	8,331,899,353.94	33.00
Client 2	1,598,671,215.59	6.33
Client 3	1,135,820,678.10	4.50
Client 4	1,045,353,519.66	4.14
Client 5	907,772,261.67	3.60
<b>Total</b>	<b>13,019,517,028.96</b>	<b>51.57</b>

## (6) Purchase amounts of top five suppliers

Supplier	Relationship	Amount	Percentage of the total main operating cost (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	4,516,051,344.11	18.35
China Shipbuilding Industry Corporation X3 Research Institute	Third party	623,258,627.76	2.53
ALNEHRAPETROMEZFE	Third party	411,735,406.10	1.67
CSSC System Engineering Research Institute	Under common control of CSSC	314,345,200.00	1.28
Hong Kong Hualian Ship Co., Ltd.	Under common control of CSSC	304,891,259.39	1.24
<b>Total</b>		<b>6,170,281,837.36</b>	<b>25.07</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 50. Business tax and surcharges

Items	Current Year	Last Year
Business Tax	8,513,900.85	9,440,798.57
City Maintenance and Construction Tax	10,233,807.39	14,883,470.87
Education Surcharge	7,310,706.83	10,805,892.72
<b>Total</b>	<b>26,058,415.07</b>	<b>35,130,162.16</b>

## 51. Sales expense

Items	Current Year	Last Year
Packaging fees	59,031.84	56,960.70
Transportation fees	2,332,784.25	2,959,175.68
Insurance premium	122,666.48	136,960.00
Exhibition fees	4,738,808.72	2,022,111.59
Advertisement fees	2,086,118.71	1,875,013.34
Ship maintenance fees	169,583,854.59	61,447,781.72
Employee salaries	21,928,051.64	19,294,737.48
Business expenditure	4,512,941.15	4,352,384.07
Depreciation	133,378.89	99,581.40
Others	5,316,640.41	2,306,237.30
<b>Total</b>	<b>210,814,276.68</b>	<b>94,550,943.28</b>

## 52. Administration expense

Items	Current Year	Last Year
Salaries	325,172,573.49	341,489,054.38
Research and development fee	513,015,922.65	440,941,028.06
Repairing expenses	197,612,670.86	177,636,542.55
Taxation	60,028,074.33	79,036,492.21
Service fee	28,733,287.69	19,319,954.77
Depreciation	51,473,982.90	58,587,945.95
Amortization of intangible assets	56,564,652.39	65,307,787.07
Business entertainment expense	7,757,318.20	7,478,881.18
Travelling expense	8,748,255.30	7,102,788.01
Security expense	26,351,873.14	18,794,589.65
Agency fee	4,192,628.96	32,882,189.48
Board meeting fee	12,178,191.70	7,181,398.36
Water supply and electricity expense	12,355,607.72	11,746,925.15
Office supply	5,109,627.81	4,885,061.18
Rental expense	20,399,547.03	4,643,957.21
Insurance expense	3,051,667.61	5,400,254.50
Environmental protection fee	12,307,481.29	10,676,556.66
Consulting fees	5,784,897.58	4,807,310.53
Litigation fees	1,376,907.29	2,074,846.56
Logistics service fees	3,536,961.72	3,957,065.84
Warehouse fees	5,198,820.54	5,641,891.02
Information management fees	10,060,136.99	9,761,287.88
Others	82,241,985.63	32,646,532.12
<b>Total</b>	<b>1,453,253,072.82</b>	<b>1,352,000,340.32</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 53. Financial expenses

### (1) Financial expenses category

Items	Current Year	Last Year
Interest expenditure	517,502,401.83	554,243,545.90
Less: Interest income	400,748,287.94	504,269,295.14
Add: Exchange loss	203,901,847.29	-39,493,695.00
Add: Other expenditure	15,833,889.83	19,088,598.63
<b>Total</b>	<b>336,489,851.01</b>	<b>29,569,154.39</b>

### (2) Interest expenditure category

Items	Current Year	Last Year
Interests from bank loans and overdraft		
Interests from bank loans due within 5 years	319,555,280.83	360,109,231.82
Interests from bank loans due after 5 years	0.00	0.00
Subtotal	319,555,280.83	360,109,231.82
Other borrowings		
Interests from other borrowings due within 5 years	177,308,527.97	172,364,530.75
Interests from other borrowings due after 5 years	26,544,712.21	26,614,583.33
Subtotal	203,853,240.18	198,979,114.08
Less: Capitalized interest	5,906,119.18	4,844,800.00
<b>Total</b>	<b>517,502,401.83</b>	<b>554,243,545.90</b>

### (3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	400,748,287.94	504,269,295.14
<b>Total</b>	<b>400,748,287.94</b>	<b>504,269,295.14</b>

## 54. Assets impairment losses

Items	Current Year	Last Year
Bad debts	19,846,076.69	24,183,628.09
Loss from inventory devaluation	371,437,377.45	26,316,346.77
<b>Total</b>	<b>391,283,454.14</b>	<b>50,499,974.86</b>

## 55. Gain or loss on changes in fair value

Items	Current Year	Last Year
Financial assets at fair value through profit or loss	34,643,440.26	-157,993,701.97
Financial liabilities at fair value through profit or loss	-164,252,131.71	-56,475,710.29
<b>Total</b>	<b>-129,608,691.45</b>	<b>-214,469,412.26</b>

## NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

### 56. Investment income

Items	Current Year	Last Year
From long-term equity investment under equity method	1,279,915.09	4,779,417.02
From disposal of long-term equity investment	2,054,974,131.69	331,997,753.15
From disposal of financial assets at fair value through profit and loss	-62,099,186.96	127,026,255.27
Investment income from holding entrusted wealth management products	39,097,148.39	8,065,335.62
From holding financial assets available for sale	1,056,117.37	2,050,382.22
From disposal of available-for-sale financial assets	-	30,890,440.93
<b>Total</b>	<b>2,034,308,125.58</b>	<b>504,809,584.21</b>

The investment income from listed and non-listed investments for the year amounted to RMB1,011,407.41 and RMB2,033,296,718.17, respectively.

### 57. Non-operating income

#### (1) Non-operating Income

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the period
Gain on disposal of non-current assets	675,421.88	6,420,129.62	675,421.88
In which: gain on disposal of fixed assets	675,421.88	6,420,129.62	675,421.88
Government grants	282,053,931.52	354,049,153.74	196,719,346.11
Penalty income	76,100.00	141,330.00	76,100.00
Compensation income	427,300.00	673,099.08	427,300.00
Ship surrendering income		32,288,600.00	
Others	6,563,626.93	23,485,341.36	6,563,626.93
Compensation for loss from reduction of output		560,000,000.00	
<b>Total</b>	<b>289,796,380.33</b>	<b>977,057,653.80</b>	<b>204,461,794.92</b>

The amount included in non-recurring profit and loss for current year is RMB204,461,794.92 (Last year: RMB751,068,753.74).



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Government grants category

Items	Current Year	Last Year	Source and basis	Relating to assets/relating to income
Research of shipbuilding process and technology	16,981,842.95	10,891,834.34	Government subsidies	Relating to income
Decoration design and building technology research for typical cabins of luxury cruises	6,600,000.00	17,000,000.00	MIIT	Relating to income
Revenue from product subsidies	85,334,585.41	225,988,814.59	Government subsidies	Relating to income
Research of key technologies for polar deck ships	9,900,000.00		MIIT	Relating to income
Offshore expansion projects	3,500,000.00	3,500,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Yue Jing Mao [2009] No. 870	Relating to assets
Self-development of diving support ships	3,000,000.00		Gong Xin Bu Lian Zhuang [2014] No. 507	Relating to income
Research and development and industrial application of deep-sea large-output rescue ships	28,000,000.00	7,000,000.00	Chuan Gong Ke [2013] No. 913	Relating to income
Research and development of key technologies for meter deepwater drillships	14,400,000.00	7,000,000.00	Chuan Gong Ke [2013] No. 912	Relating to income
Research and manufacture of drilling wave compensation device	2,350,000.00	4,190,000.00	Chuan Gong Ke [2014] No. 22	Relating to income
Research and development of offshore field environment-friendly operation ships	13,720,000.00	2,800,000.00	Gong Xin Bu Lian Zhuang [2012] No. 537	Relating to income
Funding for research of green painting production process optimisation		3,637,144.78	Government subsidies: Green painting production process optimisation	Relating to income
Research and development and industrial application of design and building technology for semi-submerged carriers	28,000,000.00	10,000,000.00	Government subsidies	Relating to income
Interest subsidy for transformation into civil development	21,420,000.00	19,110,000.00	Ministry of Finance	Relating to income
Post subsidies from Huangpu District Government for research and development expenses in 2014	19,623,130.00		Government subsidies	Relating to income
Research of assembly and building process for domestic ancillary facilities		10,000,000.00	Government subsidies	Relating to income
Yacht design and building technology research and production line building (yacht project)		2,000,000.00	Government subsidies	Relating to income
Research and development and industrial application of design and building technology for FPSO domestic module units	5,600,000.00		National Development and Reform Commission	Relating to income
Research and development of semi-submerged engineering ships	6,172,666.36		National Development and Reform Commission	Relating to income
Other projects	17,451,706.80	30,931,360.03	Government subsidies	
<b>Total</b>	<b>282,053,931.52</b>	<b>354,049,153.74</b>		

## 58. Non-operating expense

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the period
Loss on disposal of non-current assets	3,910,944.82	1,353,295.49	3,910,944.82
Including: Loss on disposal of fixed assets	3,910,944.82	1,353,295.49	3,910,944.82
Penalties	48,635.00	183,165.06	48,635.00
Compensation	37,860.00	962,282.00	37,860.00
Donation	289,313.00	247,000.00	289,313.00
Others	679,593.85	1,478,467.30	679,593.85
<b>Total</b>	<b>4,966,346.67</b>	<b>4,224,209.85</b>	<b>4,966,346.67</b>

The amount included in non-recurring profit and loss for Current Year are RMB4,966,346.67 (Last Year: RMB4,224,209.85).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 59. Income tax expenses

### (1) Income tax expenses

Items	Current Year	Last Year
Current income tax – China Corporate Income Tax	<b>110,280,662.23</b>	184,768,103.78
1. China	<b>112,627,738.55</b>	182,295,594.66
2. Hong Kong	<b>2,561,012.61</b>	308,132.50
3. Over-provision (under-provision) for previous years	<b>-4,908,088.93</b>	2,164,376.62
Deferred income tax	<b>255,533,516.77</b>	-233,043,410.60
<b>Total</b>	<b>365,814,179.00</b>	-48,275,306.82

### (2) Reconciliation between Current income tax and total income

Income tax expenses calculation is based on the profit in the consolidated income statement and the applicable tax rates:

Items	Current Year	Last Year
Total consolidated profit for the year	<b>469,711,817.65</b>	374,123,921.78
Income tax calculated at statutory/applicable tax rate	<b>70,456,772.65</b>	56,118,588.27
Impact of different tax applicable for subsidiaries	<b>148,201,330.52</b>	-625,206.51
Impact of adjustment to income tax in prior periods	<b>-76,469,831.47</b>	-6,671,425.36
Impact of non-taxable income	<b>-191,987.26</b>	-423,494.82
Impact of non-deductible costs, fees and losses	<b>568,773.95</b>	561,859.10
Impact of utilization of deductible losses of unrecognized deferred income tax assets in prior periods	<b>-1,036,859.85</b>	-99,854,055.80
Impact of deductible temporary differences or losses of unrecognized deferred income tax assets in the year	<b>296,469,315.66</b>	454,051.68
Under-provision for Last Year	<b>-4,908,088.93</b>	2,164,376.62
Change in beginning balance of deferred tax assets/liabilities as a result of change in tax rate <sup>Note</sup>	<b>-67,275,246.27</b>	
Income tax expenses	<b>365,814,179.00</b>	-48,275,306.82

Note: The income tax rate for Guangzhou Wenchong Shipyard Co. Ltd., a subsidiary, has been changed to 25% for the year from 15% for the last year.

## 60. Audit fees and auditor

The audit fees charged for 2015 is RMB2.6 million (2014: RMB1.85 million). Auditor engaged by the Company is ShineWing Certified Public Accountants, and there has not been any change of auditor since 2011.

## 61. Depreciation and amortization

Items	Current Year	Last Year
Depreciation of investment properties	<b>628,712.16</b>	690,021.09
Depreciation of fixed assets	<b>662,525,304.29</b>	616,187,100.68
Amortization of intangible assets	<b>60,598,487.73</b>	66,934,676.30
<b>Total</b>	<b>723,752,504.18</b>	683,811,798.07

# NOTES TO THE FINANCIAL STATEMENTS

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## 62. Gain (or loss) from disposal of investment or property

On 5 November 2015, as approved at the second extraordinary general meeting of the Company for 2015, Guangzhou Shipyard International Company Limited ("GSI", a subsidiary of the Company) listed its 100% equity interest in Guangzhou Shipyard Shipping Co., Ltd. ("Guangzhou Shipyard Shipping") for sale on Shanghai Assets and Equity Exchange. On 16 December 2015, Shanghai Lingxiang Equity Investment Co., Ltd. ("Shanghai Lingxiang", established by Shanghai Ruibo Real Property Co., Ltd. ("Shanghai Ruibo") on 30 October 2014, which is held by CSSC (the controlling shareholder of the Company) and CITIC Pacific China Holdings Limited as to 50% and 50%) as the sole transferee, acquired such equity interest at a consideration of RMB1,319,310,700. On 16 December 2015, GSI and Shanghai Lingxiang entered into the Equity Transfer Contract in relation to 100% equity interest in Guangzhou Shipyard Shipping Co., Ltd. (the "Equity Transfer Contract"). On 19 November 2015, GSI and Guangzhou Shipyard Shipping entered into the Agreement in relation to Compensation for Assets Income of GSI (the "Assets Income Compensation Agreement") and the Agreement in relation to Compensation for Relocation of Assets of GSI (the "Assets Relocation Compensation Agreement"). On 22 December 2015, GSI received the consideration for Guangzhou Shipyard Shipping equity transaction transferred via Shanghai Assets and Equity Exchange of RMB725,620,885, representing 55% of total transaction amount. On 30 December 2015, GSI received all the assets income compensation of RMB1,076,000,000 paid by Guangzhou Shipyard Shipping. As at 31 December 2015, all land and properties owned by Guangzhou Shipyard Shipping had been transferred to and registered in the name of Guangzhou Shipyard Shipping from COMEC. In view of the above, the procedures for asset transfer and business change registration of Guangzhou Shipyard Shipping have been completed. 55% of the total consideration for equity transfer has been received. Currently GSI does not hold any equity interest in Guangzhou Shipyard Shipping and the procedures for transfer of control has been completed. As at the end of the year, the Group had recognised investment income of RMB2,054,974,132, of which: gain on equity transfer amounted to RMB978,974,132, and compensation for assets income amounted to RMB1,076,000,000.

## 63. Operating rentals expenditure

Operating rentals expenditure for the Current Year is RMB19,878,225.66 (Last Year: RMB11,152,481.22), among which rental expenditure for machinery is RMB11,988,753.47 (Last Year: RMB11,152,481.22).

## 64. Rental income

Rental income for the year is RMB33,478,977.37 (Last Year: RMB23,670,276.61), including rental income from land and buildings of RMB15,233,278.78 (Last Year: RMB9,390,171.30).

## 65. Earnings per share

Basic earnings per share shall be calculated by profit or loss attributable to ordinary equity holders of the Company (the numerator) divided by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The numerator of the diluted earnings per share attributable to ordinary shareholders is the Company's net profit after adjustment of the following factors: (1) the recognized interest expense of dilutive potential ordinary shares; (2) income or expense that would result from the conversion of dilutive potential ordinary shares; and (3) the related income tax effects of the above adjustments.

The denominator of diluted earnings per share is equal to the sum of: (1) the weighted average number of issued ordinary shares of the Company in basic earnings per share; and (2) the weighted average number of shares after conversion of the dilutive potential ordinary shares into ordinary shares.

In calculating the weighted average number of shares after conversion of dilutive potential ordinary shares into ordinary shares, the dilutive potential ordinary shares which were converted in previous years are assumed to be converted at the beginning of This Period and the dilutive potential ordinary shares which were converted during This Period are assumed to be converted at the conversion date.

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Basic EPS and Diluted EPS are calculated as follows:

Items	No.	Current Year	Last Year
Net profit attributable to shareholders of Parent Company	1	<b>98,320,709.38</b>	423,698,774.72
Non-operating profit and loss attributable to shareholders of Parent Company	2	<b>1,717,958,577.06</b>	1,029,361,980.38
Net profit after deducting non-operating profit and loss attributable to shareholders of Parent Company	3=1-2	<b>-1,619,637,867.68</b>	-605,663,205.66
Total number of shares at the beginning of the year	4	<b>1,030,534,651.00</b>	643,080,854.00
The number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
The number of shares increased due to issuance of new shares or debt for equity swap (II)	6	<b>382,971,727.00</b>	387,453,797.00
The number of months from next month to the year end regarding the number of shares (II)	7	<b>9.00</b>	9.00
The number of shares decreased due to stock repurchase	8		
The number of months from the next month to the year end regarding the decrease of shares	9		
Shares decreased due to share shrinkages	10		
Duration of the period in terms of month	11	<b>12.00</b>	12.00
Weighted average number of ordinary shares issued out	12	<b>1,385,788,271.25</b>	1,302,633,951.00
Weighted average number of ordinary shares adjustments because of merger under common control	13	<b>1,317,763,446.25</b>	933,671,201.75
Basic EPS (I)	14=1÷12	<b>0.0709</b>	0.3253
Basic EPS (II)	15=3÷13	<b>-1.2291</b>	-0.6487
Potential diluted interests of ordinary shares recognized as expense	16		
Transfer fee	17		
Income tax rate	18	<b>0.15</b>	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted EPS (I)	20=[1+(16-18)×(1-17)]÷(12+19)	<b>0.0709</b>	0.3253
Diluted EPS (II)	21=[3+(16-18)×(1-17)]÷(13+19)	<b>-1.2291</b>	-0.6487

Note: According to Article No. 8 – For business combination under common control during the reporting period, the acquirer issues new shares on the date of combination and uses it as consideration under No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies – Calculation and Disclosure of Return on Net Assets and EPS (2010 Revised), when calculating basic earnings per share as at the end of the reporting period, the shares shall be treated as outstanding ordinary shares at the beginning of the combination (to calculate the weighted average using weighting as 1). When calculating basic earnings per share at the comparative period, shares shall be treated as outstanding ordinary shares at the beginning of the comparative period. When calculating earnings per share as at the end of the reporting period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall be weighted starting from the next month. When calculating earnings per share as at the end of the comparative period (after deducting non-operating profit and loss), new shares issued by acquirer after combination shall not be weighted (weighting is zero).

## 66. Dividends

During the 12-month period ended 31 December 2015, dividend of RMBnil was declared for the year ended 31 December 2014 (2014: RMB10,305,346.51).

Pursuant to a resolution passed at a Board meeting held on 24 March 2016, the profit distribution proposal for the reporting period is as follows: In 2015, the Group realized net profit attributable to shareholders of the Company of RMB98,320,709.38, and total undistributed profit of the Company for 2015 was RMB640,322,143.39. Based on the total share capital of the Company of 1,413,506,378 shares, cash bonus of RMB0.3 (inclusive of tax) for every 10 shares is proposed for distribution to all shareholders, totalling RMB42,405,191.34 (inclusive of tax). The remaining undistributed profit will be carried forward to next year. The Company will not increase its share capital by way of capitalisation of reserves for the year. This profit distribution proposal is subject to the approval at the 2015 annual general meeting.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 67. Other comprehensive income

Items	Current Year	Last Year
1. Gains and losses from available-for-sale financial assets	-196,650.72	23,282,911.01
Less: Tax effects of available-for-sale financial assets	206,738.95	3,492,436.65
Transferred from other comprehensive income in previous year to current profit and loss	-	9,585,234.18
2. Items that will not be subsequently re-classified into profit and loss	-14,478,500.00	-50,280,000.00
Actuarial gains	-14,478,500.00	-50,280,000.00
<b>Total</b>	<b>-14,881,889.67</b>	<b>-40,074,759.82</b>

## 68. Supplemental information on consolidated income statement

Expenses includes: operating expense, selling expense, administrative expenses, the details are listed by nature as below:

Items	Current Year	Last Year
Raw material consumed	18,084,233,848.62	14,440,812,451.20
Salaries expense	4,296,313,664.84	3,682,340,727.64
Depreciation expense	663,154,016.45	616,877,121.77
Amortization	60,598,487.73	66,934,676.30
Product specific fee	2,353,789,286.40	1,939,223,581.75
Power cost	291,137,528.91	339,873,808.08
Taxes and surcharges	60,028,074.33	79,036,492.21
Others	675,970,814.06	655,742,170.56
<b>Total</b>	<b>26,485,225,721.34</b>	<b>21,820,841,029.51</b>

## 69. Notes to items in the cash flow statement

### (1) Other cash receipts or payments from operating activities, investing activities and financing activities

#### 1) Other cash receipts from operating activities

Items	Current Year	Last Year
Product subsidy received	191,583,400.00	189,576,400.00
Income from other current accounts received	186,087,990.32	430,228,367.88
Government subsidies	195,340,892.69	135,506,462.00
Other non-operating income	15,586,770.52	55,488,552.63
Interest income	153,669,357.63	207,674,679.19
Receipt/recovery of deposit	137,975,899.37	147,010,216.29
Compensation for production reduction	0.00	560,000,000.00
<b>Total</b>	<b>880,244,310.53</b>	<b>1,725,484,677.99</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) *Other cash payments from operating activities*

Items	Current Year	Last Year
Administrative expenditure	378,525,006.20	209,849,007.99
Selling expense	98,187,660.74	176,225,103.37
Non-operating expense	865,345.03	2,694,643.41
Repairing expense	40,796,542.15	40,500,288.48
Payment of other current accounts	310,437,701.27	526,772,970.48
Bank charges	15,396,688.07	49,668,712.35
Reserve fund	15,019,669.44	9,787,346.42
Deposit	74,174,183.85	15,175,213.32
<b>Total</b>	<b>933,402,796.75</b>	<b>1,030,673,285.82</b>

3) *Other cash receipts from investing activities*

Items	Current Year	Last Year
Release of pledge on fixed deposit	9,784,432,638.61	9,749,777,137.36
Interest income from fixed deposits and gains from entrusted wealth management products	317,570,577.63	260,517,717.10
Assets income compensation	1,076,000,000.00	
<b>Total</b>	<b>11,178,003,216.24</b>	<b>10,010,294,854.46</b>

4) *Other cash payments from investment activities*

Items	Current Year	Last Year
Fixed deposit pledge	9,534,530,067.77	9,180,929,345.91
<b>Total</b>	<b>9,534,530,067.77</b>	<b>9,180,929,345.91</b>

5) *Other cash receipts relating to financing activities*

Items	Current Year	Last Year
State subsidy	170,000,000.00	
<b>Total</b>	<b>170,000,000.00</b>	

6) *Other cash payments relating to financing activities*

Items	Current Year	Last Year
Issuance fees and relevant cost	3,547,126.33	
Handling charges for guarantee letters	786,497.79	
<b>Total</b>	<b>4,333,624.12</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

(2) **Supplementary information on consolidated cash flow statement**

Items	Current Year	Last Year
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	103,897,638.65	422,399,228.60
Add: Provision for impairment	391,283,454.14	50,499,974.86
Fixed assets depreciation	663,154,016.45	616,877,121.77
Intangible assets amortization	60,598,487.73	66,934,676.30
Long-term unamortized assets amortization	5,809,859.86	3,668,282.27
Loss from disposal of Fixed assets, Intangible assets and other long-term assets (gain marked "-")	3,235,522.94	-5,066,834.13
Loss from scrapped of Fixed assets (gain marked "-")		
Loss on changes in fair value (gain marked "-")	129,608,691.45	214,469,412.26
Finance costs (gain marked "-")	107,167,347.06	-14,690,498.69
Investment loss (gain marked "-")	-2,034,308,125.58	-504,809,584.21
Decrease in deferred tax assets (increase marked "-")	256,292,722.57	-206,844,351.22
Increase in deferred tax liabilities (decrease marked "-")	-965,944.75	-24,405,094.44
Decrease in Inventories (increase marked "-")	-2,528,216,042.54	-2,898,027,383.55
Decrease in operating receivables (increase marked "-")	-288,688,719.04	31,591,309.73
Increase in operating payables (decrease marked "-")	2,072,879,017.29	2,353,861,498.05
Others		
Net cash flow from operating activities	-1,058,252,073.77	106,457,757.60
<b>2. Investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance	9,232,645,596.18	8,341,435,741.37
Less: Beginning balance	8,341,435,741.37	8,202,046,491.39
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	891,209,854.81	139,389,249.98

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (3) Information of acquisition or disposal of subsidiaries or other operating units

Items	Current Year	Last Year
Information of acquisition of subsidiaries or other operating unit		
1. Consideration of acquisition of subsidiaries or other operating units	<b>4,536,055,380.46</b>	599,843,453.82
2. Cash and cash equivalents received from acquisition of subsidiaries or other operating units	<b>680,408,300.00</b>	599,843,453.82
Less: cash and cash equivalents hold by subsidiaries and other operating units		
3. Net cash received from acquisition of subsidiaries or other operating units	<b>680,408,300.00</b>	599,843,453.82
4. Net assets of the acquiring subsidiaries	<b>3,008,300,180.96</b>	-54,109,262.03
Current assets	<b>13,868,608,161.04</b>	3,857,975,285.64
Non-current assets	<b>5,559,812,661.34</b>	6,503,493,106.27
Current liabilities	<b>12,460,993,455.00</b>	6,068,620,974.94
Non-current liabilities	<b>3,959,127,186.42</b>	4,346,956,679.00
Information on disposal of subsidiaries or other operating units		
1. Consideration of disposal of subsidiaries or other operating units	<b>1,319,310,700.00</b>	447,591,300.00
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	<b>725,620,885.00</b>	447,591,300.00
Less: cash and cash equivalents hold by subsidiaries and other operating units	<b>353,686.59</b>	992,666.12
3. Net cash received from disposal of subsidiaries or other operating units	<b>725,267,198.41</b>	446,598,633.88
4. Net assets of the subsidiaries disposed of	<b>1,177,552,395.16</b>	436,321,400.13
Current assets	<b>353,686.59</b>	992,666.12
Non-current assets	<b>1,185,820,988.30</b>	435,328,734.01
Current liabilities	<b>8,622,950.82</b>	
Non-current liabilities		

## (4) Cash and cash equivalents

Items	Current Year	Last Year
Cash	<b>9,232,645,596.18</b>	8,341,435,741.37
Including: Cash on hand	<b>456,708.87</b>	315,056.97
Bank deposit available-for-use	<b>9,232,133,831.88</b>	8,340,933,684.06
Other cash fund available-for-use	<b>55,055.43</b>	187,000.34
Deposits in central bank available-for-use		
Deposits in other banks		
Replacement in other banks		
Cash Equivalents		
Including: Bond investment due within 3 months		
Ending Balance of Cash and Cash Equivalents	<b>9,232,645,596.18</b>	8,341,435,741.37
Including: Restricted Cash and Cash Equivalents available-for-use to Parent Company or Subsidiaries		

## (5) Significant investment and fund raising activities not involving cash expenses for the Current Period

For details please refer to Note VII.1.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 70. Assets with restricted ownerships

Items	Ending carrying value	Reason
Cash and cash equivalents	8,431,720,158.74	Loans pledged, guarantee deposit, fixed deposit for a term of over 3 months

## 71. Foreign currency items

Item	Closing balance of foreign currency	Translation rate	Closing balance translated into RMB
Cash and cash equivalents			3,096,361,358.55
Including: USD	476,301,495.62	6.4936	3,092,891,740.17
HKD	248,913.86	0.8378	208,540.03
EUR	458,656.98	7.0952	3,254,263.00
JPY	126,679.25	0.0538	6,815.34
Accounts receivable			233,313,792.36
Including: USD	32,269,494.57	6.4936	209,545,189.95
MOP	3,277,585.17	0.7756	2,542,095.06
EUR	2,991,671.46	7.0952	21,226,507.35
Interest receivable			7,214,888.82
USD	1,111,076.88	6.4936	7,214,888.82
Long-term receivables			474,054,968.82
USD	73,003,413.95	6.4936	474,054,968.82
Accounts payable			36,303,234.71
USD	1,131,586.82	6.4936	7,348,072.17
HKD	34,560,948.37	0.8378	28,955,162.54
Other payables			2,070,864.40
Including: USD	315,000.00	6.4936	2,045,483.98
HKD	30,294.12	0.8378	25,380.41
Interest payable			5,713,209.44
USD	338,147.22	6.4936	2,195,792.77
EUR	495,745.95	7.0952	3,517,416.67
Short-term loans			3,357,395,600.00
USD	440,000,000.00	6.4936	2,857,184,000.00
EUR	70,500,000.00	7.0952	500,211,600.00

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 7. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Business combination under common control

#### (1) Business combination under common control during the year

Name of acquiree	Percentage of equity interest acquired under business combination	Basis for constituting business combination under common control	Date of combination	Basis for determination of date of combination	Revenue of the acquiree for the year from the beginning of the year of combination to the date of combination	Net profit of the acquiree for the year from the beginning of the year of combination to the date of combination	Revenue of the acquiree for the previous year	Net profit of the acquiree for the previous year
CSSC Huangpu Wenchong Shipbuilding Company Limited	100%	Under common control of CSSC for over 1 year	28 February 2015	Date of completion	1,091,074,647.97	-31,285,206.87	11,588,703,378.31	272,737,141.93

#### (2) Cost of combination

Item	CSSC Huangpu Wenchong Shipbuilding Company Limited
Cash	680,408,300.00
Carrying amount of equity securities issued	2,068,888,947.86
<b>Total cost of combination</b>	<b>2,749,297,247.86</b>

#### (3) Carrying amount of assets and liabilities of the acquiree at the date of combination

Item	CSSC Huangpu Wenchong Shipbuilding Company Limited	
	Date of combination	End of previous year
Assets:		
Cash and cash equivalents	7,303,888,969.61	8,557,769,975.82
Receivables	236,715,336.65	229,831,284.11
Inventories	4,524,675,885.74	4,098,238,499.24
Fixed assets	3,259,559,578.85	3,299,030,914.38
Intangible assets	805,530,481.42	808,934,731.34
Deferred tax assets	169,931,226.23	156,263,880.10
Other non-current assets	505,000,000.00	505,000,000.00
Liabilities:		
Short-term loans	2,988,131,885.97	3,108,355,650.00
Payables	2,781,219,361.45	2,840,976,656.15
Advances from customers	540,071,223.79	491,032,446.54
Other current liabilities	4,589,110,084.78	5,247,384,897.30
Long-term loans	2,535,750,000.00	2,364,400,000.00
Special payables	862,269,744.58	842,769,744.58
Net assets	3,008,300,180.96	3,039,919,694.05
Less: Non-controlling interest	3,853,507.89	3,895,269.01
Net assets received	3,004,446,673.07	3,036,024,425.04

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

- (1) CSSC Huangpu Wenchong Shipbuilding Co., Ltd. (Huangpu Wenchong) was initially founded in 1851, formerly known as Huangpu Shipyard, and turned successively into Huangpu Ship Repair Works in the era of the Republic of China, Navy No. 201 Factory after the liberation, the State-owned Huangpu Shipbuilding Factory in the 1960s, Guangzhou Shipbuilding Factory in the 1990s and Guangzhou CSSC Huangpu Shipbuilding Co., Ltd. In December 2013, according to the strategic arrangements for accelerating the business transformation and six major business segments, CSSC transferred 100% equity interest in Guangzhou Wenchong Shipyard Co. Ltd. (Wenchong Shipyard) to the original CSSC Guangzhou Huangpu Shipbuilding Company Limited. And the two companies were officially combined. The former CSSC Guangzhou Huangpu Shipbuilding Company Limited was renamed to CSSC Huangpu Wenchong Shipbuilding Co., Ltd. According to resolutions passed at the fourth extraordinary general meeting in 2014, the first domestic share class general meeting in 2014 and the first foreign share class general meeting held on 22 December 2014 and the "Approval to Issuance of Shares by Guangzhou Shipyard International Company Limited to China State Shipbuilding Corporation and others for asset acquisition and supporting funds raising" (CSRC Permit [2015] No. 330) from the China Securities Regulatory Commission, the Company issued shares of RMB272,099,300 by private placement to CSSC to purchase 85% equity in Huangpu Wenchong held by CSSC and pay CSSC cash for 15% equity in Huangpu Wenchong. On 9 March 2015, Huangpu Wenchong completed the registration for changes with the administration for industry and commerce. The Shareholder was changed from CSSC to the Company and the Company held its 100% equity. Huangpu Wenchong mainly produced public service vessels, offshore oil related vessels, feeder container ships, dredging vessels, drilling platforms, drilling vessels, large marine engineering auxiliary vessels.

Seven subsidiaries were included in the scope of consolidation Huangpu Wenchong: Guangzhou Huangchuan Ocean Engineering Co. Ltd., Zhanjiang Nanhai Ship Hi-Tech Services Ltd., Guangzhou Longxue Properties Co., Ltd., Guangzhou Xinhang Human Resources Service Co., Ltd., Guangzhou Wenchong Shipyard Co. Ltd., Guangzhou Wenchong Chonggong Co. Ltd., CSSC Guangzhou Wenchong Bingshen Equipment Co., Ltd. Upon the acquisition of Huangpu Wenchong, the Company included Huangpu Wenchong and its subsidiaries in the scope of consolidation.

- (2) Before the equity transfer of Huangpu Wenchong, the controlling shareholder was CSSC (shareholding proportion: 100%) and the actual controller was CSSC, which was the same actual controller as the Company. Upon the completion of the equity acquisition, the Company held 100% equity as well as voting rights in Huangpu Wenchong. The Company has controlling power over the major operations and financial decision-making. The combination is business combination under common control. The actual controller under common control is CSSC.
- (3) Basis for determination of date of combination and method of accounting

According to "Approval to Issuance of Shares by Guangzhou Shipyard International Company Limited to China State Shipbuilding Corporation and others for asset acquisition and supporting funds raising" (CSRC Permit [2015] No. 330) from the China Securities Regulatory Commission, the Company issued shares of RMB272,099,300 by private placement to CSSC to purchase 85% equity in Huangpu Wenchong held by CSSC and pay CSSC cash for 15% equity in Huangpu Wenchong. China Enterprise Appraisals Company, Inc. evaluated the assets and liabilities of Huangpu Wenchong with 30 April 2014 as the reference date and issued Appraisal Report for All Shareholders' Equity of CSSC Huangpu Wenchong Shipbuilding Co., Ltd. Held by CSSC Involved in Intended Acquisition by Guangzhou Shipyard International through Issuance of Shares and Payment of Cash (ZHQPZ Zi (2014) No. 1253-01), the evaluated net assets of Huangpu Wenchong was RMB4,536,055,400. The evaluated value of 85% equity held by CSSC was RMB3,855,647,100. With the average trading price for 120 trading days prior to the reference date as the market reference price and 90% of such price as the issue price, which is RMB14.17 per share, the number of shares to be issued is 272,099,300 shares.

According to the Auditors' Report of CSSC Huangpu Wenchong Shipbuilding Co., Ltd. For January to February 2015 and May to December 2014 (XYZH/21014A10007) issued by ShineWing Certified Public Accountants on 16 March 2015, the net assets attributable to the parent company in the consolidated statements of Huangpu Wenchong as at 28 February 2015 was RMB3,004,446,673.07. According to the agreement, the profit or loss during the closing period was owned by the original shareholders less the income of RMB255,149,425.21, multiplied by 85% proportion, the initial investment cost for the long-term equity investment is RMB2,336,902,660.68; the increased paid-up capital is RMB272,099,300; the increased capital reserve is RMB2,064,803,360.68; multiplied by 15% proportion, the initial investment cost for the long-term equity investment is RMB412,394,587.18; the capital reserve written off is RMB268,013,712.82 and the price paid for acquisition is RMB680,408,300.00.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 2. Disposal of subsidiaries

Name of subsidiaries	Consideration of disposal of equity interests	Proportion of equity interests disposed (%)	Method of disposal of equity interests	Loss of control date	Basis for determining loss of control date	Difference between disposal consideration and the proportion of net assets of such subsidiary in the corresponding consolidated financial statements in disposal and investment	Proportion of remaining shareholding on the loss of control date	Carrying value of remaining shareholding on the loss of control date	Fair value of remaining shareholding on the loss of control date	Profit or loss from the recalculation of the remaining shareholding according to the fair value	Basis of determination and main assumption of fair value of the remaining shareholding on the loss of control date	Other comprehensive income related to equity investment of original subsidiaries which transferred to profit or loss of investment
Guangzhou Shipyard Shipping Co., Ltd	RMB1,319,310,700	100	Listing for sale	31 December 2015	Note	RMB2,054,974,132	0	—	—	—	—	0

Note: According to a resolution passed at the 21st meeting of the eighth session of the Board held on 14 August 2015, the listing by Guangzhou Shipyard International Company Limited, a subsidiary of the Company, for sale of its 100% equity interest in Guangzhou Shipyard Shipping on Shanghai Assets and Equity Exchange at a consideration of no less than its valuation of RMB1,316 million was approved. The transaction was conducted through equity transfer and liabilities assumption and the total transfer price is no less than RMB3,526 million, including: (1) consideration for equity interest transaction of no less than RMB1,316 million; (2) compensation for assets income of RMB1,076 million; and (3) compensation for asset relocation of RMB1,134 million. The matters were approved at the second extraordinary general meeting of the Company for 2015 held on 5 November 2015.

On 16 December 2015, Shanghai Lingxiang Equity Investment Co., Ltd. ("Shanghai Lingxiang", established by Shanghai Ruibo Real Property Co., Ltd. ("Shanghai Ruibo") on 30 October 2014, which is held by CSSC (the controlling shareholder of the Company) and CITIC Pacific China Holdings Limited as to 50% and 50%) as the sole transferee, acquired such equity interest at a consideration of RMB1,319,310,700. On 16 December 2015, GSI and Shanghai Lingxiang entered into the Equity Transfer Contract in relation to 100% equity interest in Guangzhou Shipyard Shipping Co., Ltd. (the "Equity Transfer Contract"). On 19 November 2015, GSI and Guangzhou Shipyard Shipping entered into the Agreement in relation to Compensation for Assets Income of GSI (the "Assets Income Compensation Agreement") and the Agreement in relation to Compensation for Relocation of Assets of GSI (the "Assets Relocation Compensation Agreement").

On 22 December 2015, GSI received the consideration for Guangzhou Shipyard Shipping equity transaction transferred via Shanghai Assets and Equity Exchange of RMB725,620,885, representing 55% of total transaction amount. On 30 December 2015, GSI received all the assets income compensation of RMB1,076,000,000 paid by Guangzhou Shipyard Shipping. On 24 December 2015, GSI and Shanghai Lingxiang entered into a list of materials for normal handover in respect of Guangzhou Shipyard Shipping Co., Ltd. (the "Handover Document"), pursuant to which the corporate certificates and licenses, basic corporate information, business information, chops, and relevant information on land and properties of Guangzhou Shipyard Shipping were handed over to Shanghai Lingxiang. On 21 December 2015, the shareholders, legal representative, directors, supervisors and senior management, and business scope of Guangzhou Shipyard Shipping were changed, and its registered capital was increased, with its shareholder changed from GSI to Shanghai Lingxiang, and its legal representative, directors, supervisors and senior management appointed by Shanghai Lingxiang. Its business scope was changed to site leasing and its registered and paid-in capital increased from RMB1,248 million to RMB3,648 million. On 21 December 2015, it received the new business license issued by Guangzhou Municipal Administration for Industry & Commerce. As at 31 December 2015, all land and properties owned by Guangzhou Shipyard Shipping had been transferred to and registered in the name of Guangzhou Shipyard Shipping from COMEC. In view of the above, the procedures for business change registration of Guangzhou Shipyard Shipping have been completed and the relevant transfer of assets have been basically completed. 55% of the total consideration for equity transfer has been received. Currently GSI does not hold any equity interests in Guangzhou Shipyard Shipping and the procedures for transfer of control has been completed.

## 3. Other changes in the scope of combination

### (1) Establishment of GSI Yangzhou Co., Ltd. ("GSI Yangzhou")

In January 2015, the Company made contribution of RMB1 million in cash to establish GSI Yangzhou. On 29 January 2015, GSI Yangzhou obtained the business license for enterprise legal person (registration number: 321088000330103) verified and issued by Administration of Yangzhou for Industry and Commerce. The registered capital was RMB1 million; the legal representative was Wu Guangjun and the place of registration was Ship Industrial Park, Yanjiang Development Zone, Daqiao Town, Jiangdu District, Yangzhou City. As passed at the 22th meeting of the eighth session of the Board of the Company held on 29 July 2015, the Company made further capital contribution of RMB1,301,836,200 into GSI Yangzhou. On 21 October 2015, the Company received the new business license No. 321088000201510210064 issued by Yangzhou Jiangdu Market Supervision and Administration Bureau with uniform social credit code of 91321012323728098Y. The registered capital is RMB1,302,836,243.9 and the legal representative is Chen Qiongxiang with corporate address at Ship Industrial Park, Yanjiang Development Zone, Daqiao Town, Jiangdu District, Yangzhou City.

### (2) Establishment of Guangzhou Xingji Maritime Engineering Design Co., Ltd. ("Guangzhou Xingji")

In August 2015, CSSC Huangpu Wenchong Shipbuilding Company Limited, a subsidiary of the Company, and Yuzhong International Co., Ltd. jointly established Guangzhou Xingji with capital contribution of RMB3.75 million and RMB1.25 million, respectively, holding 75% and 25% of its equity interest, respectively. On 21 August 2015, Guangzhou Xingji received the new business license No. 440110400005581 issued by Guangzhou Municipal Administration for Industry & Commerce Nansha Branch with registered capital of RMB5 million, legal representative of Wang Yi, and registered address of Room 507, No. 26 Jin Long Road, Nansha District, Guangzhou City.

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## 8. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

Name of subsidiaries	Place of registration and principal place of operation	Business nature	Proportion of shareholding (%)		Acquisition method
			Direct	Indirect	
Guangzhou Shipyard International Company Limited	Guangzhou	Shipbuilding	100.00		Business combination under common control
Guangzhou Longxue Pipe Co., Ltd.	Guangzhou	Pipe processing		42.86	Business combination under common control
Guangzhou Wanda Marine Engineering Co., Ltd.	Guangzhou	interior decoration, of ships		100.00	Investment
Guangzhou Xingshun Marine Services Co., Ltd.	Guangzhou	Ship welding, outfitting, Painting		100.00	Investment
Guangzhou United Steel Structures Ltd.	Guangzhou	steel structure		100.00	Investment
Guangdong GSI elevator Co., Ltd.	Guangzhou	Production of elevator		100.00	Investment
Guangzhou Hongfan Technology Co., Ltd.	Guangzhou	Software development		51.00	Investment
Guangzhou Guangli Ship Shipbuilding Human Resources Service Company Limited	Guangzhou	Provision of labor service		100.00	Investment
Guangzhou Hongfan Hotel Limited	Guangzhou	Catering services		100.00	Investment
Glory Group Development Co., Ltd.	Hong Kong	General business trade		100.00	Investment
Fanguang Development Co., Ltd	Hong Kong	General business trade		80.00	Investment
Fanguang (Macau) Development Single person Co., Ltd.	Macau	Construction engineering		80.00	Investment
CSSC Large-scale Machinery and Equipment Co., Ltd	Guangzhou	Equipment Manufacturing		100.00	Investment
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Zhongshan	Equipment Manufacturing	100.00		Investment
Guangzhou Shipyard International Marine Engineering Co., Ltd	Guangzhou	Equipment Manufacturing		100.00	Investment
GSI Yangzhou Co., Ltd.	Yangzhou	Shipbuilding	100.00		Investment
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou	Shipbuilding	100.00		Business combination under common control
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Guangzhou	Shipbuilding		100.00	Business combination under common control
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Zhanjiang	Rendering of services	40.00	40.50	Business combination under common control
Guangzhou Longxue Properties Co., Ltd.	Guangzhou	Property management		66.67	Business combination under common control
Guangzhou Xinhua Human Resources Service Co., Ltd.	Guangzhou	Rendering of services		75.00	Business combination under common control
Guangzhou Wenchong Shipyard Co., Ltd.	Guangzhou	Shipbuilding		100.00	Business combination under common control
Guangzhou Wenchong Chonggong Co. Ltd.	Guangzhou	Equipment manufacturing		100.00	Business combination under common control
Guangzhou CSSC Wenchong Binshen Facilities Co., Ltd.	Guangzhou	Equipment manufacturing		60.00	Business combination under common control
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Guangzhou	Professional technology and services		75.00	Investment

Note: two of the five directors of Guangzhou Longxue Pipe Co., Ltd. are appointed by the Company, which acted as Chairman and general manager, who are responsible for the production and operation activities, Accounting Manager is appointed by the Company. The Company has substantial control over Pipe Company, it is therefore included into the scope of consolidation.

### 2. Interests in joint ventures or associates

#### Summary financial information of significant associates

Items	Ending Balance/ Current Year	Beginning Balance/ Last Year
<b>Associates:</b>		
Total amount of investment book value	<b>78,062,223.23</b>	82,455,679.64
Total amount of accounts below in proportion to equity held		
– Net profit	<b>1,279,915.09</b>	4,779,417.02
– Other comprehensive income		
– Total comprehensive income	<b>1,279,915.09</b>	4,779,417.02

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

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## 9. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include: Loans, receivables, payables, trading financial assets and trading financial liabilities etc. For the specific details for each instrument please see Note VI. The risks related to these financial instruments, and Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

### 1. Risk management objectives and policies

The risk management objectives of this Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

#### (1) Market risk

##### 1) Foreign currency risk

Foreign currency risk refers to risk caused by losses occurred because of changes in foreign currency rate. The Group's foreign exchange exposure is mainly related to USD. Except for the Company is using USD, HKD, MOP, EUR, GBP and JPY for purchasing and sales transactions, other main business operations are settled in RMB. As at 31 December 2015, except for assets and liabilities with balances in USD, HKD, MOP, EUR, GBP and JPY depicted as below, all other assets and liabilities of the Group are reported in RMB. The recognized assets and liabilities in USD shown in the table below and the unrecognized not shown in the table below (ship settlement payment in USD), leading to foreign currency risk, may affect the results of operation.

Items	31 December 2015	31 December 2014
Cash and cash equivalents-USD	476,301,495.62	343,361,205.78
Cash and cash equivalents-HKD	248,913.86	5,470,236.72
Cash and cash equivalents-EUR	458,656.98	2,058,977.18
Cash and cash equivalents-MOP		8,302.97
Cash and cash equivalents-GBP		917.25
Cash and cash equivalents-JPY	126,679.25	228,762.04
Accounts receivable-USD	32,269,494.57	87,499,906.77
Accounts receivable-HKD		46,590,367.40
Accounts receivable-MOP	3,277,585.17	3,277,585.17
Accounts receivable-EUR	2,991,671.46	
Other receivables-USD		151,500.50
Other receivables-HKD		10,588,968.42
Interest receivable-USD	1,111,076.88	2,986,420.83
Long-term receivables-USD	73,003,413.95	74,682,205.04
Accounts payable-USD	1,131,586.82	18,734,405.00
Accounts payable-HKD	34,560,948.37	7,065,055.30
Accounts payable-MOP		573,423.02
Accounts payable-EUR		5,044,606.25
Interest payable-USD	338,147.22	5,540,004.98
Interest payable-EUR	495,745.95	
Other payables-USD	315,000.00	
Other payables-HKD	30,294.12	
Short-term loans-USD	440,000,000.00	1,025,260,918.83
Short-term loans-EUR	70,500,000.00	610,616.28
Short-term loans-HKD		55,924,099.95
Long-term loans-USD		550,320,664.57

The Group pays close attention to the impact of exchange rate changes on the Group.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The Group has conducted foreign exchange risk management policy and strategy research, in order to mitigate risks derived from loans in USD and foreign currency interest expenditure risk, the Group has signed several forward foreign exchange contracts and option portfolios with banks, and recognized fair values of financial assets (or liabilities) at fair value through or loss as at 31 December 2015 were RMB-168,178,500. The change in fair value of forward settlement contract is included in the profit or loss. Please refer to Note VI.55 for related information. With the increasing trend of international market share, if there's uncontrollable risk arisen from RMB appreciation, the Group would adjust its sales policies to mitigate foreign currency risk to offset the risk.

## 2) Interest rate risk

The interest rate risk of the Group generated from borrowings with interest rate. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk. Borrowings at fixed rate expose the Group to fair value interest-rate risk. As at 31 December 2015, the Group's bank borrowings mainly included fixed interest rate contracts in RMB and USD with total amount of RMB7,141,671,403.20 (31 December 2014: RMB14,339,206,893.28) and floating interest rate contracts in RMB and USD with total amount of RMB8,073,067,600.00 (31 December 2014: RMB231,199,122.80).

The risk of changes in fair value of financial instrument which caused by changes in interest rate is related to borrowings with fixed interest rate. As for the borrowings with fixed interest rate, the goal of the Group is to keep these borrowings with floating interest rate, in order to eliminate the risk in fair value related to changes in interest rate.

## (2) Credit risk

As at 31 December, 2015, the Group's potential maximum exposure to credit risk is mainly because of the counterparties' failure to perform their obligations leading to losses or financial guarantee related to the Group and the financial burden assumed by the Group, including:

Book value of the recognized financial assets; as for financial instruments measured at fair value, book value reflects their exposures to risks, but not the maximum exposure to risks which shall be changed as changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. Therefore, the Management reckons that credit risks held by this Group have been reduced significantly.

The current funds of this Group are deposited in banks that own high credit evaluations, thus the credit risk of current funds is relatively low.

The Group has engaged necessary policies to ensure that all clients have good credit history. The Group has no other collective credit risk except for the top 5 of Accounts receivable.

The total amount for the top 5 accounts receivable is RMB879,314,752.39.

## (3) Liquidity risk

Liquidity risk refers to the risk that the Group could not engage the financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of the Group reputation. The analysis of liabilities structure and durations would be made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutes to remain the credit lines and reduce liquidity risks

The sources of funding of the Group are mainly from bank borrowings. As at 31 December 2015, the unused bank facilities amount were RMB23,247 million (31 December 2014: RMB18,035 million).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

The analysis of financial assets and financial liabilities is analyzed as below, in terms of maturity deadline regarding undiscounted remaining contractual obligations:

31 December 2015:

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash and bank	17,113,759,790.92	320,583,500.00	230,022,464.00		17,664,365,754.92
Financial assets at fair value through profit or less	12,912,573.33	360,000.00			13,272,573.33
Notes receivable	21,097,180.25				21,097,180.25
Accounts receivable	1,535,340,273.18	165,190,370.08	44,493,461.70	2,462,551.30	1,747,486,656.26
Other receivables	635,799,850.01	23,809,009.26	22,366,476.74	26,330,615.43	708,305,951.44
Interest receivable	159,792,881.73		32,542,906.61		192,335,788.34
Long-term receivables		443,507,053.80			443,507,053.80
<b>Financial liabilities</b>					
Short-term loans	6,746,671,403.20				6,746,671,403.20
Financial liabilities at fair value through profit or less	164,378,026.20	21,736,300.00			186,114,326.20
Notes payable	2,364,995,314.53				2,364,995,314.53
Accounts payable	6,196,114,055.79	316,063,354.45	217,245,913.58	5,964,048.43	6,735,387,372.25
Other payables	214,437,152.23	10,463,126.88	17,815,506.88	2,478,384.02	245,194,170.01
Dividend payable					0.00
Interest payable	21,533,573.71				21,533,573.71
Employee benefits payable	35,838,830.14				35,838,830.14
Non-current liabilities due within one year	1,777,500,000.00				1,777,500,000.00
Long-term loans		4,060,567,600.00	2,130,000,000.00	500,000,000.00	6,690,567,600.00

## 2. Sensitivity analysis

The Group adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

### (1) Exchange risk sensitivity analysis

The assumption of exchange risk sensitivity analysis: all overseas net operational investment hedge and cash flow hedge are highly effective

Above the above assumptions, with other factors unchanged, the exchange rate might float within a reasonable range, and has the following after tax effect to the current profit and loss account and equity:

Items	Exchange rate change	Current year		Last year	
		Effect on Net profit	Effect on owners' equity	Effect on Net profit	Effect on owners' equity
USD	Strengthened by 5% against RMB	5,988,281.75	5,988,281.75	-54,558,737.72	-54,558,737.72
USD	Weakened by 5% against RMB	-5,988,281.75	-5,988,281.75	54,558,737.72	54,558,737.72



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Interest rate sensitivity analysis

The sensitivity analysis in interest rate are based on the following assumptions:

Change in interest rate will affect the interest income and expense of the financial instrument which bear variable interest rate;

The financial instrument's fixed rate is measured by the fair value, the changes in the market rate only influence interest income or expenses;

Change in fair value of Derivative financial instruments and other financial assets and liabilities, which is calculated using cash flow discount method, with the effective interest rate on the financial statement date.

Based on the above assumptions, with other factors unchanged, the interest rate might float within a reasonable range, and has the following effect:

Items	Exchange rate change	Current year		Last year	
		Effect on Net profit	Effect on owners' equity	Effect on Net profit	Effect on owners' equity
Loans with floating rate	Increase by 1%	-68,621,074.60	-68,621,074.60	-1,965,192.54	-1,965,192.54
Loans with floating rate	Decrease by 1%	68,621,074.60	68,621,074.60	1,965,192.54	1,965,192.54

## 10. FAIR VALUE DISCLOSURE

### 1. Amount of assets and liabilities measured at fair value at the end of the year and level of fair value measurement

Items	Ending fair value			Total
	Level one fair value measurement	Level second fair value measurement	Level third fair value measurement	
<b>I. Recurring fair value measurement</b>				
(I) Financial assets at fair value through profit or loss				
1. Held-for-trading financial assets		13,063,411.11		13,063,411.11
(1) Forward settlement contract		13,063,411.11		13,063,411.11
2. Available-for-sale financial assets	3,517,862.88			3,517,862.88
(1) Available-for-sale equity instruments	3,517,862.88			3,517,862.88
<b>Total financial assets measured at fair value on a recurring basis</b>	3,517,862.88	13,063,411.11		16,581,273.99
(II) Financial liabilities at fair value through profit or loss				
1. Held-for-trading financial liabilities		181,241,917.70		181,241,917.70
(1) Forward settlement contract		177,459,147.05		177,459,147.05
(2) Short USD call options		3,782,770.65		3,782,770.65
<b>Total financial liabilities measured at fair value on a recurring basis</b>		181,241,917.70		181,241,917.70

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Related party relationships

#### (1) Controlling shareholder and the actual controller

##### 1) Controlling shareholder and the actual controller

Name of controlling shareholder and the ultimate controller	Registration place	Nature	Registered capital	Proportion of shareholding in the Company (%)	Proportion of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB22,000 million	35.50	59.97

##### 2) Register capital of controlling shareholder and its change

Controlling Shareholder	Beginning Balance	Increase	Decrease	Ending Balance
CSSC	RMB22,200.00 million			RMB22,200.00 million

##### 3) Shares or equity held by controlling shareholders and its change

	Holding amounts		Holding rights %	
	Ending Balance	Beginning Balance	Ending Proportion	Beginning Proportion
Controlling Shareholder				
CSSC	501,745,100.00	229,645,800.00	35.50	22.28
CSSC Leasing	345,940,890.00	345,940,890.00	24.47	33.57
Total	847,685,990.00	575,586,690.00	59.97	55.85

#### (2) Subsidiaries

For details of the subsidiaries, please refer to Note VIII.1 "Interests in subsidiaries".

#### (3) Joint ventures and associates

For details of significant joint ventures and associates, please refer to Note VI.13.

#### (4) Other related parties

Type	Name of related parties	Business type	Organization code
<b>Under common control of the controlling shareholder and the actual controller</b>			
	Guangzhou Shipyard Co., Ltd.	Purchasing materials, marine accessories and technical labor services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labor services	199124798
	Jiujiang Shipbuilding Fire Equipment Manufacture Co., Ltd.	Marine accessories	769750177
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	769756704
	CSSC Nanjing Oasis Machine Co., Ltd.	Equipment	134905382
	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and technical labour services	717810086
	The Shipbuilding Industry Complete Logistics Co., Ltd. (Guangzhou)	Marine accessories	56586979
	Anqing CSSC Diesel Engine Co., Ltd.	Equipment	151306277
	China Marine Power Co., Ltd	Marine accessories, equipment	731778430
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	190550010
	9th Design and Research Institute of the China Shipbuilding	Labor and technical services	425014619
	Guangzhou Shipbuilding Corporation	Purchasing goods and services	190506722
	The Ship Survey and Design Institute (Xiamen) Co., Ltd.	Labor and technical services	13294352-9
	China State Shipbuilding Corporation No.11 Research Institute	Marine accessories, equipment	71780666-9
	Design and Research Institute of China Shipbuilding and Marine Engineering	Purchasing goods and service	425007603

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Type	Name of related parties	Business type	Organization code
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, equipment	669401543
	CSSC Xijiang Shipbuilding Co., Ltd.	Purchasing materials	198600924
	Guijiang Shipbuilding Co., Ltd.	Purchasing goods and services, selling goods and rendering services	199125619
	Shanghai Lingang Ship Equipment Co., Ltd.	Labor and technical services	67464709-7
	Hualian Ship Co., Ltd.	Purchasing goods and services	Offshore Company
	Jiujiang China Shipbuilding Changan Fire Equipment Co., Ltd	Marine accessories	792801606
	China Ship Power Station Equipment Co., Ltd.	Equipment	756976070
	Shipbuilding Chengxi Ship Co., Ltd. (Guangzhou)	Purchasing goods and services	781228314
	National Engineering Research Center of Shanghai ship design technology Co., Ltd.	Purchasing goods and services	766907124
	The ship survey and Design Institute Co., Ltd.	Purchasing goods and services	132943529
	China Shipbuilding Technology Institute	Purchasing goods and services	400000472
	Jiangxi Chaoyang Machinery Factory	Purchasing goods and services	158261489
	CSSC Heavy Equipment Co., Ltd.	Labor and technical services	799437720
	The Shanghai Shipbuilding Institute survey Geotechnical Engineering Co., Ltd.	Labor and technical services	155729481
	Anqing Marine Electric Co., Ltd.	Purchasing materials	771102718
	Huahai Marine cargo access equipment company	Purchasing goods and services	132203280
	Beijing Shipbuilding Information Technology Co., Ltd.	Selling goods and rendering services	802042333
	Eastern Shanghai Shipbuilding Electric Co., Ltd.	Purchasing goods and services	780563727
	China Shipbuilding Trading Company	Purchasing goods and services	100001027
	Shipbuilding International Trading Co., Ltd.	Purchasing goods and services	703424416
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Selling goods and rendering services and accepted shareholding of subsidiary	717806431
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Purchasing goods and services	683265787
	CSSC Chengxi Shipbuilding Co., Ltd.	Selling goods and rendering services	142243024
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Selling goods and rendering services	631423632
	CSSC Jiangnan Heavy Industry Co., Ltd.	Selling goods and rendering services	132283663
	CSSC Finance Co., Ltd	Accepting financial services	100027155
	Guangzhou Shipyard HR Service Co. Ltd	Labor and technical services	664021381
	Guangzhou Shipbuilding Nansha Longxue construction Development Co., Ltd.	Construction of fixed assets	759441020
	Jiangxi CSSC Valve Co., Ltd.	Purchasing goods and services	598860469
	CSSC Marine Technology Co., Ltd.	Purchasing goods and services	767236625
	CSSC Shanghai Ship Industrial Co., Ltd.	Purchasing goods and services	132204830
	Shanghai Jiangnan Changxing Shipbuilding Co., Ltd	Purchasing goods and services	797013289
<b>Under control of joint venture of the controlling shareholder and the ultimate controller</b>			
	Shanghai Lingxiang Equity Investment Co., Ltd.	Purchase of equity interest in Guangzhou Shipyard Shipping	32078574-0
	Guangzhou Shipyard Industrial Co., Ltd. (a wholly-owned subsidiary of Shanghai Lingxiang)	Lease of assets	30460679-4
	Guangzhou Shipyard Shipping Co., Ltd. (a wholly-owned subsidiary of Shanghai Lingxiang)	Lease of assets	32097191-4
	TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	660813517
	TTS Hua Hai International Trading Co., Ltd.	Marine accessories	698750056

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From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 2. Consolidated related party transactions

### (1) Related transactions relating to purchasing or selling goods or providing or rendering services

#### 1) Purchasing goods or services

Company Name	Transactions	Current Year	Last Year
China Shipbuilding Industry Institute of the Engineering Investigation & Design Co. Ltd. Xiamen Branch	Shipbuilding	56,798.53	-
Anqing Marine Electric Co., Ltd.	Marine accessories	159,300.00	56,410.00
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	78,226,696.58	64,314,981.30
Guangzhou Hairong Industrial Co., Ltd.	Marine accessories	564,000.00	-
Guangzhou CSSC Ship Steel Co., Ltd.	Marine accessories	314,429.03	-
Haiying Enterprises Group Co., Ltd.	Marine accessories	55,257,800.00	384,082,698.60
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	452,766,443.86	-
Hualian Ship Co., Ltd.	Marine accessories	304,891,259.39	342,951,501.50
Jiangnan Shipbuilding (Group) Co., Ltd.	Marine accessories	4,500.00	16,405,191.98
Jiangxi Chaoyang Machinery Factory	Marine accessories	15,253,333.05	807,026.00
Jiangxi CSSC Valve Co., Ltd.	Marine accessories	5,584,899.12	10,700,154.53
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	20,011,663.12	17,476,245.00
Jiujiang Shipbuilding Fire Automation Co., Ltd.	Marine accessories	233,920.00	20,568,692.77
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	12,844,186.11	73,343,845.62
CSSC Nanjing Oasis Machine Co., Ltd.	Marine accessories	69,539,575.81	6,142,927.33
Shanghai Merchant Vessel Design and Research Institute	Marine accessories	56,814,286.79	7,729,357.95
Shanghai Haixun Electrical Engineering Co., Ltd.	Marine accessories	65,221,582.00	15,776,800.00
Shanghai Navigation Instrument Co., Ltd.	Marine accessories	10,858,000.00	-
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Marine accessories	196,646,597.03	-
Hong Kong Fanhua Equipment Co., Ltd.	Marine accessories	4,833,366.68	3,869,128.21
CSSC Electronic Technology Co., Ltd.	Marine accessories	-	174,042,901.59
China Marine Power Co., Ltd.	Marine accessories	161,445,877.90	-
CSSC Marine Technology Co., Ltd.	Marine accessories	1,594,532.80	3,030,000.00
CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories	5,360,000.00	48,773,442.18
China Ship News Agency	Marine accessories	111,490.56	8,020,000.00
China Shipbuilding Trading Co., Ltd.	Marine accessories	65,974,100.50	22,510,755.54
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Marine accessories	-	5,100,000.00
Shanghai Hudong Shipyard Valve Co., Ltd.	Marine accessories	-	4,054,409.04
Shanghai Jiangnan Ship Pipe Industry Co., Ltd.	Marine accessories	-	3,067,013.34
Zhenjiang CSSC Waxilan Propeller Co., Ltd.	Marine accessories	-	2,567,862.49
CSSC Gujiang Shipbuilding Co., Ltd.	Marine accessories	-	767,692.30
Hai Feng Navigation Technology Co., Ltd.	Purchase of materials	-	23,100,000.00
Jiujiang Shipbuilding Fire Equipment Manufacture Co., Ltd.	Purchase of materials	9,090,120.00	752,000.00
TTS Hua Hai Ships Equipment Co., Ltd.	Purchase of materials	10,436,054.45	14,144,000.00
Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of materials	2,742,743.57	480
Shanghai Jiangnan Career Skills Training Center	Purchase of materials	86,200.00	18,008,535.96
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of materials	11,930,838.43	406,000.00
Shanghai Shenbo Information System Engineering Co., Ltd.	Purchase of materials	-	216,000.00
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Purchase of materials	157,000.00	400,000.00
CSSC Materials Engineering Co., Ltd.	Purchase of materials	170,940.16	470,000.00
Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Purchase of materials	1,500,000.00	35,000.00
Shanghai Lingang ship Equipment Co., Ltd.	Purchase of materials	5,384.61	151,960,427.36
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Purchase of materials	15,600,136.76	7,017,821.68
China State Shipbuilding Steel Structure Engineering Company Limited	Purchase of materials	145,049,478.80	3,961,251,568.06
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Purchase of materials	4,516,051,344.11	14,916,735.49
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Purchase of materials	17,052,664.52	-
China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of materials	3,493,855.35	87,011,700.00
China Shipbuilding Trading (Pudong) Co., Ltd.	Purchase of materials	-	181,397,066.63
Shanghai CSSC NDRI Engineering Consulting Co., Ltd.	Purchase of materials	-	13,107,147.81

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Company Name	Transactions	Current Year	Last Year
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labour services	142,956,213.70	219,852,347.48
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Technical labour services	214,914.53	-
CSSC Chengxi Shipbuilding (Guangzhou) Company Limited	Technical labour services	26,327,445.92	316,444,886.06
China Shipbuilding 9th Design and Research Institute	Technical labour services	272,346,018.97	-
China Shipbuilding Industry Complete Logistics Co., Ltd.	Technical labour services	1,793,927.95	525,200.00
China Shipbuilding International Trading Co., Ltd.	Technical labour services	9,058,707.37	-
CSSC Southern China Ship Machinery Co., Ltd.	Technical labour services	24,459,220.00	8,174,899.66
China Shipbuilding Industry Institute of the Engineering Investigation & Design Co. Ltd.	Technical labour services	12,651,229.54	423,735.85
CSSC (Hong Kong) Shipping Company Limited	Technical labour services	163,334,848.66	-
China Ship Power Station Equipment Co., Ltd.	Technical labour services	6,845,000.00	-
China State Shipbuilding Corporation No.11 Research Institute	Technical labour services	924,100.00	32,551,116.85
CSSC System Engineering Research Institute	Technical labour services	314,345,200.00	1,200,318.82
China Shipbuilding Technology Institute	Technical labour services	1,424,748.35	11,489,811.31
Shanghai Navigation Instrument Co., Ltd.	Technical labour services	-	85,848.72
Beijing Shipbuilding Information Technology Co., Ltd.	Technical labour services	7,338,921.96	5,118,496.70
Guangzhou Bohang Environment Monitoring Services Co., Ltd.	Technical labour services	330,097.08	-
Guangzhou Ship Industrial Company Ships and Ocean Engineering Design and Research Institute of Guangzhou	Technical labour services	26,801,432.16	4,124,124.30
Guangzhou Shipyard HR Service Co., Ltd.	Technical labour services	4,960,000.00	-
Technician Training School of Guangzhou Huangpu Shipyard	Technical labour services	53,678,628.77	36,391,087.25
Workers' Hospital of Guangzhou Huangpu Shipyard	Technical labour services	69,736.40	-
Guangzhou Shipyard Hospital	Technical labour services	2,506,454.00	-
Eastern Shanghai Heavy Machinery Co., Ltd. Shanghai Accessories Branch	Technical labour services	4,098,689.11	-
Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing Oasis Machine Co., Ltd.	Technical labour services	3,240.00	-
Shanghai Shipbuilding Technology Research Institute	Technical labour services	33,297,435.92	18,867.92
Design and Research Institute of China Shipbuilding and Marine Engineering	Technical labour services	1,271,600.00	23,936,616.90
<b>Total</b>		<b>7,460,708,210.01</b>	<b>6,370,704,078.08</b>

Note: Pricing policy:

- Purchase price of electronic appliance, metallic materials and marine complement are based on market price.
- Purchase price of marine equipment, if there are two or more related parties competed as supplier, after consideration of factors such as inventory cycle, quality of products and services of suppliers, are negotiated with basis on market price. If there is only one related party as supplier due to technical specifications or restrictions, the price should be arm's length as that provided by a third independent party.
- 10% increase of labour cost is executed during the peak production period.
- Purchase price of cabin-cleaning, ship design and relevant technical services are based on market price.
- Purchase prices of medical care, food and beverage, infant care, training for labours, management fee for residence, etc, are based on the expense incurred in 2008 and adjusted by the annual "price index" (Guangzhou Municipal Statistics Bureau's announcement of the statistic of the general price index of the living expense of Guangzhou Municipal of the previous year) and further adjusted by the number of employees of the Group, number of household and actual staff welfare, but subject to maximum of adjustment on the annual "price index".

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Sell goods or render services

Company Name	Transactions	Current Year	Last Year
Beijing Shipbuilding Information Technology Co., Ltd.	Sale of materials	2,277,519.74	575,081.87
Guangzhou Ship Industrial Company	Sale of materials	33,378.81	65,172.92
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of power	36,954.85	95,556.78
Technician Training School of Guangzhou Shipyard	Technical labour services	8,540.00	-
Guangzhou Shipyard Co., Ltd.	Technical labour services	10,016,257.81	19,406,409.66
Guangzhou CSSC Ship Steel Co., Ltd.	Technical labour services	497,409.17	19,226.42
CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Technical labour services	22,405.66	171,364.18
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Technical labour services	1,650,000.01	-
Jiangnan Shipbuilding (Group) Co., Ltd.	Technical labour services	608,974.35	-
CSSC Nanjing Oasis Machine Co., Ltd.	Technical labour services	256,410.26	-
Shanghai Shipbuilding Institute	Sale of materials	55,083.76	-
Survey Geotechnical Engineering Co., Ltd.			
CSSC Chengxi Shipbuilding (Guangzhou) Company Limited	Sale of materials and supply of power	79,442,920.18	439,601,113.19
CSSC Chengxi Shipbuilding Co., Ltd.	Rendering of services, leasing, supply of power	52,674,515.17	
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Technical labour services	15,977,851.56	-
China State Shipbuilding Steel Structure Engineering Company Limited	Technical labour services	4,874,160.93	-
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sale of materials	91,558,678.43	-
China Shipbuilding Industry Complete Logistics Co., Ltd.	Sale of materials	4,090,142.55	83,399,544.98
CSSC Guijiang Shipbuilding Co., Ltd.	Sale of materials, rendering of technical labour services	738,153.26	153,846.15
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Technical labour services	1,229,247.87	397,294.89
CSSC Southern China Ship Machinery Co., Ltd.	Technical labour services	3,440,256.96	17,000.00
CSSC Xijiang Shipbuilding Co., Ltd.	Supply of power	84,602.49	1,139,756.31
CSSC Heavy Equipment Co., Ltd.	Technical labour services	153,298.46	47,008.55
CSSC (Hong Kong) Shipping Company Limited	Sale of materials, rendering of technical labour services	979,042,963.56	-
China State Shipbuilding Corporation	Sale of materials	1,307,716.98	-
China State Shipbuilding Corporation Guangzhou Company	Technical labour services	1,223,169.53	849,056.60
China Shipbuilding Trading Co., Ltd.	Technical labour services	15,491,317.94	-
China Shipbuilding Trading Shanghai Co., Ltd.	Technical labour services	65,049,029.74	-
CSSC System Engineering Research Institute	Technical labour services	283,018.87	-
China Shipbuilding Technology Institute	Technical labour services	196,847.28	128,205.13
Design and Research Institute of China Shipbuilding and Marine Engineering	Technical labour services	173,018.87	2,858,301.89
CSSC Xijiang Shipbuilding Co., Ltd.	Technical labour services		1,037.74
Shanghai Shipbuilding Technology Research Institute	Technical labour services		1,800,000.00
Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	Technical labour services		55,555.56
Zhenjiang CSSC Waxilan Propeller Co., Ltd.	Technical labour services		12,820.51
China Shipbuilding Industry Institute of the Engineering Investigation & Design Co. Ltd.	Technical labour services		2,934.00
<b>Total</b>		<b>1,332,493,845.05</b>	<b>550,796,287.33</b>

Note: Pricing policy:

- Sale price of electrical and mechanical equipment and metal materials to be based on market price.
- Supply of electricity to be based on cost plus 20% to 25% of administrative expense.
- Labour service and design and technical services to be based on market price or cost plus 10% to 25% of administrative expense, which will not be lower than the price sold to independent third parties.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Receipt of financial services

### 1) Deposits

Name of related party	Balance of Deposits		Interest income	
	Ending Balance	Beginning Balance	Current Year	Last Year
CSSC Finance Co., Ltd.	6,718,644,795.52	7,026,652,068.91	88,783,272.58	104,933,646.54

Pricing policy: Interest income to be based on the basic interest rate set by People's Bank of China, subject to minimum of interest rate provided by CSSC to other third party or the deposit rate provided to the Company by the commercial banks.

### 2) Loans

Name of related party	Loans Balance		Interest expense	
	Ending Balance	Beginning Balance	Current Year	Last Year
CSSC Finance Co., Ltd.	4,607,000,000.00	3,022,070,000.00	175,544,046.79	281,458,535.38

Pricing policy: the interest rate for RMB loan is adjusted downward based on the benchmark interest rate for mid-to-long-term loan (5.5%) and short term loan (5.1%) stipulated by the PBOC. The interest rate for USD loan is determined with reference to the USD loan interest rate for the same period.

### 3) Forward exchange settlement (purchase)

Name of related party	Forward exchange settlement (purchase) contract		Gain or loss on change in fair value of forward exchange settlement (purchase) contract		Investment income from forward exchange settlement (purchase)	
	Ending balance	Beginning balance	Current year (RMB)	Last year (RMB)	Current year (RMB)	Last year (RMB)
CSSC Finance Company Limited	US\$86 million and EUR4.5 million	-	-688,043.73	-	-	-

### 4) Wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current year	Last year
CSSC Finance Company Limited	1,005,000,000.00	555,500,000.00	40,549,385.48	9,840,559.43

Pricing policy: to be determined with reference to the return on the entrusted wealth management products in the market in the same period.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (3) Related party lease

### 1) As lessee

Lessor name	Lessee name	Type of leasing assets	Current Year	Last Year
Guangzhou Ship Industrial Company	CSSC Huangpu Wenchong Shipbuilding Company Limited	Land and buildings	7,574,073.62	5,750,347.37
Guangzhou Ship Industrial Company	Guangzhou Wenchong Shipyard Co., Ltd.	Land and buildings	21,851,672.04	14,893,578.95
Guangzhou Shipyard Industrial Co., Ltd.	The Company	Land and buildings	-	-
Guangzhou Shipyard Shipping Co., Ltd.	The Company	Land and buildings	11,200,000.00	-

Note 1: In 2014, Guangzhou Ship Industrial Company ("Guangzhou Company"), CSSC Huangpu Wenchong Shipbuilding Company Limited ("Huangpu Wenchong") and Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard") entered into a lease agreement in relation to land use right and buildings erected on land, pursuant to which it leased certain land use right and buildings erected on land at Changzhou Factory and Wenchong Factory owned by it to Huangpu Wenchong and Wenchong Shipyard for operation. Huangpu Wenchong will pay an annual rent of approximately RMB7.6 million and Wenchong Shipyard will pay an annual rent of approximately RMB21.30 million. The term of lease of the land use right and buildings erected on land shall commence on 1 May 2014 and end on the date on which Party B and Party C finish relocation to Changzhou Factory and Wenchong Factory and commence formal production in the new factory area.

Note 2: On 27 September 2014, the Company and Guangzhou Shipyard Industrial entered into a lease agreement pursuant to which three pieces of land plots which are Heliwai, South Fangcun Main Road, Liwan District, Guangzhou, No. 29 Donglang Market Main Road, South Fangcun Main Road Liwan District, Guangzhou and on the north side of Heliwai, Donglangxiang, Liwan District, Guangzhou ("Leasing Lands"), the current usage of industrial use, and the buildings and structures on the land plots with total site area of 108,939 sq.m. were leased. Starting from 1 October 2014, "Leasing Lands" were leased to the Company, for a term of 39 months, and rental was RMB0. It is continued to perform according to the "Lease Agreement" agreed under "Equity Transfer Agreement in Relation to the 100% Equity Interests in Guangzhou Shipyard Industrial Co., Ltd" entered between the Company and Shanghai Lingxiang.

Note 3: On 9 November 2015, GSI and Guangzhou Shipyard Shipping, both subsidiaries of the Company, entered into a lease agreement in relation to a parcel of land located at 40 South Fangcun Main Road, Liwan District, Guangzhou City with a total site area of 393,793 sq.m. currently for industrial use and relevant ancillary facilities (the "Leased Site") for a term of 25 months commencing on 1 December 2015. Based on monthly rent of RMB11.20 million, the total rent amounted to RMB280 million. The rent was determined with reference to the rent for land and buildings in surrounding areas and a report issued by Guangdong Jinghua Asset Appraisal and Property and Land Valuation Co., Ltd. in relation to annual lease value of the buildings, structures and other ancillary facilities, pipelines, troughs and land use right held by Guangzhou Shipyard Shipping Co., Ltd. for the purpose of operating lease of CSSC Offshore & Marine Engineering (Group) Company Limited (Yue Jing Zi Ping Bao Zi [2015] No. 682), which valued the annual rent at RMB134,556,096.

### 2) As lessor

Lessor name	Lessee name	Type of leased assets	Current Year	Last Year
Guangzhou Shipyard International Company Limited	CSSC Chengxi Shipbuilding (Guangzhou) Company Limited	Land, buildings and equipment	2,998,978.64	4,274,600.00
GSI Yangzhou Co., Ltd.	CSSC Chengxi Shipbuilding Co., Ltd.	Land, buildings and equipment	14,048,599.06	-

In December 2015, GSI Yangzhou Co., Ltd., a subsidiary of the Company, leased a parcel of land for industrial use with a site area of 624,747.9 sq.m., buildings and structures erected thereon, relevant ancillary facilities and other domestic ancillary facilities to and entered into an asset lease agreement with CSSC Chengxi Shipbuilding Co., Ltd., a subsidiary of CSSC, the controlling shareholder of the Company. According to the agreement, the term of lease is from 1 October 2015 to 31 December 2016, and the rents for the period from 1 October 2015 to 31 December 2015 and for the year 2016 are RMB15,091,494 (inclusive of tax) and RMB67,661,389 (inclusive of tax) respectively.

## (4) Guarantee

### 1) Guarantee provided by related parties for the Group

During the year, the guarantor of the RMB500 million loan to Guangzhou Shipyard International Company Limited, a subsidiary of the Company, was changed to the Company from Shanghai Shipyard Co., Ltd..



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) *Guarantee provided by the Group for loans to related parties*

During the year, the guarantee provided by Guangzhou Shipyard International Company Limited, a subsidiary of the Company, for the RMB1.8 billion loan to Shanghai Shipyard Co., Ltd. has been released.

3) *Guarantee provided within the scope of consolidation of the Group*

Guarantor	Guarantee	Form of guarantee	Guaranteed Amount	Commencement date of guarantee	Expiry date	Fully performed or not
CSSC Offshore & Marine Engineering (Group) Company Limited	Guangzhou Shipyard International Company Limited	General guarantee	500,000,000.00	2015/11/20	2019/7/15	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	500,000,000.00	2012/7/18	2019/7/15	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	\$7,400,000.00	2014/7/3	2016/10/26	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	\$7,400,000.00	2014/7/3	2016/12/25	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	436,000,000.00	2014/12/17	2017/5/31	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	\$28,500,000.00	2015/4/13	2017/4/13	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	446,120,000.00	2015/7/6	2016/7/15	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	168,000,000.00	2015/12/24	2017/6/30	No
Guangzhou Wenchong Shipyard Co., Ltd.	CSSC Huangpu Wenchong Shipbuilding Company Limited	Mutual guarantee	500,000,000.00	2012/7/18	2019/7/15	No

(5) *Disposal of equity interest in Guangzhou Shipyard Shipping to related party*

Please refer to note VII.2 “Disposal of subsidiaries”.

(6) *Other related party transactions*

Transaction type	Name of related party	Current Year	Last Year
Sales agency fees	China Shipbuilding Trading Company	47,901,428.81	40,454,578.89
Sales agency fees	Shipbuilding International Trading Co., Ltd.	7,240,436.05	8,470,987.65
Purchasing agent fees	Hualian Ship Co., Ltd	4,474,489.00	4,226,749.97
Purchasing agent fees	China Shipbuilding Trading Company	245,691.66	286,479.70
Maintenance fee	CSSC (Hong Kong) Shipping Company Limited	2,253,924.00	1,333,703.70

Note 1: Pricing policy: the sales agency fees shall not exceed the 1% of pricing basis of contract price; the purchasing agency fees shall range from 1%-2% of the contract price;

Note 2: In May 2014, the Company and CSSC (Common seller) entered into “Export Ships Progress Fees Transfer Financing Cooperation Agreement” with CSSC (Hong Kong) Shipping Company Limited (“CSSC Leasing”), pursuant to which, part of the ship progress fees of 7 export ships signed in 2013, were sold to CSSC Leasing, totalling US186.00 million. CSSC Leasing charged handling fee of 0.2%, and it has the right of recourse in respect of the ship progress fees. CSSC Leasing pledged this export ship progress fee to DBS Bank and borrowed US186.00 million.

(7) *Related party transactions and connected transactions*

The related party transactions mentioned in (1) and (5) above constitute connected transaction or continue connected transaction as defined under in Chapter 14A of the Listing Rules in Hong Kong, and are disclosed in details in the Connected Transaction section in Director’s Report as required.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 3. Connected Transaction between parent company and subsidiaries

### (1) Purchasing goods or services

Connected Party	Transactions	Current Year	Last Year
Guangdong GSI Large-size Heavy Mechanical Equipment Co., Ltd.	Purchasing goods and services	52,111,484.82	31,393,126.77
Guangdong GSI Elevator Co., Ltd.	Purchasing goods and services	2,270,038.44	2,402,364.78
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Receiving services	304,760,191.87	296,597,172.10
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Receiving services and technical services	-	26,166,468.54
Guangzhou Hongfan Technology Co., Ltd.	Purchasing goods and services	10,096,993.56	4,192,314.86
Guangzhou Longxue Pipe Co., Ltd.	Purchasing goods and services	6,725,694.98	6,235,090.26
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	Purchasing goods and services	3,561,359,131.90	1,657,264,306.00
Guangzhou Wanda Marine Engineering Co., Ltd.	Purchasing goods and services	65,066,217.55	43,585,043.86
Guangzhou Xingshun Marine Services Co., Ltd.	Purchasing goods and services	112,017,321.39	148,101,303.46
United Structures Ltd.	Purchasing goods and services	7,909,557.93	10,602,711.36
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Purchasing goods and services	311,356,887.58	125,061,342.10
Glory Group Development Co., Ltd.	Purchasing goods	230,257,582.22	129,190,972.83
Guangzhou Wenchong Chonggong Co. Ltd.	Purchase of goods and services received	2,452,751.18	-
CSSC Huangpu Wenchong Shipbuilding Company Limited	Technical labour services	-	161,745.28
<b>Total</b>		<b>4,666,383,853.42</b>	<b>2,480,953,962.20</b>

Note: Pricing policy for purchasing goods or services from subsidiaries: according to market price if there is market price; if not, adding 8%-10% of the cost or using internal assessment settlement price pricing.

### (2) Selling goods and services

Connected Party	Transactions	Current Year	Last Year
Guangdong GSI Large-size Heavy Mechanical Equipment Co., Ltd.	Selling goods and leasing assets	1,539,994.20	1,573,951.71
Guangdong GSI Elevator Co., Ltd.	Selling goods	2,457,167.10	824,383.77
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	Selling goods	188,051.01	206,520.52
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Selling goods and leasing assets	16,985,466.71	162,086,320.29
Selling goods and leading assets	Selling goods	4,005.82	10,735.65
Guangzhou Longxue Pipe Co., Ltd.	Selling goods	2,518,868.35	1,731,601.77
CSSC Guangzhou Longxue Shipbuilding Co., Ltd.	Selling goods and leasing assets	49,670,267.64	17,932,459.89
Guangzhou Wanda Marine Engineering Co., Ltd.	Selling goods	71,865.55	41,867.33
Guangzhou Xingshun Marine Services Co., Ltd.	Selling goods	3,025,998.77	17,093,401.53
United Structures Ltd.	Selling goods and leasing assets	8,899,863.52	9,176,217.82
Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	Selling goods and leasing assets	130,909,426.51	3,489,212.69
CSSC Huangpu Wenchong Shipbuilding Company Limited	Selling goods and providing services	144,403.96	26,736,450.84
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Selling goods and providing services	296,196.23	36,649,096.49
Guangzhou Wenchong Shipyard Co., Ltd.	Selling goods and providing services	3,207,379.42	8,709,111.56
Guangzhou Wenchong Chonggong Co. Ltd.	Selling goods and providing services	85,940.83	358,974.36
<b>Total</b>		<b>220,004,895.62</b>	<b>286,620,306.22</b>

Note: Pricing policy for selling goods to the subsidiaries: adding 8% of the cost.

# NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 4. Payroll for key management staff (Consolidated and parent company)

### (1) Directors and supervisors

Payroll for directors and supervisors for current year:

Name	Fees	Salaries and allowance	Retirement benefit plan contribution	Total
<b>Directors</b>				
Han Guangde		873,939.20	25,525.80	899,465.00
Chen Zhongqian (January to April)				–
Chen Zhongqian (May to December)		487,182.00	34,285.00	521,467.00
Xiang Huiming (May to December)		483,947.00	34,285.00	518,232.00
Zhou Dusheng		872,009.20	25,525.80	897,535.00
Yang Li				
Wang Guozhong				
Wang Jun				
Song Dejin	171,860.00			171,860.00
Zhu Mingyou				
Wang Yichu (November to December)	31,236.00			31,236.00
Min Weiguo (November to December)	31,236.00			31,236.00
Li Junping (January to March)	41,656.00			41,656.00
Zhu Zhenyu (January to November)	141,172.00			141,172.00
Liu Huajing (May to July)				–
Chen Ji (January to March)		122,421.20	6,031.80	128,453.00
Chen Liping (January to May)		122,421.20	6,031.80	128,453.00
<b>Supervisors</b>				
Ou Guangquan				
Fu Xiaosi	90,000.00			90,000.00
Zhu Zhengfu	90,000.00			90,000.00
Chen Shaolong		526,454.20	25,525.80	551,980.00
Qin Tinggui		635,660.20	25,525.80	661,186.00
Chen Jingqi		152,733.40	2,010.60	154,744.00

Payroll for directors and supervisors for last year

Name	Fees	Salaries and allowance	Retirement benefit plan contribution	Total
<b>Directors</b>				
Han Guangde		801,460.92	28,132.92	829,593.84
Zhou Dusheng		673,756.02	28,132.92	701,888.94
Chen Ji		717,975.71	28,132.92	746,108.63
Chen Liping		683,728.78	28,132.92	711,861.70
Yang Li	120,000.00			120,000.00
Wang Jun	120,000.00			120,000.00
Chen Zhongqian	120,000.00			120,000.00
Qiu Jiachen	110,000.00			110,000.00
Li Junping (May to December)	80,000.00			80,000.00
Zhu Zhenyu (July to December)	60,000.00			60,000.00
<b>Supervisors</b>				
Chen Jingqi		704,882.83	28,132.92	733,015.75
Fu Xiaosi	90,000.00			90,000.00
Zhu Zhengfu	90,000.00			90,000.00
Qin Tinggui		482,545.59	28,132.92	510,678.51
Chen Shaolong		434,559.39	28,132.92	462,692.31

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Note 1: On 8 May 2015, it was resolved in the first extraordinary general meeting of the Company in 2015 to elect Mr. Xiang Huiming and Mr. Wang Guozhong as directors of the Company, Mr. Liu Huaijing as an independent director of the Company and Mr. Ou Guangquan as a supervisor of the Company. Executive directors Mr. Chen Ji, Mr. Chen Liping and independent directors Ms. Li Junping and Mr. Zhu Zhenyu retired as directors due to reasons of personal career; and Mr. Chen Jingqi, chairman of Supervisory Committee, retired as a supervisor and the Chairman of Supervisory Committee due to age. None of the Directors or Supervisors has waived any remuneration during the year.

Note 2: On 5 November 2015, Mr. Wang Yichu and Mr. Min Weiguo were elected as independent non-executive directors of the Company at the second extraordinary general meeting of the Company for 2015. Mr. Liu Huaijing has retired as director of the Company due to reason of personal career.

There's no motivated monetary funds provided for board members joining or upon joining the Group, and there's no compensation provided for board members resigning or upon resigning for giving up the positions.

The payroll for directors and supervisors is determined according to the payroll policy of the Company, and is authorized by the Board's payroll committee.

**(2) Top 5 staff with highest salaries:**

The top 5 staff with highest salaries include 3 Directors (Last year: 4 Directors). The remuneration of the remaining 2 (Last year: 1) highest-paid individuals are as follows:

Items	Current Year	Last Year
Salaries and allowances	<b>3,395,244.80</b>	3,581,804.26
Retiring welfare	<b>136,388.20</b>	140,664.60
<b>Total</b>	<b>3,531,633.00</b>	3,722,468.86

There's no motivated monetary funds provided for board members joining or upon joining the Group, and there's no compensation provided for board members resigning or upon-resigning for giving up the positions.

Highest-paid staff – by salaries:

Items	Current Year	Last Year
Nil to RMB837,800 (Nil to HK\$1,000,000)	<b>3</b>	4
RMB837,800.84 to RMB1,256,700 (HK\$1,000,001 to HK\$1,500,000)	<b>2</b>	1
RMB1,256,700.84 to RMB1,675,600 (HK\$1,500,001 to HK\$2,000,000)		
<b>Total</b>	<b>5</b>	5

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 5. Account balance between related parties

### (1) Consolidated

#### 1) Accounts receivable

Item	Related parties	Ending Balance		Beginning Balance	
		Book value	Provision for bad debt	Book value	Provision for bad debt
<b>Accounts receivable</b>					
	CSSC Chengxi Shipbuilding (Guangzhou) Company Limited	136,969,455.41	684,847.27	149,346,559.80	746,732.80
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	8,781,848.71	43,909.24	4,375,217.40	21,876.09
	China State Shipbuilding Steel Structure Engineering Company Limited	3,147,443.59	15,737.22	11,000,983.85	55,004.92
	CSSC Chengxi Shipbuilding Co., Ltd.	2,967,272.89	14,836.36	-	-
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	1,179,977.25	5,899.89	-	-
	Guangzhou Shipyard Co., Ltd.	1,098,725.30	5,493.63	15,084,492.41	75,422.46
	Beijing Shipbuilding Information Technology Co., Ltd.	915,100.00	4,575.50	-	-
	Guangzhou CSSC Ship Steel Co., Ltd.	548,833.45	2,744.17	-	-
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	459,378.53	2,296.89	246,717.60	1,233.59
	CSSC System Engineering Research Institute	180,000.00	900.00	-	-
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	138,985.80	694.93	306,702.80	1,533.51
	China Shipbuilding Technology Institute	92,000.00	460.00	-	-
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	84,574.00	422.87	85,434.00	427.17
	Jiulong Steel Logistics Co., Ltd.	60,000.00	300.00	-	-
	CSSC Nanjing Oasis Machine Co., Ltd.	30,000.00	150.00	-	-
	Design and Research Institute of China Shipbuilding and Marine Engineering	9,400.00	47.00	-	-
	Guangzhou Huamao Center	6,160.00	30.80	-	-
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.	5,337.14	26.69	127,237.14	636.19
	CSSC Heavy Equipment Co., Ltd.	3,243.35	16.22	-	-
	Guangzhou Ship Industrial Company	2,064.00	10.32	1,308.00	6.54
	Technician Training School of Guangzhou Shipyard	-	-	2,000.00	10.00
	CSSC Xijiang Shipbuilding Co., Ltd.	-	-	55,000.00	275.00
	<b>Sub-total of accounts receivable</b>	<b>156,679,799.42</b>	<b>783,399.00</b>	<b>180,631,653.00</b>	<b>903,158.27</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Item	Related parties	Ending Balance		Beginning Balance	
		Book value	Provision for bad debt	Book value	Provision for bad debt
<b>Prepayments</b>					
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	382,889,395.95		1,993,508,241.11	
	China Shipbuilding Trading Shanghai Co., Ltd.	227,262,064.87		90,574,086.38	
	Eastern Shanghai Heavy Machinery Co., Ltd.	149,702,000.00		136,241,384.62	
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	100,000,000.00		-	
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	93,820,000.00		44,740,000.00	
	China Marine Power Co., Ltd.	88,682,444.44		20,052,000.00	
	China Shipbuilding Trading Co., Ltd.	31,163,152.55		24,629,394.79	
	CSSC (Hong Kong) Shipping Company Limited	19,186,883.17		-	
	Anqing CSSC Diesel Engine Co., Ltd.	5,802,000.00		4,910,000.00	
	TTS Hua Hai International Trading Co., Ltd.	4,654,352.22		-	
	TTS Hua Hai Ships Equipment Co., Ltd.	2,130,000.00		-	
	CSSC Nanjing Oasis Machine Co., Ltd.	1,900,000.00		5,700,000.00	
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	1,515,000.00		-	
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	751,355.20		-	
	Jiangxi CSSC Navigation Instrument Co., Ltd.	171,860.00		16,860.00	
	China Shipbuilding Industry Complete Logistics Co., Ltd.	42,723.69		54,386.25	
	Haiying Enterprises Group Co., Ltd.	-		25,940,000.00	
	Hong Kong Hualian Ship Co., Ltd.	-		10,669,274.96	
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	-		6,350.00	
	Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing Oasis Machine Co., Ltd.	-		260,000.00	
	Shanghai Haixun Electrical Engineering Co., Ltd.	-		1,000,000.00	
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	-		3,112,200.00	
	CSSC System Engineering Research Institute	-		21,330,000.00	
	<b>Sub-total of prepayments</b>	<b>1,109,673,232.09</b>		<b>2,382,744,178.11</b>	
<b>Other receivables</b>					
	Shanghai Lingxiang Equity Investment Co., Ltd.	593,689,815.00	2,968,449.08		
	Guangzhou Shipyard Shipping Co., Ltd.	9,700,000.00	48,500.00		
	<b>Sub-total of other receivables</b>	<b>603,389,815.00</b>	<b>3,016,949.08</b>		
	<b>Total</b>	<b>1,869,742,846.51</b>	<b>3,800,348.08</b>	<b>2,563,375,831.11</b>	<b>903,158.27</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Accounts payable

Item	Related parties	Ending Balance	Beginning Balance
<b>Accounts payable</b>			
	Guijiang Shipbuilding Co., Ltd.	49,900.00	49,900.00
	Guangzhou Shipyard Co., Ltd.	22,834,696.26	47,648,302.49
	Guangzhou CSSC Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,472,294.28
	CSSC Southern China Ship Machinery Co., Ltd.	13,910,346.60	25,572,564.00
	CSSC Huahai Marine Equipment Co., Ltd.	5,625,125.00	1,766,625.00
	Jiangxi Chaoyang Machinery Factory	3,139,371.12	6,138,183.75
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	3,417,990.00	3,571,443.00
	Jiujiang Shipbuilding Fire Equipment Co., Ltd.	4,467,396.02	7,563,201.45
	Anqing CSSC Diesel Engine Co., Ltd.	31,112,094.02	30,937,840.00
	Jiujiang Shipbuilding Fire Equipment Co., Ltd.	572,000.00	667,400.00
	Nanjing CSSC Oasis Machinery Co. Ltd.	10,684,200.00	28,852,100.00
	Shanghai Merchant Ship Design and Research Institute	3,527,500.00	2,121,600.00
	Eastern Shanghai Heavy Machinery Co., Ltd.	24,982,341.43	60,085,300.00
	Shanghai DeruiSihua Ships Equipment Co., Ltd.	5,020,777.66	2,080,000.00
	China Ship Power Station Equipment Co., Ltd.	1,599,500.00	4,681,000.00
	Shanghai Lingang ship Equipment Co., Ltd	4,800.00	123,950.00
	National Engineering Research Center of Shanghai ship design technology Co., Ltd.	181,149.57	601,330.00
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	82,761,153.87	117,317,849.42
	Guangzhou Shipbuilding Corporation	15,937,009.23	28,324,933.18
	China Shipbuilding Industry Institute of the Engineering Investigation & Design Co. Ltd.	867,325.00	1,741,604.09
	Design and Research Institute of China Shipbuilding and Marine Engineering	1,717,169.82	476,000.00
	China Shipbuilding Industry complete Logistics Co., Ltd.		570,110,208.59
	The Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	752,935,065.74	566,301,984.68
	CSSC Heavy Equipment Co., Ltd.		42,927,912.63
	Shanghai Shipbuilding Technology Research Institute	1,766,700.00	435,000.00
	Shipbuilding International Trading Co., Ltd.	2,884,175.00	816,629.70
	Shanghai Navigation Instrument Co., Ltd.		6,334,200.00
	Anqing Marine Electric Co., Ltd	49,000.00	43,400.00
	Jiujiang Haitian Equipment Manufacture Co., Ltd. – Manufacture Base		7,000.00
	Nanjing CSSC Oasis Machinery Co. Ltd. – Zhenjiang Marine Auxilliary Machinery factory	7,549,207.90	1,429,925.00
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	4,121,128.20	1,183,000.00
	Guangzhou Shipyard Co., Ltd. (Foshan Zhuduan Branch)		4,590,549.96
	Nanjing CSSC Oasis Environmental protection Co., Ltd.	1,971,436.86	998,800.00
	Shanghai Hudong Shipyard Valve Co., Ltd.	4,916,022.82	1,413,780.00
	CSSC System Engineering Research Institute	330,641,800.00	382,476,750.00
	China Marine Power Co., Ltd.	36,650,891.00	40,419,430.00
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	12,116,870.63	6,188,054.73
	Shipbuilding Chengxi Ship Co., Ltd. (Guangzhou)	5,891,401.94	4,497,128.52
	Guangzhou Shipyard HR Service Co. Ltd		751,495.93
	Pudong Branch of China Ship Survey Research Institute	8,325.50	8,325.50
	Beijing Shipbuilding Information Technology Co., Ltd.	1,921,046.16	1,472,386.50
	Shanghai Haixun Electrical Engineering Co., Ltd.	25,489,702.75	2,895,095.00
	Jiangxi CSSC Valve Co., Ltd.	1,977,076.21	411,032.00
	Guangzhou Shipyard Co., Ltd. (Panyu Cangkougai Branch)		6,441,351.37
	Shanghai CSSC Mitsui shipbuilding Diesel Engine Co., Ltd	39,107,036.00	43,200,000.00
	China Shipbuilding Trading Co., Ltd.	766,125.90	-
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	260,000.00	390,000.00
	Hong Kong Hualian Ship Co., Ltd.		977,934.52
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	405,440.00	240,000.00
	Haiying Enterprises Group Co., Ltd.	7,190,000.00	2,880,000.00
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	58,000.00	752,000.00
	China State Shipbuilding Corporation No.11 Research Institute		407,600.00

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Item	Related parties	Ending Balance	Beginning Balance
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	600,000.00	400,000.00
	Shanghai Shenbo Information System Engineering Co., Ltd.	188,000.00	406,000.00
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	997,407.69	4,884,434.33
	Haifeng Navigation Technology Co., Ltd.	363,000.00	6,000,000.00
	Workers' Hospital of Guangzhou Huangpu Shipyard		67,360.00
	Technician Training School of Guangzhou Huangpu Shipyard		59,551.00
	CSSC Materials Engineering Co., Ltd.	35,200.00	-
	Shanghai Jiangnan Ship Pipe Industry Co., Ltd.	160,606.88	-
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	404,404.52	-
	CSSC Marine Technology Co., Ltd.	5,541,400.00	-
	Beijing Lei Yin Electronic Technology Development Co., Ltd.	1,191,200.00	-
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	-
	Eastern Shanghai Heavy Machinery Co., Ltd. Shanghai Accessories Branch	18,284.52	-
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	131,794.89	-
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	179,487.18	-
	Zhenjiang CSSC Equipment Co., Ltd.	25,982.91	-
	CSSC Finance Company Limited	83,000.00	-
	CSSC Electronic Technology Co., Ltd.	280,000.00	-
	China State Shipbuilding Steel Structure Engineering Company Limited	8,650,000.00	-
	China Shipbuilding Industry Institute of the Engineering Investigation & Design Co. Ltd. Xiamen Branch	36,200.00	-
	Guangzhou Shipyard Shipping Co., Ltd.	11,200,000.00	-
	<b>Subtotal of accounts payable</b>	<b>1,519,656,834.46</b>	<b>2,091,611,740.62</b>
	<b>Advances from customers</b>		
	Shanghai Merchant Vessel Design and Research Institute		300,000.00
	Beijing Shipbuilding Information Technology Co., Ltd.		555,000.00
	China Shipbuilding Technology Institute	235,849.06	105,660.38
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.		10,450.00
	Shanghai Shipbuilding Technology Research Institute		283,018.87
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.		-87,179.49
	CSSC Chengxi Shipbuilding (Guangzhou) Company Limited	76,508,714.95	
	Guangzhou Shipyard Industrial Co., Ltd.	18,000.00	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	
	Hong Kong Huachang Ship Co., Ltd.	662,952.30	
	<b>Subtotal of advances of customers</b>	<b>77,435,516.31</b>	<b>1,166,949.76</b>
	<b>Other payables</b>		
	Guangzhou Shipyard Co., Ltd.	2,825.96	741,065.33
	Hualian Ship Co., Ltd.		469,396.39
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	8,616,403.15	13,235,981.57
	Beijing Shipbuilding Information Technology Co., Ltd.	20,000.00	1,129,290.00
	Shanghai Shenbo Information System Engineering Co., Ltd.		684,000.00
	Shanghai Dongxin Software Engineering Co., Ltd.	125,000.00	125,000.00
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	172,804.00	4,800.00
	China Marine Power Co., Ltd.	132,512.82	
	Hong Kong Hualian Ship Co., Ltd.	469,396.39	
	CSSC Chengxi Shipbuilding Co., Ltd.	59,970.00	
	<b>Subtotal of other payables</b>	<b>9,598,912.32</b>	<b>16,389,533.29</b>
	<b>Total</b>	<b>1,606,691,263.09</b>	<b>2,109,168,223.67</b>



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3) *Related balance between the parent company and subsidiaries*

1) Receivables from related parties

Item	Related parties	Ending Balance		Beginning Balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Accounts receivable</b>					
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	46,046,620.35		17,237,418.11	
	Guangzhou Shipyard International Marine Engineering Co., Ltd.	43,732,390.62		72,753,861.03	
	Guangzhou Shipyard International Company Limited	30,222,080.60		27,521,753.67	
	United Structures Ltd.	14,847,030.61		5,130,670.79	
	Guangzhou XingShun Shipping Services Co., Ltd.			16,964,825.18	
	Guangzhou Longxue Pipe Co., Ltd.			803,615.18	
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.	94,824,735.39		97,401,961.86	
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.				
	Nanhai Branch	6,212,252.60			
	Guangdong GSI Elevator Co., Ltd.	2,021,849.48			
	CSSC Huangpu Wenchong Shipbuilding Company Limited	103,624.30			
	Guangzhou Wenchong Shipyard Co., Ltd.	677,110.33			
	Guangzhou Huangchuan Ocean Engineering Co., Ltd.	1,543,558.51		7,020.00	
	<b>Subtotal of accounts receivable</b>	<b>240,231,252.79</b>		<b>237,821,125.82</b>	
<b>Prepayments</b>					
	Zhongshan Guangzhou Shipyard International	9,461,738.20		87,289,021.10	
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	18,033,200.00		18,033,200.00	
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.	2,303,600.00		1,655,600.00	
	Fanguang Development Co., Ltd.			36,496,791.81	
	Guangzhou Shipyard International Company Limited			1,678,381,999.50	
	Guangzhou Longxue Pipe Co., Ltd.				
	Guangzhou XingShun Shipping Services Co., Ltd.			3,262,806.56	
	Guangdong GSI Elevator Co., Ltd.			310,500.00	
	<b>Subtotal of prepayments</b>	<b>29,798,538.20</b>		<b>1,825,429,918.97</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Item	Related parties	Ending Balance		Beginning Balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
<b>Other receivables</b>					
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	27,168,608.31		762,852,922.79	
	United Structures Ltd.	1,997,614.63		651,368.09	
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	6,452,965.74		1,755,692.83	
	Guangzhou Longxue Pipe Co., Ltd.	249,616.65		1,353.71	
	Guangzhou Hongfan Hotel Co., Ltd.	2,900,000.00		2,900,000.00	
	Guangzhou Shipyard International Marine Engineering Co., Ltd.			241,657.11	
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.	1,079,400.00		29,705,204.95	
	Guangdong GSI Elevator Co., Ltd.	1,972,555.00		1,900,000.00	
	Glory Group Development Co., Ltd.	21,396,233.59		21,409,733.59	
	Guangzhou Shipyard International Company Limited	3,369,292,185.35		3,122,698,352.38	
	Guangzhou Wanda Marine Engineering Co., Ltd.	366,745.00			
	Guangzhou Xingshun Marine Services Co., Ltd.	463,060.00			
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.				
	Nanhai Branch	132,445.00			
	Guangzhou Shipyard Shipping Co., Ltd.	9,700,000.00			
	CSSC Huangpu Wenchong Shipbuilding Company Limited	151,083.33			
	<b>Subtotal of other receivables</b>	<b>3,443,322,512.60</b>		<b>3,944,116,285.45</b>	
	<b>Total</b>	<b>3,713,352,303.59</b>		<b>5,105,175,298.87</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

2) Payables by related parties

Item	Related parties	Ending Balance	Beginning Balance
<b>Accounts payable</b>			
	Guangdong GSI Elevator Co., Ltd.		2,461,800.00
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.	<b>11,683,491.90</b>	4,463,347.64
	Guangzhou Hongfan Hotel Co., Ltd.		160,882.00
	Guangzhou Longxue Pipe Co., Ltd.	<b>232,320.00</b>	984,021.00
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	<b>170,756.74</b>	71,102.47
	Guangzhou XingShun Shipping Services Co., Ltd.		253,439.94
	Guangchuan Large-scale Machinery and Equipment Co., Ltd. Nanhai Branch	<b>16,372.57</b>	
	United Structures Ltd	<b>15,769,088.18</b>	6,514,905.38
	Guangzhou Shipyard International Company Limited	<b>373,796.61</b>	76,300,838.48
	Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd.	<b>3,800,000.00</b>	11,033,946.00
	<b>Subtotal of accounts payable</b>	<b>32,045,826.00</b>	102,244,282.91
<b>Other payables</b>			
	Guangchuan Large-scale Machinery and Equipment Co., Ltd.		10,120,000.00
	Guangzhou Hongfan Hotel Co., Ltd.	<b>5,980.00</b>	10,142,363.00
	Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.		12,620,000.00
	Guangzhou Wanda Marine Engineering Co., Ltd.		5,280,000.00
	Guangzhou XingShun Shipping Services Co., Ltd.		31,860,000.00
	Guangzhou Shipyard International Company Limited	<b>4,588,546.75</b>	1,647,122.98
	Glory Group Development Co., Ltd.		7,923.81
	Fanguang Development Co., Ltd.		1,025,610.23
	<b>Subtotal of other payables</b>	<b>4,594,526.75</b>	72,703,020.02
	<b>Total</b>	<b>36,640,352.75</b>	174,947,302.93

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 12. CONTINGENCIES

### 1. Contingent liabilities derived from pending litigation or arbitration

- (1) On December 31, 2010, the Company and the subsidiary, Guangzhou Guangli Ship HR Ltd. Co. ("GLGS") filed four lawsuits to the Immediate People's Court of Zhenjiang, Jiangsu Province. The Company sued Jiangsu Shenghua Shipbuilding Co. Ltd ("Jiangsu Shenghua") for payment, had a dispute on a technical service contract and GLGS sued Jiangsu Shenghua for breaching of contract of 79600 tons bulk freighter 1# and 2#, which required, A (1) Jiangsu Shenghua shall Eliminate the obstruction, and return to all the production equipment, instruments, materials which belong to the Company and placing on its factory area to the Company immediately; (2) order Jiangsu Shenghua to assume all the liabilities in respect of the loss of above production equipment, instruments, materials; B. Jiangsu Shenghua shall pay the Company technical fees and interest of RMB2.4 million which Jiangsu Shenghua owns the Company, and assume penalty of RMB2.4 million; C. Jiangsu Shenghua shall pay Guangli Company the project funds, penalty and the job ready loss which it owns Guangli Company, in the amount of RMB50,281,700 (among which: 1# Ship RMB26,876,000 and 2# Ship RMB23,405,700) in total. As of June 4, 2013, Wuhan Maritime Court mediated the litigation between the Company and Jiangsu Shenghua with the later returned all the related assets. For the remaining three lawsuits, the Company had applied to the court for compulsory enforcement. The assessment of seized assets has been completed by the evaluation institutions entrusted by the execution court; the objection to notice has been declared by court for assessment report delivery and completion. Wuhan Maritime Court had two auctions of Jiangsu Shenghua seized assets respectively on June 4, 2013 and August 8, 2013, but both of the sales fell through. The Company has handled the formal application to offset the debts by assets to the court on August 19, 2013. The case is in the process of enforcement, Zhejiang Nantian Post and Telecommunication Technology Co. Ltd (hereinafter referred as "Zhejiang Nantian") is the main creditors of Jiangsu Shenghua, on July 30, 2013 Jiangsu Shenghua and Guangli Co. Ltd and the Company has been treated as defendant which the lawsuit has been institute to the Wuhan Maritime Court, and require the court to confirm the priority right to be repaid by the 300T crane and other materials of Jiangsu Shenghua Shipbuilding Co. Ltd., and stop the implementation of 300T crane, if it has been implemented, the proceeds need to be paid to the creditor's right of Jiangsu Shenghua due to the priority. Zhejiang Nantian has been executed the objection to the court by the same reason on May 22, 2013, but it has been rejected by the court. The case has been opened since November 20, 2013. On December 10, 2013, the Wuhan Maritime Court has made the first instance judgment for the case of Zhejiang Nantian (according to 2013 Wuhan Maritime law and business No. 01328 civil judgment), which claimed that the Company and Guangli Co., Ltd can enjoy the mortgage right for the mortgaged properties of Jiangsu Shenghua, and the creditor's right to seek the preferred payment before Zhejiang Nantian, the requirement of lawsuit from Zhejiang Nantian has been rejected. On January 3, 2014, the Company received the appellate petition of Zhejiang Nantian from Wuhan Maritime Court, and Zhejiang Nantian has been made an appeal to Hu Bei Provincial High Court and require to repeal the previous judgment from Wuhan Maritime Court, and also reclaim that Zhejiang Nantian has the priority to be paid back with 300T crane from Jiangsu Shenghua before Guangli Co., Ltd.. The Company and Guangli Co., Ltd are in the process of communication with the court, and apply for the continued implementation to deal with Shenghua case. On June 20, 2014, the Company has made application to the Court for resumption of execution. In November 2014, the Company received notice from executive court of Wuhan Maritime Court, that Jiangsu Shenghua has been ruled bankruptcy in the Zhenjiang Intermediate People's Court at the end of October, all cases which are executing shall be terminated, creditors shall report their claims in the Zhenjiang Intermediate People's Court. The Company and GLGS have completed their calculation in respect of the bankruptcy claims, and have filed the data of the relevant information with the liquidation team of Jiangsu Shenghua. On 20 March 2015, the Company attended the first creditors' meeting of Jiangsu Shenghua and the current situation of debts of Jiangsu Shenghua was confirmed during the creditors' meeting. There was also a voting on the property realization plan subsequent to the bankruptcy but the plan was not passed as the largest creditor voted against it. As the appraisal for the buildings and lands owned by Shenghua has not been completed, another creditors' meeting will be held after the appraisal is completed and a new realization plan is available.

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- (2) Guangzhou Shipyard International Company Limited (“GSI”, formerly known as CSSC Guangzhou Longxue Shipbuilding Co., Ltd.), our subsidiary, and Guangzhou CSSC Longxue Construction Development Co., Ltd. (“Longxue Construction”) required that Shandong Qingyun Crane Machinery Co., Ltd. and Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall repay a loan of RMB44.4965 million and accrued interest (from 29 July 2009 to the effectiveness of the verdict; calculated in accordance with the lending rates of People’s Bank of China over the same period) to Longxue Shipbuilding and Guangzhou CSSC; that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall continue to fulfill their delivery obligations for the 9 cranes under the contract already shipped to Longxue Island, Nansha District, Guangzhou; and that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall bear the cost of this litigation of RMB283,696 and the property preservation fees of RMB5,000. Jinan Intermediate People’s Court made a judgment for Longxue Shipbuilding to fulfill their delivery obligations for the 9 cranes under the contract already shipped to Longxue Island, Nansha District, Guangzhou; and that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall bear the cost of this litigation of RMB283,696 and the property preservation fees of RMB5,000. Jinan Intermediate People’s Court made a judgment for Longxue Shipbuilding in first instant verdict. The defendant applied for an appeal, which automatically became void due to the late payment of court fees. The court enforced the judgment. Jinan Intermediate People’s Court held two auctions for the components and accessories of 17 cranes, the appraised value of which amounted to RMB15.96 million, on May 21 and August 12, 2013 respectively, but there was no successful bidder for both auctions. On December 12, 2013, the court severed a notice to the attorney of GSI, stating that the enforcement would be executed by Shanghe County People’s Court, which causes inconvenience and obstacle for the execution. GSI subsequently made a written objection and submitted relevant materials. After communication, Jinan Intermediate People’s Court made a ruling on April 29, 2014, that the enforcement executed by Jinan Intermediate People’s Court. Upon the appointment of a new acting judge, on June 12, 2014, the staff and attorney of GSI, accompanied with the acting judge, visited Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. and commenced an investigation on the property subject to enforcement. On June 27, 2014, GSI submitted the second written valuation of land and property to the acting judge and applied for an auction. On July 29, 2014, the court picked up an assessment institution by drawing lots. On 22 January 2015, upon receipt of the valuation report from the appraisal company, GSI submitted the application to the court for auction of land and properties of Tian Jiang and Qingyun. On 7 April 2015, Jinan Intermediate People’s Court engaged Shandong Jiahe International Auction Co., Ltd and Shandong Peifeng Auction and Bidding Co., Ltd to hold a public auction on the land use right (including the buildings on the land) of privately owned park of Shandong Qingyun Crane Machinery Co., Ltd. located in Yangliu Town Xintai City, and the land use right (including the buildings, equipment and trees on the land) of Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. located at Keyuan Road, Shanghe County Economic Development Zone, and the auction fell through as there was no bidder. Upon the auction falling through, GSI immediately applied to the court for setting off some of the debts with the reserved price determined in the auction. On 8 April 2015, Jinan Intermediate People’s Court issued the judgment that, the land use right of Qingyun and the properties on the land and the land use right of Tian Jiang, valued as RMB35,105,956, be delivered to GSI to offset some of the debts. On 9 June 2015, GSI received the ruling for termination of the enforcement process from Jinan Intermediate People’s Court, and it might apply for resumption of the execution when new clues of properties are found.
- (3) The case of contractual dispute between Guangzhou Longxue Pipe Co., Ltd. (“Pipe Company”), our subsidiary, and Guangzhou Electromechanical Equipment Co., Ltd. (“Huayu Company”) was finally ruled by Guangzhou Intermediate People’s Court on 13 October 2014. According to the ruling, Huayu was required to pay Pipe Company RMB4,953,239.77 and overdue interests as well as the liquidated damages while Pipe Company was required to pay Huayu Company the processing fee of RMB300,976.74. After the set-off, Huayu Company still had to pay Pipe Company RMB4,652,263.03. At present, Pipe Company has engaged lawyers to seek for enforceable properties of Huayu Company.
- (4) Guangzhou Wenchong Shipyard Co., Ltd. (“Wenchong Shipbuilding”), our subsidiary, received a letter from the attorney of the ship owner of GWS374 for initiation of arbitration on 8 March 2013. The ship owner has started arbitration proceedings in London, the United Kingdom with respect to the warranty referred in Chapter IX of the contract and the breach of the contract and the specifications due to the quality of asbestos, and arbitrators have been appointed respectively. Both parties have re-collected samples from Ship No. GWS374 and sent the samples to different testing institutions respectively. The test results obtained by the parties were completely opposite. At present, the ship owner has not provided any other evidence and the case is still pending.

**2. Except for the contingencies mentioned above, there’s no other significant contingency within the Group at 31 December 2015.**

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## 13. COMMITMENTS

### 1. Significant commitments

#### 1) Pledged assets

Except for the pledged term deposits in bank right of receiving payment for ships, the Group had no other pledge assets at the end of the period.

#### 2) Undue forward foreign exchange transaction

To minimise the foreign currency risk, the Group engaged in the forward foreign exchange contract with bank. At the end of the year, there were 67 outstanding forward foreign exchange contracts amounting to USD865,200,000, with the longest settlement date of 25 December 2017; the gain from changes in the fair value was RMB-176,722,902.74 recognized at the end of the year. There were 22 outstanding forward foreign exchange contracts amounting to EUR80,000,000, with the longest settlement date of 26 July 2016; the gain from changes in the fair value was RMB12,327,166.80 recognized at the end of the year.

#### 3) Undue guarantee and letter of credits

As at 31 December 2015, the Group's issued but undue guarantee were:

Type of guarantee	RMB	USD	EUR
Performance guarantee	428,190,068.47	9,301,011.92	938,238.10
Advancement payment guarantee	264,669,955.00	1,061,223,710.46	2,239,270.89
Warranty guarantee	213,025,360.59	2,188,572.69	–
Customs duties guarantee	9,048,746.00	–	–
<b>Total</b>	<b>914,934,130.06</b>	<b>1,072,713,295.07</b>	<b>3,177,508.99</b>

As at the end of the year, the Group's issued but undue letter of credits amounted to US\$40,669,847.42 and EUR24,685,916.21.

#### 4) Foreign exchange option trading not delivered

As at the end of the year, the Group had 6 portfolios of foreign trade exchange options, which were all short USD call options with foreign exchange rate locked between 6.44 and 6.56 and amounted to US\$40.82 million in total. The latest delivery date is 29 July 2016. Loss on fair value recognised at the end of the year amounted to RMB3,782,770.65.

#### 5) Other matters of the Group requiring explanations

In 2015, GSI and China Shipbuilding Trading Co., Ltd. ("CSTC"), as joint vendors, entered into a shipbuilding contract with a ship owner, in which CSTC only acted as the intermediary and received a commission of approximately 1%, and the actual vendor was GSI. As requested by the ship owner, CSTC shall provide a letter of guarantee for the repayment of advance paid by the ship owner to GSI based on shipbuilding progress, and GSI shall provide a letter of counter guarantee for an amount of RMB70 million.

Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard") and CSTC, as joint vendors, entered into a shipbuilding contract with a ship owner, in which CSTC only acted as the intermediary and received a commission of approximately 1%, and the actual vendor was Wenchong Shipyard. As requested by the ship owner, CSTC shall provide a letter of guarantee for the repayment of advance paid by the ship owner to Wenchong Shipyard based on shipbuilding progress, and Wenchong Shipyard shall provide a letter of counter guarantee for an amount of RMB112.93 million.

### 2. Fulfilments of previous commitments

The payment of the pledged loans and settlement of forward contracts of letters of guarantee can be done by the Group according to agreement.

### 3. Except for the commitments mentioned above, there was other significant commitment within the Group at the end of the year.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

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## 14. POST BALANCE SHEET EVENTS

### 1. Transfer of assets of the Company to Guangzhou Shipyard International Company Limited

On 13 November 2015, as approved by a resolution of the 25th meeting of the eighth session of the Board, the assets and liabilities relating to the production and operation of the Company, based on their carrying value as at 31 December 2015, were transferred to Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company, and the management of the Company was authorised to handle matters in respect of the transfer of assets, including but not limited to the change in party to operation contracts (including providing guarantee by COMEC for operation contracts transferred to GSI and change in relevant bank guarantee letters), applying for qualifications, establishment and cancellation of branches, until completion of transfer. On 29 December 2015, the matter has been approved at the third extraordinary general meeting of the Company for 2015. As at the date of this report, the Company has substantially completed the transfer of the assets and liabilities relating to the production and operation of the Company.

As at the date of the report, there was no non-adjusting significant post balance sheet date event of the Company.

## 15. OTHER SIGNIFICANT EVENTS

### 1. Adjustments to the equity of the Company and some subsidiaries

On 29 July 2015, it was resolved in the 22nd meeting of the eighth session of Board of the Company to transfer equity interest in the Company and some subsidiaries to Guangzhou Shipyard International Company Limited with details as follows:

- (1) to transfer 100% equity in Guangchuan Large-scale Machinery and Equipment Co., Ltd, 100% equity in Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd., 100% equity in Guangzhou Shipyard International Marine Engineering Co., Ltd., 100% equity in Glory Group Development Co., Ltd., 100% equity in Guangzhou Shipyard Shipping Co., Ltd., 83.33% equity in Guangzhou Xingshun Shipping Services Co., Ltd., 80% equity in Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, 95% equity in Guangdong GSI elevator Co., Ltd and 91.62% equity in Guangzhou Hongfan Hotel Limited, which were held by the Company to Guangzhou Shipyard International Company Limited; to transfer 16.67% equity in Guangzhou Xingshun Shipping Services Co., Ltd. held by Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, 20% equity in Guangzhou Guangli Shipbuilding Human Resources Service Company Limited held by Guangzhou Wanda Marine Engineering Co., Ltd, and 5% equity in Guangdong GSI elevator Co., Ltd. held by Guangzhou Wanda Marine Engineering Co., Ltd., 6.70% equity in Guangzhou Hongfan Hotel Limited held by Guangzhou Xingshun Shipping Services Co., Ltd., and 1.68% equity in Guangzhou Hongfan Hotel Limited held by Guangdong GSI elevator Co., Ltd. to Guangzhou Shipyard International Company Limited. Upon the transfer, the companies above will all become the wholly-subsiary of Guangzhou Shipyard International Company Limited.
- (2) to transfer 75% equity in Guangzhou Wanda Marine Engineering Co., Ltd., 75% equity in Guangzhou United Steel Structures Ltd. and 51% equity in Guangzhou Hongfan Technology Co., Ltd. held by the Company to Guangzhou Shipyard International Company Limited. Upon the transfer, the companies above will all become the controlling subsidiaries of Guangzhou Shipyard International Company Limited.
- (3) to transfer 40% equity in Zhanjiang Nanhai Ship Hi-Tech Services Ltd. directly held by the Company to Guangzhou Shipyard International Company Limited; to transfer 25% equity in South China Special Coating Industrial Co., Ltd. In Guangzhou Economic and Technological Development Zone held by the Company, in consultation with the other shareholders to Guangzhou Shipyard International Company Limited; where the consultation fails, the existing shareholding structure should be remained; to transfer 4.04% equity in China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd, in consultation with the other shareholders, to Guangzhou Shipyard International Company Limited; where the negotiation fails, the existing structure should be remained.

For the amount transferred above, Zhongshan Guangzhou Shipyard International Ship and Marine Engineering Co., Ltd. should be subject to the audited book value of the long-term equity investment with 31 December 2015 as the reference date; the other equity should be subject to the audited long-term equity investment with 31 December 2014 as the reference date. The matter has been approved at the second extraordinary general meeting of the Company for 2015.

### 2. Intended provision and amount of guarantees for subsidiaries in 2015

On 29 July 2015, it was resolved and approved in the 22nd meeting of the eighth session of the Board of the Company to provide guarantee or mutual guarantee to and among subsidiaries to the extent of RMB5.635 billion, among which, to provide the wholly-owned subsidiary Guangzhou Shipyard International Company Limited with guarantee not exceeding RMB2.5 billion; to provide the controlling subsidiary Fanguang Development Co., Ltd. with guarantee not exceeding RMB367 million; to provide the wholly-owned subsidiary Guangzhou United Steel Structures Ltd. with guarantee not exceeding RMB184 million; to provide wholly owned subsidiary CSSC Huangpu Wenchong Shipbuilding Co., Ltd, Guangzhou Wenchong Shipyard Co. Ltd. and Guangzhou Wenchong Shipyard Co. Ltd. and their participating joint venture (Baiyin Sanfeng Wenchuan Environmental Protection Power Co., Ltd) with guarantee not exceeding RMB2.584 billion. (Please see the Announcement on Intended Provision and Amount of Guarantee by the Company and Subsidiaries for 2015 Lin No. 2015-040 released on Shanghai Stock Exchange for details.) The matter has been approved at the second extraordinary general meeting of the Company for 2015.

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

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### 3. Correction of previous errors and their effect

There is no correction of previous errors for current accounting period.

### 4. Segment information

According to the Group's internal organisational structure, management requirements, and internal reporting system, the segments of the operation can be divided into 3 segments based on the different types of main products. The management of the Group evaluates operating outcomes of these segments periodically in order to make decisions concerning resource distributions and operating result assessments. The Group is currently organized into segments in shipbuilding, steel structure projects and others.

Segment reporting information is disclosed according to accounting policies and measurement basis used in reports presented by each segment to the management. These accounting policies and measurement basis are consistent with those adopted in drafting financial statements.

#### Current year by reportable segment

Items	Shipbuilding and related business	Steel structure engineering	Others	Elimination	Total
Operating income	29,198,547,596.05	1,471,408,385.51	2,747,816,147.12	-7,898,532,337.26	25,519,239,791.42
Including: External transaction revenue	23,866,148,847.21	997,984,902.21	655,106,042.00	-	25,519,239,791.42
Revenue between segments	5,600,304,696.60	205,517,535.54	2,092,710,105.12	-7,898,532,337.26	-
Operating cost	29,048,506,488.10	1,675,221,303.32	1,730,097,027.54	-7,632,666,447.12	24,821,158,371.84
Period charge	1,677,848,516.65	39,109,324.49	287,622,167.31	22,035,607.13	2,026,615,615.58
Segment total profit (total loss)	626,324,614.02	7,730,665.41	-95,802,091.59	-68,541,370.19	469,711,817.65
Total assets	65,369,643,829.79	1,127,844,082.85	2,220,333,084.18	-19,721,866,691.61	48,995,954,305.21
Including: Significant impairment loss of individual assets	-	-	-	-	-
Total liabilities	50,440,555,478.31	886,060,647.82	538,141,435.50	-13,237,460,369.91	38,627,297,191.72
Supplementary information	-	-	-	-	-
Capitalised expense	479,557,032.99	9,644,273.51	3,345,569.86	-	492,546,876.36
Recognised loss of impairment	559,699,118.54	24,799,101.43	838,436.96	-194,053,202.79	391,283,454.14
Including: Share of impairment of goodwill	-	-	-	-	-
Depreciation and amortization expense	702,076,796.13	4,737,834.91	54,664,976.08	-37,727,102.94	723,752,504.18
Non-cash expenses other than loss of impairment, depreciation and amortization	-	-	-	-	-

#### Last year by reportable segment

Items	Shipbuilding and related business	Steel structure engineering	Others	Elimination	Total
Operating income	22,706,147,781.59	644,143,031.49	2,208,648,818.52	-4,511,949,004.80	21,046,990,626.80
Including: External transaction revenue	20,016,086,988.44	435,533,142.52	595,370,495.84	0.00	21,046,990,626.80
Revenue between segments	2,690,060,793.15	208,609,888.97	1,613,278,322.68	-4,511,949,004.80	0.00
Operating cost	22,256,479,329.79	611,596,446.77	2,162,300,635.07	-4,656,086,665.72	20,374,289,745.91
Period charge	1,140,893,325.81	42,636,547.91	331,080,518.22	-3,359,791.79	1,511,250,600.15
Segment total profit (total loss)	496,461,203.18	-8,210,242.39	-253,435,340.51	139,308,301.50	374,123,921.78
Total assets	49,809,022,986.93	679,911,225.39	3,289,897,871.58	-10,037,732,996.47	43,741,099,087.43
Total liabilities	40,232,401,108.06	520,460,451.85	1,728,418,861.56	-7,448,137,097.51	35,033,143,323.96
Supplementary information	0.00	0.00	0.00	0.00	0.00
Capitalised expense	841,703,276.54	14,551,962.30	29,639,880.78	-	885,895,119.62
Recognised loss of impairment	95,408,992.15	445,692.75	19,814,717.74	-65,169,427.78	50,499,974.86
Including: Share of impairment of goodwill	0.00	0.00	0.00	0.00	0.00
Depreciation and amortization expense	638,521,800.79	3,775,351.35	47,614,433.28	-6,099,787.35	683,811,798.07
Non-cash expenses other than loss of impairment, depreciation and amortization	-	-	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

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The total external transaction revenue from local and other countries or regions; and other non-current assets other than financial assets and deferred income tax assets from local and other countries or regions are listed below:

<b>Revenue from external customers</b>	<b>Current Year</b>	<b>Last Year</b>
China (except Hong Kong)	<b>24,805,259,700.17</b>	20,993,042,645.12
Hong Kong	<b>713,980,091.25</b>	53,947,981.68
<b>Total</b>	<b>25,519,239,791.42</b>	21,046,990,626.80

<b>Total non-current assets</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
China (except Hong Kong)	<b>13,351,125,602.41</b>	12,663,293,335.79
Hong Kong	<b>15,220,068.43</b>	16,092,443.29
<b>Total</b>	<b>13,366,345,670.84</b>	12,679,385,779.08

Note: Total non-current assets exclude financial assets and total deferred tax assets.

## 16. NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Cash and cash equivalents

<b>Items</b>	<b>Ending Balance</b>	<b>Beginning Balance</b>
Cash	<b>42,887.07</b>	52,919.87
Bank deposits	<b>2,724,089,083.49</b>	3,702,377,814.04
Others	<b>1,001,695,055.43</b>	3,001,122,677.34
<b>Total</b>	<b>3,725,827,025.99</b>	6,703,553,411.25

Including: total amount deposited overseas

Note 1: The ending balances of other monetary fund include credit card deposit of RMB55,055.43 (Beginning Balance: RMB114,415.34); and fixed deposit for long-term and short-term mortgage loans amounted RMB1,001,640,000.00 (Beginning Balance: RMB3,001,008,262.00), this guaranteed fixed deposit would be terminated after the debt redemption.

### 2. Financial assets at fair value through profit or loss

#### (1) Types of held-for-trading financial assets

<b>Item</b>	<b>Ending balance</b>	<b>Beginning balance</b>
Financial assets at fair value through profit or loss	<b>1,597,147.55</b>	13,007,994.71
Including: Forward exchange contracts	<b>1,597,147.55</b>	13,007,994.71
<b>Total</b>	<b>1,597,147.55</b>	13,007,994.71

# NOTES TO THE FINANCIAL STATEMENTS

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(2) **Held-for-trading financial assets are analysed as follows:**

Item	Ending fair value	Beginning fair value
Listed		
Unlisted	1,597,147.55	13,007,994.71
<b>Total</b>	<b>1,597,147.55</b>	<b>13,007,994.71</b>

The Group's financial assets at fair value through profit and loss are all forward foreign exchange contracts. At measurement date, the public price of 3 banks before adjustment were obtained. According to prudence principle, one price is chosen to be input value. The debt rate published by the PBOC is chosen to be discount rate. The fair value is calculated according to the formulation as follows.

As for forward settle foreign exchange contract, choose the highest price to be input value, fair value=exchange price x (contract rate-public rate)/discount rate<sup>period</sup>.

As for forward purchase foreign exchange contract, choose the lowest price to be input value, fair value=exchange price x (public rate-contract rate)/discount rate<sup>period</sup>.

If the fair value is positive, the Company discloses it as "Financial assets at fair value through profit and loss"; if negative, then discloses it as "Financial liabilities at fair value through profit and loss".

3. **Notes receivable**

Type	Ending Balance	Beginning Balance
Bank acceptance bill	311,119.00	2,700,000.00
<b>Total</b>	<b>311,119.00</b>	<b>2,700,000.00</b>

4. **Accounts receivable**

Items	Ending Balance	Beginning Balance
Accounts receivable	693,831,252.27	416,203,436.56
Less: provision for bad debts	16,363,024.32	1,682,545.82
<b>Net amount</b>	<b>677,468,227.95</b>	<b>414,520,890.74</b>

(1) **Terms of sales on credit**

Business	Credit Term
Shipbuilding	1 month after invoicing
Other businesses	Usually 1 to 6 months

# NOTES TO THE FINANCIAL STATEMENTS

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## (2) Ageing analysis

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt			Book value		Bad debt		
	Proportion		Proportion			Proportion		Proportion		
	Amount	(%)	Amount	(%)	Amount	Amount	(%)	Amount	(%)	Amount
Within 1 year	569,300,007.69	82.05	6,076,049.22	1.07	563,223,958.47	258,782,111.69	62.18	758,375.39	0.29	258,023,736.30
1-2 years	11,120,311.19	1.60	110,714.67	1.00	11,009,596.52	125,400,320.71	30.13	14,364.05	0.01	125,385,956.66
2-3 years	97,973,412.51	14.12	227,422.14	0.23	97,745,990.37	9,755,856.41	2.34	43,988.42	0.45	9,711,867.99
3-4 years	9,164,074.13	1.32	9,122,825.91	99.55	41,248.22	3,743,195.01	0.90	4,572.16	0.12	3,738,622.85
4-5 years	1,797,907.50	0.26	174,667.00	9.72	1,623,240.50	17,809,284.68	4.28	232,728.87	1.31	17,576,555.81
Over 5 years	4,475,539.25	0.65	651,345.38	14.55	3,824,193.87	712,668.06	0.17	628,516.93	88.19	84,151.13
<b>Total</b>	<b>693,831,252.27</b>	<b>-</b>	<b>16,363,024.32</b>	<b>-</b>	<b>677,468,227.95</b>	<b>416,203,436.56</b>	<b>-</b>	<b>1,682,545.82</b>	<b>-</b>	<b>414,520,890.74</b>

## (3) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt			Book value		Bad debt		
	Proportion		Proportion			Proportion		Proportion		
	Amount	(%)	Amount	(%)	Amount	Amount	(%)	Amount	(%)	Amount
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	14,165,853.58	2.04	14,165,853.58	100.00		794,604.06	0.19	794,604.06	100.00	
Accounts receivable accrued bad debt provision by a certain percentage of the balance	439,434,145.90	63.33	2,197,170.74	0.50	437,236,975.16	177,587,706.68	42.67	887,941.76	0.50	176,699,764.92
Accounts receivable with no bad debts provision	240,231,252.79	34.63			240,231,252.79	237,821,125.82	57.14			237,821,125.82
<b>Total</b>	<b>693,831,252.27</b>	<b>-</b>	<b>16,363,024.32</b>	<b>-</b>	<b>677,468,227.95</b>	<b>416,203,436.56</b>	<b>-</b>	<b>1,682,545.82</b>	<b>-</b>	<b>414,520,890.74</b>

# NOTES TO THE FINANCIAL STATEMENTS

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- 1) *Accounts receivable that are individually significant, or insignificant but are provided for bad debts on individual basis as at the end of the year*

Company Name	Book value	Bad debts	%	Reasons
TENOVA AUSTRALIA PTY LTD	3,966,667.18	3,966,667.18	100.00	Expected to be unable to recover
THYSSENKRUPP MATERIALS HANDLING	9,041,039.28	9,041,039.28	100.00	Expected to be unable to recover
Jiangmen Changhe Ship Engineering Co., Ltd.	58,943.95	58,943.95	100.00	Expected to be unable to recover
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Expected to be unable to recover
Zhenhua Gulf Engineering Co. Ltd.	72,158.73	72,158.73	100.00	Expected to be unable to recover
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Expected to be unable to recover
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Expected to be unable to recover
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Expected to be unable to recover
Hefei Haier Refrigerator Co., Ltd.	32,600.00	32,600.00	100.00	Expected to be unable to recover
Hefei Rongshida Refrigerator Co., Ltd.	14,565.60	14,565.60	100.00	Expected to be unable to recover
Guangzhou Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Expected to be unable to recover
Chengdu Merro Steel Grating Co., Ltd.	35,000.00	35,000.00	100.00	Expected to be unable to recover
Hisense (Nanjing) Electric Company Limited	39,100.00	39,100.00	100.00	Expected to be unable to recover
Shenzhen Jishang Architectural Company	15,904.00	15,904.00	100.00	Expected to be unable to recover
Qingdao Haier Special Plastic Co. Ltd.	44,800.00	44,800.00	100.00	Expected to be unable to recover
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Expected to be unable to recover
Qingdao Haier Electric Plastic Development Co., Ltd.	18,000.00	18,000.00	100.00	Expected to be unable to recover
<b>Total</b>	<b>14,165,853.58</b>	<b>14,165,853.58</b>	<b>100.00</b>	

- 2) *Accounts receivable accrued bad debt provision by a certain percentage of the balance as at the end of the year*

Items	Book value	%	Bad debts
Within 1 year	421,876,407.95	0.50	2,109,382.04
1-2 years	10,354,143.23	0.50	51,770.72
2-3 years	895,933.30	0.50	4,479.67
3-4 years	832,853.00	0.50	4,164.27
4-5 years	1,631,397.50	0.50	8,156.99
Over 5 years	3,843,410.92	0.50	19,217.05
<b>Total</b>	<b>439,434,145.90</b>	<b>-</b>	<b>2,197,170.74</b>

- 3) *Accounts receivables for which bad debt provision are not made*

Name of company	Ending carrying value	Bad debt provision	Net amount
Receivables from subsidiaries	240,231,252.79	0.00	240,231,252.79
<b>Total</b>	<b>240,231,252.79</b>	<b>0.00</b>	<b>240,231,252.79</b>

- (4) *There was no bad debts provision reversed (or recovered) as at the end of the year*

- (5) *As at end of the year, there were no accounts receivable that have been written off.*

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (6) Top 5 Clients as at the end of the year

Company Name	Relationship	Amount	Ageing	Proportion in accounts receivable (%)	Ending balances of bad-debt provision
Client 1	Third party	165,396,400.00	Within 1 year	23.84	826,982.00
Client 2	Third party	150,262,100.00	1-3 years	21.66	751,310.50
Client 3	Subsidiary	94,824,735.39	2-3 years	13.67	0.00
Client 4	Third party	55,650,152.00	0-2 years	8.02	278,250.76
Client 5	Subsidiary	46,046,620.35	Within 1 year	6.64	0.00
<b>Total</b>		<b>512,180,007.74</b>		<b>73.82</b>	<b>1,856,543.26</b>

## 5. Prepayments

### (1) Ageing analysis

Items	Ending Balance		Beginning Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	<b>3,153,759,488.93</b>	<b>97.83</b>	2,539,837,133.49	96.67
1-2 years	<b>47,216,604.28</b>	<b>1.46</b>	62,221,661.62	2.37
2-3 years	<b>778,675.45</b>	<b>0.02</b>	5,908,526.14	0.22
Over 3 years	<b>21,897,735.24</b>	<b>0.68</b>	19,345,227.90	0.74
<b>Total</b>	<b>3,223,652,503.90</b>	<b>-</b>	<b>2,627,312,549.15</b>	<b>-</b>

### (2) Prepayments with ageing over one year and are of significant amount, and the reasons for not settling on time.

Company Name	Relationship	Amount	Proportion in prepayments %	Ageing	Reasons
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Subsidiary	18,033,200.00	0.56	Over 5 years	Unsettled
China Shipbuilding Trading Co., Ltd.	Under common control of CSSC	13,605,349.89	0.42	1-2 years	Equipment not received yet
Wenzhou Bofeng Electric Co., Ltd.	Third party	15,194,750.00	0.47	1-2 years	Equipment not received yet
China Zhiteng Development Co., Ltd.	Third party	19,296,535.64	0.60	1-2 years	Equipment not received yet
Australia Alpha Hovercraft Sales Co., Ltd.	Third party	2,204,571.69	0.07	2-4 years	Unsettled
<b>Total</b>		<b>68,334,407.22</b>			

### (3) Top 5 prepayments at the end of the year

Company Name	Ending balance	Ageing	Proportion of total ending prepayments (%)
WARTSILA Company (Finland)	134,338,327.40	Within 1 year	4.17
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	74,940,000.00	Within 1 year	2.32
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	63,976,741.88	Within 1 year	1.98
Poly Technologies Inc.	45,650,000.00	Within 1 year	1.42
ABB (Hong Kong) Co., Ltd.	32,079,092.07	Within 1 year	1.00
<b>Total</b>	<b>350,984,161.35</b>		<b>10.89</b>

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From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 6. Interest receivable

Items	Ending Balance	Beginning Balance
Fixed deposit	68,972,014.68	123,613,565.69
Entrusted loans	30,219.75	-
<b>Total</b>	<b>69,002,234.43</b>	123,613,565.69

## 7. Dividends receivable

Items (or invested company)	Ending Balance	Beginning Balance
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development Zone United Structures Ltd.	-	721,976.56
Guangzhou Guangli Shipbuilding Human Resource Service Co., Ltd.	44,000,000.00	44,000,000.00
	3,600,000.00	3,600,000.00
<b>Total</b>	<b>47,600,000.00</b>	48,321,976.56

## 8. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	3,486,883,958.28	4,220,788,444.34
Less: provision for bad debts	10,612,150.21	11,729,203.78
<b>Net amount</b>	<b>3,476,271,808.07</b>	4,209,059,240.56

### (1) Ageing analysis

Items	Ending Balance				Beginning Balance					
	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value	Book value	Proportion (%)	Bad debt provision	Provision proportion (%)	Net value
Within 1 year	3,199,096,025.44	91.75	209,348.73	0.01	3,198,886,676.71	3,967,932,904.30	94.01	1,326,064.26	0.03	3,966,606,840.04
1-2 years	110,455,113.68	3.17	2,275.57	0.00	110,452,838.11	241,596,425.94	5.72	1,000.96	0.00	241,595,424.98
2-3 years	166,908,892.51	4.78	2,563.29	0.00	166,906,329.22	835,937.45	0.02	4,179.69	0.50	831,757.76
3-4 years	10,644.50	0.00	53.22	0.50	10,591.28	9,894.50	0.00	49.47	0.50	9,845.03
4-5 years						150.00	0.00	0.75	0.50	149.25
Over 5 years	10,413,282.15	0.30	10,397,909.40	99.85	15,372.75	10,413,132.15	0.25	10,397,908.65	99.85	15,223.50
<b>Total</b>	<b>3,486,883,958.28</b>	-	<b>10,612,150.21</b>	-	<b>3,476,271,808.07</b>	4,220,788,444.34	-	11,729,203.78	-	4,209,059,240.56

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Classification

Items	Ending Balance					Beginning Balance				
	Book value		Bad debt provision			Book value		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Net value	Amount	Proportion (%)	Amount	Proportion (%)	Net value
Other receivables that are individually significant and are provided for bad debts on individual basis	10,340,232.15	0.30	10,340,232.15	100	0.00	10,340,232.15	0.24	10,340,232.15	100.00	
Other receivables that are individually insignificant but are provided for bad debts on individual basis	57,600.00	0.00	57,600.00	100		57,600.00	0.00	57,600.00	100.00	
Other receivables accrued bad debt provision by a certain percentage of the balance	42,863,613.53	1.23	214,318.06	0.50	42,649,295.47	266,274,326.74	6.31	1,331,371.63	0.50	264,942,955.11
Other receivables with no bad debt reserves	3,433,622,512.60	98.47	0.00		3,433,622,512.60	3,944,116,285.45	93.45			3,944,116,285.45
<b>Total</b>	<b>3,486,883,958.28</b>	<b>-</b>	<b>10,612,150.21</b>	<b>-</b>	<b>3,476,271,808.07</b>	<b>4,220,788,444.34</b>	<b>-</b>	<b>11,729,203.78</b>	<b>-</b>	<b>4,209,059,240.56</b>

1) Other receivables that are individually significant and provided for bad debts on individual basis as at the end of the year

Company Name	Ending Balance			
	Book value	Bad debts	Provision proportion (%)	Reasons
Mitsuhiro International Co., Ltd., Hong Kong	10,340,232.15	10,340,232.15	100.00	Unable to recover
<b>Total</b>	<b>10,340,232.15</b>	<b>10,340,232.15</b>	<b>-</b>	<b>-</b>

Note: Trusted deposits have been exchanged for some assets with Guangzhou National Investment Corp. under the Company and Guangzhou National Investment Debt Restructuring Agreement. On August 17, 2005, according to "the contract of transfer rights" signed by the Company and Guangzhou National Investment Corp. and Hong Kong Guanghong international Corp., Guangzhou National Investment Corp. transferred the claim of RMB10,640,000.00 to Hong Kong Guanghong international Corp, which belongs to its subsidiary Guangzhou Guoxin economic developing Corp. to the Company. In the meantime, according to the contract, Hong Kong Guanghong international Corp shall offset part of the debts with 7 cars, which was due to hand over before September 2005, and pay the rest of debt with interest in Guanghong Optoelectronic Technology Corp, on which Hong Kong Guanghong international Corp has the right of disposition. On September 21, 2009, the Guangdong Province Higher People's Court of Final Appeal has made the judgment, Hong Kong Guanghong international Corp. has to settle the debt principal and interest of the Company within 10 days from the legal effective day. As of the end of the year, the Company has not received the above mentioned debt principal and interest, and shall pay attention to further follow-up.

2) Other receivables that are individually insignificant but are provided for bad debts on individual basis

Company Name	Book value	Bad debts	Provision proportion (%)	Reasons
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Loss of document
<b>Total</b>	<b>57,600.00</b>	<b>57,600.00</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3) Other receivables accrued bad debt provision by a certain percentage of the balance

Items	Ending balance		Provision proportion (%)
	Other receivables	Bad debts	
Within 1 year	41,869,746.43	209,348.73	0.50
1-2 years	455,113.68	2,275.57	0.50
2-3 years	512,658.92	2,563.29	0.50
3-4 years	10,644.50	53.22	0.50
4-5 years			
Over 5 years	15,450.00	77.25	0.50
<b>Total</b>	<b>42,863,613.53</b>	<b>214,318.06</b>	<b>-</b>

4) Other receivables with no bad debts provision

Items	Ending Balance	Bad debts provision	Net amount
Receivables from subsidiaries	3,433,622,512.60		3,433,622,512.60
<b>Total</b>	<b>3,433,622,512.60</b>		<b>3,433,622,512.60</b>

(3) There was no provision for bad debts reversed or recovered on individual basis for the year

(4) As at end of the year, there were no account receivables that have been actually written off

(5) Other receivables by nature

Nature	Ending book value	Beginning book value
Refundable deposits	544,066.04	2,007,111.88
Temporary receipts receivable	95,915,857.52	59,842,496.49
Subsidy receivable	22,554,630.41	252,591,822.35
Reserve fund	2,375,237.30	4,002,345.64
Subsidiary production reserve fund	3,000,000,000.00	3,000,000,000.00
Entrusted loans	365,000,000.00	897,380,000.00
Other current account	494,167.01	4,964,667.98
<b>Total</b>	<b>3,486,883,958.28</b>	<b>4,220,788,444.34</b>

(6) Top 5 other receivables at the end of the year

Company	Nature	Ending Balance	Ageing	Proportion of ending balance of other receivables in total (%)	Ending balance of bad debts provision
Guangzhou Shipyard International Company Limited	Production reserve and entrusted loans	3,004,292,185.35	Within 1 year	86.16	
Zhongshan GSI Marine Engineering Company Limited	Entrusted loans and others	347,168,608.31	1 to 2 years	9.96	
Guangzhou United Steel Structures Limited	Entrusted loans and others	31,997,614.63	1 to 2 years	0.92	
Guangzhou Liwan Administration for Taxation	Refund of tax for exports receivable	22,554,630.41	Within 1 year	0.65	112,773.15
Glory Group Development Co., Ltd.	Current account	21,396,233.59	1 to 2 years	0.61	
<b>Total</b>		<b>3,427,409,272.29</b>		<b>98.30</b>	<b>112,773.15</b>



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From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (7) Receivables involving government subsidy

Name	Projects	Ending Balance	Ageing	Date	Expected	
					Amount	Basis
Guangzhou Liwan Administration for Taxation	Refund of tax for exports receivable	22,554,630.41	Within 1 year	January 2016	22,554,630.41	Interim Regulations of the People's Republic of China on Value-added Tax
<b>Total</b>	-	<b>22,554,630.41</b>	-	-	22,554,630.41	-

## 9. Inventories

### (1) Classification

Items	Ending Balance			Beginning Balance		
	Book value	Inventory impairment	Carrying amount	Book value	Inventory impairment	Carrying amount
Raw materials	754,730,446.93	8,936,127.17	745,794,319.76	581,965,336.64	8,619,954.02	573,345,382.62
Work in progress	214,890,610.40	20,301,131.11	194,589,479.29	144,554,184.57	9,401,636.44	135,152,548.13
Merchandise inventories	22,413,112.97	15,951.95	22,397,161.02	22,424,565.69	31,903.89	22,392,661.80
Capitalized construction contracts	3,783,166,182.74	699,397,104.84	3,083,769,077.90	2,231,345,289.60	344,927,227.70	1,886,418,061.90
Delivered goods	3,798,975.06		3,798,975.06			
<b>Total</b>	<b>4,778,999,328.10</b>	<b>728,650,315.07</b>	<b>4,050,349,013.03</b>	<b>2,980,289,376.50</b>	<b>362,980,722.05</b>	<b>2,617,308,654.45</b>

### (2) Inventory impairment

Items	Beginning Balance	Increase		Decrease		Ending Balance
		Accrued	Others	Reversal or write-off	Transferred out	
Raw materials	8,619,954.02	316,173.15				8,936,127.17
Work in progress	9,401,636.44	10,899,494.67				20,301,131.11
Merchandise inventories	31,903.89			15,951.94		15,951.95
Capitalized construction contracts (relates to inventories)	344,927,227.70	536,164,029.04		381,868,900.38		699,397,104.84
Capitalized construction contracts (relates to contingent liabilities)	317,247,606.68	-	-	-	-	117,072,858.20
<b>Subtotal</b>	<b>680,228,328.73</b>	<b>547,379,696.86</b>		<b>381,884,852.32</b>		<b>845,723,173.27</b>
Less: Capitalized construction contracts (relates to contingent liabilities)	317,247,606.68	-	-	-	-	117,072,858.20
<b>Total</b>	<b>362,980,722.05</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>728,650,315.07</b>

### (3) Provision for inventory impairment

Items	Basis to recognize net realisable value	Reasons
Raw materials	Book value higher than NPV (Estimated disposal proceeds less taxes)	
Work in progress	Book value higher than NPV (Estimated disposal proceeds less related expenses)	Sale of finished goods
Merchandise inventories	Book value higher than NPV (Estimated disposal proceeds less taxes)	Confirmed unable to recover
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Writing off according to construction process

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (4) Completed non-settled capitalized construction contracts as at end of the year

Items	Amount
Accumulated cost incurred	8,394,429,633.43
Accumulated gross profit recognised	-570,618,894.58
Less: estimated loss	816,469,963.04
Add: estimated loss reclassified to estimated liabilities	117,072,858.20
Less: settled amount	4,040,644,556.11
Completed non-settled capitalized construction contracts	3,083,769,077.90

## 10. Available-for-sale financial assets

### (1) Available-for-sale financial assets are as follow

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Equity instrument available-for-sale Measured at fair value	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
Measured at cost	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
<b>Total</b>	<b>1,000,000.00</b>		<b>1,000,000.00</b>	<b>1,000,000.00</b>		<b>1,000,000.00</b>

### (2) The analysis is as follows:

Items	Ending Balance	Beginning Balance
<b>Listed</b>		
Including: China (except HK)		
<b>Unlisted</b>	1,000,000.00	1,000,000.00
<b>Total</b>	<b>1,000,000.00</b>	<b>1,000,000.00</b>

### (3) Available-for-sale financial assets measured at cost as at end of the year

Investee	Book value			Provision for impairment			Share holding of investee (%)	Cash dividend for the year
	Beginning Balance	Increase	Ending Balance	Beginning Balance	Increase	Decrease		
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd	1,000,000.00		1,000,000.00				4.05%	
<b>Total</b>	<b>1,000,000.00</b>		<b>1,000,000.00</b>					-

## 11. Long-term receivables

Item	Ending balance		Beginning balance	
	Balance	Provision for bad debts	Balance	Provision for bad debts
Loans to subsidiaries	667,500,000.00	-	-	-
<b>Total</b>	<b>667,500,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: Loans to subsidiaries made and settled on a consolidated basis.

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. Long-term equity investments

### (1) Long-term equity investments

#### 1) Classifications

Items	Ending Balance			Beginning Balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiaries	6,202,009,401.72		6,202,009,401.72	1,123,801,607.69		1,123,801,607.69
Investment in associates and joint ventures	1,069,326.86		1,069,326.86	4,887,152.92		4,887,152.92
<b>Total</b>	<b>6,203,078,728.58</b>		<b>6,203,078,728.58</b>	<b>1,128,688,760.61</b>		<b>1,128,688,760.61</b>

#### 2) Investment in subsidiaries

Investee	Beginning Balance	Increase	Decrease	Ending Balance	Impairment provision for the year	Ending balance of impairment provision
Guangzhou Shipyard International Company Limited	242,055,380.79	785,651,740.47		1,027,707,121.26		
Zhongshan GSI Marine Engineering Company Limited	100,000,000.00	600,000,000.00		700,000,000.00		
Guangzhou Xingshun Marine Services Co., Ltd.	500,000.00		500,000.00			
Guangzhou Wanda Marine Engineering Co., Ltd.	3,685,222.80		3,685,222.80			
Guangzhou United Steel Structures Limited	79,095,776.55		79,095,776.55			
Guangdong GSI Elevator Co., Ltd.	19,950,000.00		19,950,000.00			
Guangzhou Hongfan Technology Co., Ltd.	2,550,000.00		2,550,000.00			
Glory Group Development Co., Ltd.	26,443,792.13		26,443,792.13			
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	6,652,492.77		6,652,492.77			
Guangchuan Large-scale Machinery and Equipment Co., Ltd.	188,610,000.00		188,610,000.00			
Guangzhou Shipyard International Marine Engineering Co., Ltd.	50,000,000.00		50,000,000.00			
Guangzhou Hongfan Hotel	33,067,988.09		33,067,988.09			
Guangzhou Shipyard Shipping Co., Ltd.	371,190,954.56		371,190,954.56			
CSSC Huangpu Wenchong Shipbuilding Company Limited		3,171,466,036.56		3,171,466,036.56		
GSI Yangzhou Co., Ltd.		1,302,836,243.90		1,302,836,243.90		
<b>Total</b>	<b>1,123,801,607.69</b>	<b>5,859,954,020.93</b>	<b>781,746,226.90</b>	<b>6,202,009,401.72</b>		

Note: For change in long-term equity investments during the year, please refer to note XV.1 "Adjustments to the equity of the Company and some subsidiaries".

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## 3) Investment in associates

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year					Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment		
1. Associated companies										
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development Zone	3,905,513.57								3,905,513.57	0.00
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	981,639.35			87,687.51						1,069,326.86
<b>Total</b>	<b>4,887,152.92</b>			<b>87,687.51</b>					<b>3,905,513.57</b>	<b>1,069,326.86</b>

## (2) Analysis

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	<b>6,203,078,728.58</b>	1,128,688,760.61
<b>Total</b>	<b>6,203,078,728.58</b>	1,128,688,760.61

## 13. Investment properties

This item is consistent with the amount in the consolidated financial statements, please refer to Note VI/14 for details.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. Fixed assets

### (1) Fixed assets category

Items	Buildings	Machinery	Transportation facilities	Others	Total
(I) Net book value					
1. Beginning balance	174,281,368.35	973,262,691.52	32,572,313.77	23,273,302.63	1,203,389,676.27
2. Increase for the period	502,651.82	13,972,719.54	4,151,257.65	1,560,699.89	20,187,328.90
(1) Capitalized construction in progress transferred-in	502,651.82	13,972,719.54	4,151,257.65	1,560,699.89	20,187,328.90
3. Decrease for the year		9,819,937.47	1,783,069.50	926,957.34	12,529,964.31
(1) Disposal or scrapped		9,819,937.47	1,783,069.50	926,957.34	12,529,964.31
4. Ending balance	174,784,020.17	977,415,473.59	34,940,501.92	23,907,045.18	1,211,047,040.86
(II) Accumulated depreciation					
1. Beginning balance	75,513,415.22	667,031,363.83	15,971,267.02	16,197,524.94	774,713,571.01
2. Increase for the year	4,789,986.85	43,821,742.36	2,634,395.07	1,706,252.88	52,952,377.16
(1) Provision	4,789,986.85	43,821,742.36	2,634,395.07	1,706,252.88	52,952,377.16
3. Decrease for the year		8,997,646.92	1,543,985.30	800,265.51	11,341,897.73
(1) Disposal or scrapped		8,997,646.92	1,543,985.30	800,265.51	11,341,897.73
4. Ending balance	80,303,402.07	701,855,459.27	17,061,676.79	17,103,512.31	816,324,050.44
(III) Provision for impairment					
1. Beginning balance					
2. Increase for the year					
3. Decrease for the year					
4. Ending balance					
(IV) Carrying value					
1. Ending net book value	94,480,618.10	275,560,014.32	17,878,825.13	6,803,532.87	394,722,990.42
2. Beginning net book value	98,767,953.13	306,231,327.69	16,601,046.75	7,075,777.69	428,676,105.26

The amortization of fixed assets recognized through profit or loss is RMB52,952,377.16 for Current Year (Last Year: RMB80,148,723.14).

The increased fixed assets in the year included RMB20,187,328.90 of capitalized construction in progress.

### (2) Buildings are analyzed by region and year as follows:

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	94,480,618.10	98,767,953.13
<b>Total</b>	<b>94,480,618.10</b>	<b>98,767,953.13</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 15. Construction in progress

### (1) Category

Items	Ending Balance			Beginning Balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Shipbuilding platform	203,061,049.83		203,061,049.83	36,304,659.16		36,304,659.16
1#3# Slipway Extension Project	0.00		0.00	2,041,714.01		2,041,714.01
Comprehensive technical advance fee	0.00		0.00	1,129,021.51		1,129,021.51
Research and conservation projects in the prophase of the project funds	0.00		0.00	904,275.17		904,275.17
Shipbuilding Division onshore power supply with variable frequency function	0.00		0.00	584,871.97		584,871.97
The shipbuilding division 500HP tugboat 1 set	0.00		0.00	3,385,711.39		3,385,711.39
3# team room mechanical parking facilities	497,654.63		497,654.63	497,654.63		497,654.63
Upfront fee of the construction of equipment for middle and small ship coating	0.00		0.00	473,233.22		473,233.22
A truck of material department	0.00		0.00	449,357.28		449,357.28
Other projects	2,354,863.40		2,354,863.40	129,269.91		129,269.91
<b>Total</b>	<b>205,913,567.86</b>		<b>205,913,567.86</b>	<b>45,899,768.25</b>		<b>45,899,768.25</b>

### (2) Changes in significant construction in progress

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Capitalized in Fixed assets	Others	
Shipbuilding platform	36,304,659.16	166,756,390.67	0.00		203,061,049.83
1#3# Slipway Extension Project	2,041,714.01	1,160,058.19	3,201,772.20		0.00
<b>Total</b>	<b>38,346,373.17</b>	<b>167,916,448.86</b>	<b>3,201,772.20</b>		<b>203,061,049.83</b>

Project Name	Budget	Budget use-up ratio (%)	Press of work	Accumulated capitalized interest	Capitalized interest for Current Year	Capitalization ratio (%)	Source of capital
Shipbuilding platform	666,670,000.00	30.46	Under construction				Self-financed/ state-subsidised
1#3# Slipway Extension Project	4,100,000.00	78.09	Completed				Self-financed
<b>Total</b>	<b>1,069,600,000.00</b>						

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 16. Intangible assets

### (1) Intangible assets

Items	Land use right	Software	Others	Total
(I) Net book value				
1. Beginning balance	14,780,508.50	64,798,346.25		79,578,854.75
2. Increase		511,550.16	2,359,259.00	2,870,809.16
(1) Purchase		511,550.16	2,359,259.00	2,870,809.16
3. Decrease				
(1) Disposal				
4. Ending Balance	14,780,508.50	65,309,896.41	2,359,259.00	82,449,663.91
(II) Accumulated amortization				
1. Beginning balance	3,015,024.44	52,942,911.62		55,957,936.06
2. Increase	325,075.44	4,853,441.98		5,178,517.42
(1) Provision	325,075.44	4,853,441.98		5,178,517.42
3. Decrease				
(1) Disposal				
4. Ending balance	3,340,099.88	57,796,353.60		61,136,453.48
(III) Impairment provision				
1. Beginning balance				
2. Increase				
3. Decrease				
4. Ending Balance				
(IV) Carrying value				
1. Ending carrying value	11,440,408.62	7,513,542.81	2,359,259.00	21,313,210.43
2. Beginning carrying value	11,765,484.06	11,855,434.63	-	23,620,918.69

There was no intangible asset formed from internal research and development of the Company during the year.

Land use right analyzed by region and year:

Items	Ending Balance	Beginning Balance
Inside China		
Mid-term (10-50 years)	11,440,408.62	11,765,484.06
<b>Total</b>	<b>11,440,408.62</b>	<b>11,765,484.06</b>

The amortization of intangible assets recognized through profit or loss is RMB5,178,517.42 for Current Year (Last Year: RMB6,185,337.85).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 17. Research and development expense

Items	Beginning Balance	Increase	Decrease	Ending Balance
Research and development and industrial application of design and building technology for semi-submerged carriers		55,828,659.10	55,828,659.10	
Research of key technologies for polar deck ships		16,984,627.60	16,984,627.60	
Research and development of energy-saving and environment-friendly VLOC ships		25,011,583.85	25,011,583.85	
Decoration design and building technology research for typical cabins of luxury cruises		15,447,800.38	15,447,800.38	
Research of comprehensive ship building process and technology		502,827.81	502,827.81	
Research and development of green energy-saving and environment-friendly VLCC ships		3,303,425.86	3,303,425.86	
Development of next generation of luxury Ro/Ro passenger ships		8,006,330.00	8,006,330.00	
Research of polar module carriers		4,361,198.86	4,361,198.86	
High performance large curvature complex curved hull plate forming intelligent robot		2,360,579.87	2,360,579.87	
Key process and equipment technology for complex components		1,625,420.36	1,625,420.36	
Research and development and industrial application of design and building technology for super deepwater floating production, storage and offloading domestic module units		10,246,367.10	10,246,367.10	
Emulation of shipbuilding precision control process		1,554,075.79	1,554,075.79	
Scientific development and technology tackling management		756,855.60	756,855.60	
Research of measurement and analysis system for dual propulsion shaft power and torsional vibration stress		1,499,607.68	1,499,607.68	
Research and development of green, environment-friendly flexible oil tankers		1,030,730.55	1,030,730.55	
Research of comprehensive building process and technology		17,556,761.51	17,556,761.51	
Research and development of semi-submerged engineering ships		6,172,666.36	6,172,666.36	
Research of key technologies for function setting and general layout of luxury yachts		1,862,795.42	1,862,795.42	
Research of design and technology of Haibei ro-ro passenger ships		936,054.31	936,054.31	
International Maritime Organization shipbuilding file research		928,476.31	928,476.31	
Research and development of green energy-saving and environment-friendly Aframax ships		835,647.23	835,647.23	
Compliance with information and industrial integration management system		804,362.15	804,362.15	
Research and development of green, environment-friendly flexible oil tankers		753,994.91	753,994.91	
Cooperative research of high strength steel and efficient welding technology for marine engineering large slabs		675,006.29	675,006.29	
Research and development and industrial application of upgrading technology for super deepwater floating production, storage and offloading devices		581,333.63	581,333.63	
Research and development of key shipbuilding technologies		570,800.00	570,800.00	
Others		6,853,586.42	6,853,586.42	
<b>Total</b>		<b>187,051,574.95</b>	<b>187,051,574.95</b>	

During the year, development expense of RMB184,697,111.51 was transferred to administrative expense, and development expense of RMB2,354,463.44 was transferred to operating cost.

There was no intangible asset formed from internal research and development of the Company during the year.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 18. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Decrease	Ending Balance
Leasing fixed assets	3,418,566.51	8,721,168.26	2,160,452.41		9,979,282.35
Dining hall complex modification	2,793,885.95		986,077.44		1,807,808.52
Renovation of ventilation and air-conditioning system of technical center building	560,225.74		192,077.40		368,148.34
<b>Total</b>	<b>6,772,678.20</b>	<b>8,721,168.26</b>	<b>3,338,607.25</b>		<b>12,155,239.21</b>

## 19. Deferred tax assets and deferred tax liabilities

### (1) Deferred tax assets before elimination

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets			691,049,649.87	103,657,447.48
Deductible loss	80,000,000.00	20,000,000.00		
Prepaid housing subsidy			13,784,639.00	2,067,695.85
Monetary housing allowance for retired employees			53,318,868.40	7,997,830.26
Medical insurance for retired employees within 10 years			860,229.87	129,034.48
Payroll for retiring employees			26,015.73	3,902.36
Accrued expenses			71,838,503.93	10,775,775.59
Payroll balance owing at period end			183,006.00	27,450.90
Financial liabilities at fair value through profit and loss			55,734,758.73	8,360,213.81
Change in fair value of available-for-sale financial assets				
Employee education expense			15,612,687.33	2,341,903.10
Others			190,612,106.60	28,591,815.99
<b>Total</b>	<b>80,000,000.00</b>	<b>20,000,000.00</b>	<b>1,093,020,465.46</b>	<b>163,953,069.82</b>

Note 1: On 29 July 2015, it was resolved in the 22nd meeting of the eighth session of the Board of the Company to transfer equity interest in the Company and some subsidiaries to Guangzhou Shipyard International Company Limited, a subsidiary of the Company (please refer to Note XV.1 for details). As the parent company no longer holds any equity interest in Hongfan Hotel and Guangzhou Shipyard Shipping, the deferred tax assets previously recognised were realised during the period.

Note 2: On 13 November 2015, as approved by a resolution of the 25th meeting of the eighth session of the Board, the assets and liabilities relating to the production and operation of the Company, based on their carrying value as at 31 December 2015, were transferred to Guangzhou Shipyard International Company Limited, a wholly-owned subsidiary of the Company (please refer to Note XIV.1 for details). Given its ability to operate in the future, the deferred tax assets previously recognised were reversed.

Note 3: According to the Company's investment plan for 2015, Nanhai Electromechanical Branch is expected to relocate to a new factory of its subsidiary at Huoju Development Zone, Zhongshan around June 2016, and Foshan government expects to recover the land as reserve at the end of 2016. The Company expects to recognise deferred tax assets for the gains expected to arise from future disposal of the land.

### (2) Note 4: Please refer to Note V.2 Deferred tax liabilities before elimination for the changes in income tax for the Company

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Fair value changes in financial assets available for sale				
Fair value changes in financial assets at fair value through profit or loss			13,007,994.71	1,951,199.21
<b>Total</b>			<b>13,007,994.71</b>	<b>1,951,199.21</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (3) Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	1,230,621,721.51	8,788,268.38
Deductible tax loss	490,468,867.27	
<b>Total</b>	<b>1,721,090,588.78</b>	8,788,268.38

## 20. Short-term loans

Category	Ending Balance	Beginning Balance
Mortgage loans		1,133,653,446.88
Credit loans	1,117,000,000.00	
<b>Total</b>	<b>1,117,000,000.00</b>	1,133,653,446.88

## 21. Financial liabilities at fair value through profit or loss

Items	Ending Balance	Beginning Balance
Financial liabilities designated at fair value through profit or loss	169,786,438.85	55,734,758.74
Including: forward exchange contract	169,786,438.85	55,734,758.74
<b>Total</b>	<b>169,786,438.85</b>	55,734,758.74

## 22. Notes payable

Items	Ending Balance	Beginning Balance
Bank acceptance bill	666,115,033.68	795,965,835.62
<b>Total</b>	<b>666,115,033.68</b>	795,965,835.62

## 23. Accounts payable

### (1) Accounts payable

Items	Ending Balance	Beginning Balance
Materials purchased	1,980,799,257.46	1,367,986,554.05
Settlements for projects	33,048,657.56	152,848,035.74
Product settlement	135,954,398.46	24,852,222.08
Warranty	191,088,610.10	110,149,292.45
Other projects and labour service	608,533,721.63	13,792,599.27
<b>Total</b>	<b>2,949,424,645.21</b>	1,669,628,703.59

### (2) Ageing analysis of accounts payable

As at the end of the year, the ageing analysis of amounts payable is as follows:

Items	Ending Balance	Beginning Balance
Within 1 year	2,841,903,143.99	1,621,526,071.44
1-2 years	88,733,402.12	33,899,556.55
2-3 years	10,626,975.75	8,774,524.20
Over 3 years	8,161,123.35	5,428,551.40
<b>Total</b>	<b>2,949,424,645.21</b>	1,669,628,703.59

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

### (3) Significant accounts payable aged more than 1 year

Company name	Ending Balance	Reasons
Sandvik Mining and Construction Material Handling GmbH & Co KG	13,757,219.01	Undue
Guangzhou United Steel Structures Limited	6,514,905.38	Undue
China Shipbuilding Industry Corporation X5 Research Institute	3,824,250.00	Undue
Shanghai Alefa Ship Equipment Co., Ltd.	3,093,834.00	Undue
Wuhan Lingyao Technology Co., Ltd.	2,950,000.00	Undue
<b>Total</b>	<b>30,140,208.39</b>	–

## 24. Advances from customers

### (1) Advances from customers

Items	Ending Balance	Beginning Balance
Shipbuilding and off-shore engineering products	–	389,388,976.99
Other products	102,971,450.69	58,270,122.75
<b>Total</b>	<b>102,971,450.69</b>	<b>447,659,099.74</b>

### (2) Top 5 advances from customers aged more than 1 year

Company name	Ending Balance	Reasons
Entity 6	24,960,000.00	Project unsettled
Entity 7	21,524,308.16	Project unsettled
Entity 8	10,312,417.37	Project unsettled
Entity 9	7,944,539.30	Project unsettled
Entity 10	3,642,000.00	Revenue cannot be recognised due to unacceptance as a result of quality problems
<b>Total</b>	<b>68,383,264.83</b>	–

## 25. Employee benefits payable

### (1) Classification of employee benefits payable

Items	Beginning Balance	Increase	Decrease	Ending Balance
Short-term payroll	16,784,272.99	859,218,686.62	860,114,888.55	15,888,071.06
Post-employment benefits				
– Defined contribution plan		45,007,828.20	45,007,828.20	
Severance benefits	26,015.72	873,900.43	899,916.15	
Other long-term staff welfare due within one year	2,795,580.00	548,225.08		3,343,805.08
<b>Total</b>	<b>19,605,868.71</b>	<b>905,648,640.33</b>	<b>906,022,632.90</b>	<b>19,231,876.14</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Short-term payroll

Items	Beginning Balance	Increase	Decrease	Ending Balance
Wages or salaries, bonuses, allowances and subsidies	183,006.04	318,882,337.83	319,038,972.53	<b>26,371.34</b>
Staff welfare		13,703,778.73	13,703,778.73	
Social insurance		25,999,829.13	25,999,829.13	
Including: Medical insurance		22,234,159.36	22,234,159.36	
Work-related injury insurance		317,997.43	317,997.43	
Maternity insurance		2,443,461.10	2,443,461.10	
Supplementary medical insurance		1,004,211.24	1,004,211.24	
Housing fund		33,055,435.00	33,055,435.00	
Union & Education funds	16,601,266.95	6,304,986.29	7,044,553.52	<b>15,861,699.72</b>
Outsourcing labour costs and other non-monetary benefits		461,272,319.64	461,272,319.64	
<b>Total</b>	<b>16,784,272.99</b>	<b>859,218,686.62</b>	<b>860,114,888.55</b>	<b>15,888,071.06</b>

## (3) Defined contribution plan

Items	Beginning Balance	Increase	Decrease	Ending Balance
Basic medical insurance		42,198,369.16	42,198,369.16	
Unemployment insurance		2,809,459.04	2,809,459.04	
Enterprise annuity				
<b>Total</b>		<b>45,007,828.20</b>	<b>45,007,828.20</b>	

## 26. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	<b>-933,331,642.54</b>	-222,398,081.68
Business Tax	<b>202,445.80</b>	2,001,307.79
Corporate Income Tax		84,471,034.30
Individual Income Tax	<b>4,595,184.70</b>	5,034,018.08
City Maintenance and Construction Tax	<b>158,121.48</b>	155,584.48
Real Estate Tax	<b>881,722.33</b>	878,326.70
Land Appreciation Tax	<b>273,550.80</b>	280,593.80
Education Surcharge	<b>112,943.90</b>	111,131.77
Other taxes	<b>276,726.14</b>	1,683,691.37
<b>Total</b>	<b>-926,830,947.39</b>	-127,782,393.39

## 27. Interest payable

Items	Ending Balance	Beginning Balance
Interest payable for long-term borrowings, of which interest are paid in instalments and the principal is paid at the maturity rate	<b>3,615,339.11</b>	12,161,810.98
Interest payable for short-term borrowings	<b>783,213.90</b>	2,945,134.55
<b>Total</b>	<b>4,398,553.01</b>	15,106,945.53

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 28. Dividends payable

Items	Ending Balance	Beginning Balance
Dividend payable for A Share	63,634.72	67,010.53
Dividend payable for H Share	110,711.24	110,711.24
<b>Total</b>	<b>174,345.96</b>	<b>177,721.77</b>

## 29. Other payables

### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Pledged deposits	305,400.00	308,100.00
Payable of temporary receipts	10,747,610.12	13,180,332.58
Concentrated fund	32,500,000.00	82,290,000.00
<b>Total</b>	<b>43,553,010.12</b>	<b>95,778,432.58</b>

### (2) Significant other payables aged more than 1 year

Company Name	Ending Balance	Reasons
Wuhan Yinhu Golf Card	1,210,000.00	Receipt of deposit for golf card
Hong Kong Hualian Ship Co., Ltd.	469,396.39	Temporarily not settled
Renfuwei Scientific and Technological Progress Bonus Fund	455,960.73	Temporarily not settled
<b>Total</b>	<b>2,135,357.12</b>	

## 30. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	549,000,000.00	1,276,705,757.83
<b>Total</b>	<b>549,000,000.00</b>	<b>1,276,705,757.83</b>

## 31. Other current liabilities

### (1) Classification of other current liabilities

Items	Ending Balance	Beginning Balance
<b>Long-term project settlement</b>	<b>6,151,537,283.66</b>	<b>4,856,001,300.17</b>
Shipbuilding products	6,151,537,283.66	4,856,001,300.17
<b>Deferred income</b>	<b>888,574.91</b>	<b>3,791,678.90</b>
Government subsidy	888,574.91	3,791,678.90
<b>Total</b>	<b>6,152,425,858.57</b>	<b>4,859,792,979.07</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Projects that are settled but not yet completed under construction contract at the end of the year

Items	Amount
Billed amount	10,192,181,839.77
Less: accumulated costs	4,040,644,556.11
Projects that are settled but not yet completed under construction contract	6,151,537,283.66

## (3) Government subsidy

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Relating to assets/relating to income
Enterprise technology centre innovation capability development project	300,000.00		300,000.00	300,000.00	300,000.00	Relating to assets
150 tons self-propelled hydraulic flatbed trailer	166,666.68		166,666.68	166,666.68	166,666.68	Relating to assets
Coating technology process and transformation	153,698.64		153,698.64	153,698.64	153,698.64	Relating to assets
Technological upgrading and potential exploration fund – technical upgrading for new ship research equipment for 40,000 ton ships	142,191.84		142,191.84	142,191.84	142,191.84	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	50,000.04		33,333.36	14,041.67	30,708.35	Relating to assets
No. 1 Dock adaptive transformation (1)	33,333.36		33,333.36	33,333.36	33,333.36	Relating to assets
No. 1 Dock adaptive transformation	26,666.64		26,666.64	26,666.64	26,666.64	Relating to assets
Noise control engineering for painting workshop	15,789.48		15,789.48	15,789.48	15,789.48	Relating to assets
Metering scientific instruments for the Group	9,999.96		9,999.96	9,999.96	9,999.96	Relating to assets
Noise control engineering for new area	9,519.96		9,519.96	9,519.96	9,519.96	Relating to assets
Shipbuilding projects	2,348,780.76			-2,348,780.76		Relating to assets
Infrastructure project	535,031.54			-535,031.54		Relating to assets
<b>Total</b>	<b>3,791,678.90</b>		<b>891,199.92</b>	<b>-2,011,904.07</b>	<b>888,574.91</b>	

## 32. Long-term loans

### (1) Category

Classification	Ending Balance	Beginning Balance
Mortgage loans		2,357,777,146.51
Secured loans		187,000,000.00
Unsecured loans	3,269,500,000.00	600,000,000.00
Less: Due within 1 year	549,000,000.00	1,276,705,757.83
<b>Total</b>	<b>2,720,500,000.00</b>	<b>1,868,071,388.68</b>

Interest rate of long-term loans is mainly within the range of 1.85%-5%.

### (2) Long-term loans due date analysis

Items	Ending Balance	Beginning Balance
1 - 2 years	2,090,500,000.00	1,191,071,388.68
2 - 5 years	630,000,000.00	677,000,000.00
Over 5 years		
<b>Total</b>	<b>2,720,500,000.00</b>	<b>1,868,071,388.68</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 33. Long-term staff welfare payable

Item	Ending balance	Beginning balance
Monetary housing allowance for retired employees	49,101,266.74	51,616,828.42
Housing assistance for employees	114,573.20	5,104,299.92
Medical insurance for retirees	1,660,229.85	860,229.85
<b>Total</b>	<b>50,876,069.79</b>	<b>57,581,358.19</b>

## 34. Special payable

Item	Beginning balance	Increase	Decrease	Ending balance
Project A	17,850,000.00			17,850,000.00
Project B	6,720,000.00			6,720,000.00
Project C		26,600,000.00		26,600,000.00
Project D		4,500,000.00		4,500,000.00
Project E		43,700,000.00		43,700,000.00
<b>Total</b>	<b>24,570,000.00</b>	<b>74,800,000.00</b>		<b>99,370,000.00</b>

Note: The above projects have been completed and the special purpose payable belongs to the state exclusively. According to a resolution of the Board, these special purpose payable can be converted into investment of CSSC upon increase of capital.

## 35. Estimated liabilities

Items	Ending Balance	Beginning Balance	Reason
Product quality warranties	112,326,728.06	71,838,503.94	Maintenance fee provision
Onerous contract note	117,072,858.20	317,247,606.68	
<b>Total</b>	<b>229,399,586.26</b>	<b>389,086,110.62</b>	

## 36. Deferred income

### (1) Classification of deferred income

Items	Beginning Balance	Increase	Decrease	Ending Balance
Government subsidy	111,087,296.17	244,690,000.00	137,552,129.43	218,225,166.74
<b>Total</b>	<b>111,087,296.17</b>	<b>244,690,000.00</b>	<b>137,552,129.43</b>	<b>218,225,116.74</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Government subsidy

Government subsidy items	Beginning Balance	New subsidy	Amount included in non-operating income for the year	Other changes	Ending Balance	Relating to assets/ relating to income
Shipbuilding platform	30,000,000.00	170,000,000.00			200,000,000.00	Relating to assets
Upfront fees for comprehensive technology upgrading	43,700,000.00			-43,700,000.00		Relating to assets
Shipbuilding projects	12,241,310.75			-12,241,310.75		Relating to assets
Research of shipbuilding process and technology	16,981,842.95		16,981,842.95			Relating to income
Infrastructure project	2,276,499.42			-2,276,499.42		Relating to assets
Enterprise Technology Center innovative capacity-building projects	1,200,000.00			-300,000.00	900,000.00	Relating to assets
150 tons self-propelled hydraulic flatbed	1,041,666.59			-166,666.68	874,999.91	Relating to assets
Coating technology and transformation	947,808.16			-153,698.64	794,109.52	Relating to assets
Technological transformation potential fund-40000 tons ship to develop new equipment and technological transformation	853,150.32			-142,191.84	710,958.48	Relating to assets
Dock adaptive transformation (1)	699,999.76			-33,333.36	666,666.40	Relating to assets
Dock adaptive transformation	560,000.24			-26,666.64	533,333.60	Relating to assets
Noise control engineering for new area	185,973.56			-9,519.96	176,453.60	Relating to assets
Noise control engineering for painting workshop	173,684.16			-15,789.48	157,894.68	Relating to assets
Implementation of information technology and industrialization management system standards	100,000.00		100,000.00			Relating to income
Standardized special fee	88,818.28		88,818.28			Relating to income
Metering scientific instruments for the Group	22,500.31			-9,999.96	12,500.35	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	14,041.67			-14,041.67		Relating to assets
Key equipment and technology of complex component modeling		1,410,000.00	1,410,000.00			Relating to income
Research & Development of designing and manufacturing technology of classical cabin layout and decoration luxury cruise ship		6,600,000.00	6,600,000.00			Relating to income
Emulation of precise shipbuilding techniques		1,140,000.00	1,140,000.00			Relating to income
Research & manufacturing of testing and analysing system of the power and torsional vibration stress of marine propulsion shafting dual-channel axle		1,200,000.00	1,200,000.00			Relating to income
Research on archives of shipbuilding by International Maritime Organization		240,000.00	240,000.00			Relating to income
Research of key technologies for polar deck ships		9,900,000.00	9,900,000.00			Relating to income
Research and development and industrial application of design and building technology for carriers		28,000,000.00	28,000,000.00			Relating to income
Research and development and industrial application of design and building technology for FPSO domestic module units		5,600,000.00	5,600,000.00			Relating to income
Research and development and industrial application of FPSO upgrading technology		1,500,000.00	581,333.63		918,666.37	Relating to income
Research of comprehensive building process and technology		8,000,000.00	447,749.81		7,552,250.19	Relating to income
Research and development of engineering ships		11,100,000.00	6,172,666.36		4,927,333.64	Relating to income
<b>Total</b>	111,087,296.17	244,690,000.00	78,462,411.03	-59,089,718.40	218,225,166.74	

## 37. Share capital

This item is consistent with the amount in the consolidated financial statements. Please refer to Note VI/37 for details.



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 38 Capital reserves

### Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	1,952,054,284.42	5,982,048,646.03	1,786,758,132.60	<b>6,147,344,797.85</b>
Other capital reserves	582,931.25			<b>582,931.25</b>
<b>Total</b>	<b>1,952,637,215.67</b>	<b>5,982,048,646.03</b>	<b>1,786,758,132.60</b>	<b>6,147,927,729.10</b>

Note: During the year, share capital premium increased by RMB4,195,290,513.43: On 8 April 2015, the Company completed issuance of 382,971,727 ordinary shares (A shares) to CSSC, Yangzhou Kejin and 7 special investors, share capital premium increased by RMB5,982,048,646.03; in March 2015, Huangpu Wenchong completed industrial and commercial registration of changes of shareholders, the Company completed the acquisition of 100% equity interest in Huangpu Wenchong (for details of acquisition, please refer to Note VII/1), at the end of delivery 100% of Huangpu Wenchong shares recognized as corresponding net assets to pay the price difference, set off share capital of RMB1,786,758,132.60.

### Last year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	502,982,007.95	1,449,072,276.47		<b>1,952,054,284.42</b>
Other capital reserves	582,931.25			<b>582,931.25</b>
<b>Total</b>	<b>503,564,939.20</b>	<b>1,449,072,276.47</b>		<b>1,952,637,215.67</b>

## 39. Special reserves

### Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		28,166,388.42	28,166,388.42	
<b>Total</b>		<b>28,166,388.42</b>	<b>28,166,388.42</b>	

### Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Safe production fees		11,299,462.64	11,299,462.64	
<b>Total</b>		<b>11,299,462.64</b>	<b>11,299,462.64</b>	

## 40. Surplus reserves

### Current Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	435,312,069.87			<b>435,312,069.87</b>
Discretionary surplus reserves	18,582,196.43			<b>18,582,196.43</b>
<b>Total</b>	<b>453,894,266.30</b>			<b>453,894,266.30</b>

### Last Year

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	424,890,084.65	10,421,985.22		<b>435,312,069.87</b>
Discretionary surplus reserves	18,582,196.43			<b>18,582,196.43</b>
<b>Total</b>	<b>443,472,281.08</b>	<b>10,421,985.22</b>		<b>453,894,266.30</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 41. Undistributed profits

### Current Year

Items	Amounts	Appropriation (%)
<b>Ending balance of Last year</b>	2,450,706,441.59	
Add: Beginning retained earnings adjustment		
Including: Retrospective adjustment according to new accounting standards		
Changes in accounting policies		
Corrections of Prior Period Error		
Change of consolidation scope under common control		
Other adjustments		
<b>Beginning Balance of Current Year</b>	2,450,706,441.59	
Add: Net profit attributable to the Company of Current Year	-1,810,384,298.20	
Less: Provision of statutory surplus reserve		
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable		
Capitalized ordinary share dividend		
<b>Ending Balance of Current Year</b>	640,322,143.39	

### Last Year

Items	Amounts	Appropriation (%)
<b>Ending Balance of Last Year</b>	2,367,213,921.15	
Add: Beginning retained earnings adjustment		
Including: Retrospective adjustment according to new accounting standards		
Changes in accounting policies		
Corrections of Prior Period Errors		
Change of consolidation scope under common control		
Other adjustments		
<b>Beginning Balance of Current Year</b>	2,367,213,921.15	
Add: Net profit attributable to the Company of Current Year	104,219,852.17	
Less: Provision of statutory surplus reserve	10,421,985.22	10
Provision of discretionary surplus reserve		
Provision of general risk reserve		
Ordinary share dividend payable	10,305,346.51	
Capitalized ordinary share dividend		
<b>Ending Balance of Current Year</b>	2,450,706,441.59	

## 42. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	15,272,079,079.92	16,759,398,283.11
Less: current liabilities	10,847,250,264.84	10,242,027,156.67
<b>Net current assets</b>	<b>4,424,828,815.08</b>	6,517,371,126.44

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 43. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	22,821,271,604.42	18,582,147,084.10
Less: current liabilities	10,847,250,264.84	10,242,027,156.67
<b>Total assets less current liabilities</b>	<b>11,974,021,339.58</b>	8,340,119,927.43

## 44. Loans

Details of the borrowings of the Group are as follows:

Items	Ending Balance	Beginning Balance
Short-term loans	1,117,000,000.00	1,133,653,446.88
Non-current assets due within 1 year	549,000,000.00	1,276,705,757.83
Long-term loans	2,720,500,000.00	1,868,071,388.68
<b>Total</b>	<b>4,386,500,000.00</b>	4,278,430,593.39

### (1) Analysis

Items	Ending Balance	Beginning Balance
Bank loans		
– Bank loans due within 5 years	3,286,500,000.00	3,678,430,593.39
– Bank loans due after 5 years		
Other loans		
– Other loans due within 5 years	1,100,000,000.00	600,000,000.00
– Other loans due after 5 years		
<b>Total</b>	<b>4,386,500,000.00</b>	4,278,430,593.39

### (2) Due date analysis

Items	Ending Balance	Beginning Balance
On demand or within 1 year	1,666,000,000.00	2,410,359,204.71
1-2 years	2,090,500,000.00	1,191,071,388.68
2-5 years	630,000,000.00	677,000,000.00
Over 5 years		
<b>Total</b>	<b>4,386,500,000.00</b>	4,278,430,593.39

## 45. Operating income & Operating cost

Items	Current Year	Last Year
Main operating income	10,243,889,894.77	6,569,366,388.99
Other operating income	248,362,612.61	313,317,688.93
<b>Total</b>	<b>10,492,252,507.38</b>	6,882,684,077.92
Main operating cost	10,749,365,822.91	6,841,836,200.92
Other operating cost	216,613,295.28	275,775,403.75
<b>Total</b>	<b>10,965,979,118.19</b>	7,117,611,604.67

# NOTES TO THE FINANCIAL STATEMENTS

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(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## Gross profit

Items	Current Year	Last Year
Main operating income	10,243,889,894.77	6,569,366,388.99
Main operating cost	10,749,365,822.91	6,841,836,200.92
<b>Gross profit</b>	<b>-505,475,928.14</b>	<b>-272,469,811.93</b>

## Revenue from building contracts

Items	Current Year	Last Year
Revenue from building contracts	9,993,589,065.17	6,083,896,881.37

### (1) Main operating income – by products

Items	Current Year	Last Year
<b>Operating income</b>		
Shipbuilding	9,993,589,065.17	6,083,896,881.37
Steel Structure Engineering	3,482,756.37	87,011,652.85
Mechanical and electrical products and others	246,818,073.23	398,457,854.77
<b>Total</b>	<b>10,243,889,894.77</b>	<b>6,569,366,388.99</b>
<b>Operating cost</b>		
Shipbuilding	10,513,749,165.14	6,352,410,639.48
Steel Structure Engineering	351,340.10	92,385,335.15
Mechanical and electrical products and others	235,265,317.67	397,040,226.29
<b>Total</b>	<b>10,749,365,822.91</b>	<b>6,841,836,200.92</b>

### (2) Main operating income – by regions

Region	Current Year	Last Year
<b>Operating income</b>		
China (including Hong Kong, Macau and Taiwan)	5,189,064,371.90	3,473,238,372.80
Other regions in Asia	488,692,917.25	418,822,058.50
Europe	4,190,249,720.65	2,511,699,539.77
Oceania	375,882,884.97	19,820,788.75
North America		108,576,830.26
Africa		37,208,798.91
<b>Total</b>	<b>10,243,889,894.77</b>	<b>6,569,366,388.99</b>
<b>Operating cost</b>		
China (including Hong Kong, Macau and Taiwan)	5,334,410,303.44	3,488,223,512.40
Other regions in Asia	688,613,840.80	485,659,612.17
Europe	4,272,556,673.63	2,704,888,804.28
Oceania	453,785,005.04	19,820,788.75
North America		109,604,679.01
Africa		33,638,804.31
<b>Total</b>	<b>10,749,365,822.91</b>	<b>6,841,836,200.92</b>

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

### (3) Other operating Income and other operating cost

Items	Current Year	Last Year
<b>Other operating income</b>		
Sales of materials	181,551,909.11	218,462,455.21
Sales of scrap materials	20,457,574.26	20,672,851.70
Service income	19,816,346.67	21,726,290.85
Rental income	18,853,742.76	20,061,702.54
Energy income	7,683,039.81	22,295,488.63
Gain from disposal of investment property		10,098,900.00
<b>Total</b>	<b>248,362,612.61</b>	<b>313,317,688.93</b>
<b>Other operating cost</b>		
Sales of materials	181,401,454.35	212,860,533.42
Sales of scrap materials	9,778,530.65	14,094,163.79
Service income	12,419,105.46	12,887,876.68
Rental income	6,236,188.72	7,113,074.56
Energy income	6,778,016.10	23,119,811.69
Cost of disposal of investment property		5,699,943.61
<b>Total</b>	<b>216,613,295.28</b>	<b>275,775,403.75</b>

### (4) Contract Revenue

Items	Total amount	Accumulated cost	Accumulated gross margin	Amounts settled	Falling price reserves provided
Fixed price contracts					
Total contracts					
under construction	30,648,890,485.14	8,394,429,633.43	-570,618,894.58	10,192,181,839.77	816,469,963.04
Including: Contracts under construction which are expected to incur loss at the end of the period					
50,000 ton series (tankers for product oil/chemicals)	6,184,772,891.28	4,615,913,534.82	-763,974,554.00	2,983,628,827.94	195,544,564.33
Ro-ro passenger ships	2,440,379,796.41	86,099,636.91	-266,975.54	1,171,799,000.00	4,424,039.07
250,000 ton series (tankers for product oil/chemicals)	3,274,067,855.71	1,214,649,480.74	-310,206,883.59	813,593,516.31	126,243,747.83
115,000 ton series (tankers for product oil/chemicals)	3,312,108,878.75	2,118,915,615.52	-525,655,555.38	1,388,994,776.65	490,257,611.81

As the shipbuilding market is still in the trough period and ship price is at a low level, as well as the estimated total cost increase because of the delay of the shipbuilding schedule for various reasons such as improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, the strict periodic inspection by ship owners, and the lower willingness for taking over the ships, the estimated total cost exceeds the estimated total revenue for some ship contracts of the Group, resulting in an estimated loss.

### (5) Operating income from top 5 clients

Client	Amount	% of the total main operating revenue
Client 1	3,355,327,995.51	32.75%
Client 2	1,598,671,215.59	15.61%
Client 3	1,135,820,678.10	11.09%
Client 4	907,772,261.67	8.86%
Client 5	804,094,442.32	7.85%
<b>Total</b>	<b>7,801,686,593.19</b>	<b>76.16%</b>

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## 46. Business tax and surcharges

Items	Current Year	Last Year
Business Tax	1,197,986.01	2,769,474.38
City Maintenance and Construction Tax	817,104.18	805,653.51
Education Surcharge	583,645.83	575,467.47
<b>Total</b>	<b>2,598,736.02</b>	<b>4,150,595.36</b>

## 47. Selling Expense

Items	Current Year	Last Year
Ship maintenance fee	64,759,403.19	29,941,032.61
Consignment fee	2,332,784.25	2,959,175.68
Business Expenditure	1,107,323.41	1,055,183.49
Advertisement	852,925.92	760,813.65
Exhibition	1,985,742.05	771,237.09
Other selling expenses	1,000.00	522,511.72
<b>Total</b>	<b>71,039,178.82</b>	<b>36,009,954.24</b>

## 48. Administration Expense

Items	Current Year	Last Year
Salaries	85,173,387.69	80,767,274.14
Research and development fee	184,697,111.51	169,260,334.68
Repairing expenses	37,136,021.95	35,560,174.25
Taxation	11,204,320.10	19,123,649.93
Depreciation	6,250,714.92	9,711,831.54
Amortization of intangible assets	5,178,517.42	5,912,625.27
Labor transfer fees	9,126,688.49	7,821,399.55
Business entertainment expense	1,974,131.89	1,857,763.95
Travelling expense	2,203,606.42	2,106,098.33
Security expense	7,977,784.18	3,271,712.75
Agency fee	1,413,540.54	31,390,952.05
Board meeting fee	12,130,823.79	7,127,484.36
Water supply and electricity expense	3,423,657.46	3,299,632.08
Office supply	782,564.14	804,527.55
Rental expense	1,294,387.66	–
Insurance expense	486,772.69	351,396.49
Environmental protection fee	4,763,067.53	2,351,835.07
Others	24,917,680.55	19,312,699.88
<b>Total</b>	<b>400,134,778.93</b>	<b>400,031,391.87</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 49. Financial Expenses

### (1) Financial expenses category

Items	Current Year	Last Year
Interest expenditure	168,613,392.07	118,539,077.19
Less: Interest income	137,484,575.30	171,373,501.02
Add: Exchange loss	79,927,403.76	-29,875,878.28
Add: Other expenditure	7,062,705.98	4,319,494.10
<b>Total</b>	<b>118,118,926.51</b>	<b>-78,390,808.01</b>

### (2) Interest expenditure category

Items	Current Year	Last Year
Interests from bank loans and overdraft		
Interests from bank loans due within 5 years	130,649,017.09	85,707,690.52
Interests from bank loans due after 5 years		
Subtotal	130,649,017.09	85,707,690.52
Other borrowings		
Interests from other borrowings due within 5 years	37,964,374.98	32,831,386.67
Interests from other borrowings due after 5 years		
Subtotal	37,964,374.98	32,831,386.67
Less: Capitalized interest		
<b>Total</b>	<b>168,613,392.07</b>	<b>118,539,077.19</b>

### (3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	137,484,575.30	171,373,501.02
<b>Total</b>	<b>137,484,575.30</b>	<b>171,373,501.02</b>

## 50. Assets impairment losses

Items	Current Year	Last Year
Bad debts	13,563,424.93	-108,536.54
Loss from inventory devaluation	547,379,696.86	334,019,398.28
<b>Total</b>	<b>560,943,121.79</b>	<b>333,910,861.74</b>

## 51. Gain or loss on changes in fair value

Items	Current Year	Last Year
Financial assets at fair value through profit or loss	24,813,946.93	-56,202,089.04
Financial liabilities at fair value through profit or loss	-150,276,474.20	-55,734,758.74
<b>Total</b>	<b>-125,462,527.27</b>	<b>-111,936,847.78</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 52. Investment income

Items	Current Year	Last Year
From long-term equity investment under equity method	87,687.51	896,322.83
From long-term equity investment under cost method		
From disposal of financial assets at fair value through profit and loss	-60,932,319.55	29,022,405.27
From disposal of available-for-sale financial assets		30,890,440.93
From disposal of long-term equity investment		326,923,305.12
<b>Total</b>	<b>-60,844,632.04</b>	<b>387,732,474.15</b>

The income from on investment in non-listed companies for the year is RMB-60,844,632.04.

## 53. Non-operating Income

### (1) Non-operating Income

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the period
Gain on disposal of non-current assets	201,760.23	594.97	201,760.23
In which: gain on disposal of fixed assets	201,760.23	594.97	201,760.23
Government grants	138,424,718.83	212,004,847.32	66,000,133.42
Penalty income	55,400.00	141,330.00	55,400.00
Compensation income	410,000.00	673,099.08	410,000.00
Compensation for production loss		560,000,000.00	
Others	1,347,828.40	1,209,201.06	1,347,828.40
<b>Total</b>	<b>140,439,707.46</b>	<b>774,029,072.43</b>	<b>68,015,122.05</b>

The amount included in non-recurring profit and loss for current year is RMB68,015,122.05 (Last year: RMB612,000,852.81).

### (2) Government grants category

Items	Current Year	Last Year	Source and basis	Related with assets/income
Product subsidy	72,424,585.41	162,028,814.59	National Funding	Related to income
Shipbuilding technology research	16,981,842.95	10,612,014.15	National Funding	Related to income
76,000 tons of semi submerged ship design and construction technology R&D and industrialization	28,000,000.00	10,000,000.00	National Funding	Related to income
Research of key technologies for polar deck ships	9,900,000.00		NDRC	
Others	11,118,290.47	29,364,018.58	MIT	Relating to income
			National Funding	
<b>Total</b>	<b>138,424,718.83</b>	<b>212,004,847.32</b>		

## 54. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for Current Year
Loss on disposal of non-current assets	500,651.89	120,498.07	500,651.89
Including: Loss on disposal of fixed assets	500,651.89	120,498.07	500,651.89
Others	47,519.04	10,000.00	47,519.04
<b>Total</b>	<b>548,170.93</b>	<b>130,498.07</b>	<b>548,170.93</b>

The amount included in non-operating gains or losses for Current Year is RMB548,170.93 (Last Year: RMB130,498.07).



# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 55. Income tax expenses

### (1) Income tax expenses

Items	Current Year	Last Year
Current income tax – China Corporate Income Tax		84,456,274.64
1. China		84,471,034.30
2. Over-provision/Under-provision for previous years	-4,594,548.07	-14,759.66
Deferred income tax	142,001,870.61	-69,621,448.03
<b>Total</b>	<b>137,407,322.54</b>	14,834,826.61

### (2) The reconciliation sheet between current income tax and total profit

Income tax expenses calculation is based on the total profit in the consolidated income statement and the applicable tax rates:

Items	Current Year	Last Year
Total consolidated profit for the year	-1,672,976,975.66	119,054,678.78
Income tax calculated at statutory/applicable tax rate	-250,946,546.35	17,858,201.82
Impact from different tax applicable for subsidiaries		
Impact from adjustment to income tax in prior periods	143,899,707.51	
Effect from non-taxable income	13,153.13	
Impact from non-deductible costs, fees and losses	190,208.26	147,584.30
Impact from utilization of deductible losses of unrecognized deferred income tax assets in prior periods		
Impact from deductible temporary differences or losses of unrecognized deferred income tax assets in the year	256,845,348.06	-3,156,199.85
Less than accrued income tax of Last Year	-4,594,548.07	-14,759.66
Tax rates effect on the balance changes of deferred income tax assets/liabilities	-8,000,000.00	
Income tax expenses	137,407,322.54	14,834,826.61

## 56. Depreciation and amortization

Items	Current Year	Last Year
Depreciation of investment properties	628,712.16	690,021.09
Depreciation of fixed assets	52,952,377.16	80,148,723.14
Amortization of intangible assets	5,178,517.42	6,185,337.85
<b>Total</b>	<b>58,759,606.74</b>	87,024,082.08

## 57. Gain (or loss) from disposal of investment or property

None.

## 58. Operating rentals expenditure

Operating rentals expenditure for the Current Year is RMB6,236,188.72 (Last Year: RMB11,152,481.22).

## 59. Rental income

Rental income for the year is RMB18,853,742.76 (Last Year: RMB20,061,702.54), including rental income from land and buildings of RMB7,319,355.78 (Last Year: RMB9,390,171.30).

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 60. Other comprehensive income

Item	Current year	Last year
1. Gains or losses from available-for-sale financial assets		21,666,005.09
Less: Tax effects of available-for-sale financial assets		3,249,900.76
Net amounts previously included in other comprehensive income and transferred to profit or loss for the period		9,585,234.18
<b>Total</b>		<b>8,830,870.15</b>

## 61. Supplemental information on income statement of the Company

Expenses (including operating expense, selling expense, administrative expenses) are listed by nature as below:

Items	Current Year	Last Year
Raw material consumed	6,150,265,919.70	4,400,331,439.22
Salaries expense	859,218,686.62	707,477,564.77
Depreciation expense	53,581,089.32	93,098,742.42
Amortization	5,178,517.42	6,185,337.85
Product specific fee	4,208,250,474.78	2,094,139,734.53
Power cost	46,506,128.90	62,251,671.52
Taxes and surcharges	11,204,320.10	19,123,649.93
Others	102,947,939.10	170,562,413.66
<b>Total</b>	<b>11,437,153,075.94</b>	<b>7,553,170,553.90</b>

## 62. Notes to items in cash flow statement

### (1) Other cash receipts or payments from operating activities, investing activities and financing activities

#### 1) Other cash receipts from operating activities

Items	Current Year	Last Year
Received product subsidy	178,673,400.00	55,780,000.00
Government subsidies	62,090,000.00	97,829,302.79
Compensation for production reduction		560,000,000.00
Other non-operating income	6,794,821.74	4,358,512.76
Interest income from demand bank deposit	11,318,087.02	
Receipt of repayment of entrusted loans by Zhongshan Haiyang	440,000,000.00	
Receipt of repayment of entrusted loans by GSI	122,750,000.00	
Other current account	971,441,864.76	
<b>Total</b>	<b>1,793,068,173.52</b>	<b>717,967,815.55</b>

#### 2) Other cash payments from operating activities

Items	Current Year	Last Year
Administrative expense	108,567,792.49	25,377,938.11
Operation expense	3,273,524.43	974,915.23
Maintenance expense	25,845,091.07	23,647,336.46
Payment of other current accounts	134,723,394.26	175,797,474.60
Bank handling fees	8,897,050.45	4,234,212.86
Payment of production preparation fees for GSI		3,000,000,000.00
<b>Total</b>	<b>281,306,852.70</b>	<b>3,230,031,877.26</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

3) *Other Cash receipts from investing activities*

<b>Items</b>	<b>Current Year</b>	<b>Last Year</b>
Fixed deposit pledge resolution	<b>3,092,052,909.79</b>	1,469,783,137.57
Interest income from fixed deposit	<b>180,777,819.54</b>	151,532,359.35
<b>Total</b>	<b>3,272,830,729.33</b>	1,621,315,496.92

4) *Cash payments from investment activities*

<b>Items</b>	<b>Current Year</b>	<b>Last Year</b>
Fixed deposit pledge	<b>859,523,000.00</b>	2,125,318,328.75
Payment for advances to subsidiaries	<b>667,500,000.00</b>	
<b>Total</b>	<b>1,527,023,000.00</b>	2,125,318,328.75

5) *Other cash receipts relating to financing activities*

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
State subsidy	<b>170,000,000.00</b>	
<b>Total</b>	<b>170,000,000.00</b>	

6) *Other cash payments relating to financing activities*

<b>Item</b>	<b>Current year</b>	<b>Last year</b>
Issuance fees and relevant cost for Qihang Project	<b>3,547,126.33</b>	
<b>Total</b>	<b>3,547,126.33</b>	

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## (2) Supplemental information on cash flow statement of the Company

Items	Current Year	Last Year
<b>1. Reconciliation of not profit to cash flows from operating activities:</b>		
Net profit	-1,810,384,298.20	104,219,852.17
Add: Provision for impairment	560,943,121.79	333,910,861.74
Fixed assets depreciation	53,581,089.32	80,838,744.23
Intangible assets amortization	5,178,517.42	6,185,337.85
Long-term unamortized assets amortization	3,338,607.25	1,403,828.43
Loss from disposal of Fixed assets, Intangible assets and other long-term assets (gain marked "-")	298,891.66	
Loss from scrapped of Fixed assets (gain marked "-")		119,903.10
Loss on changes in fair value (gain marked "-")	125,462,527.27	111,936,847.78
Finance costs (gain marked "-")	67,096,450.89	-99,386,438.67
Investment loss (gain marked "-")	60,844,632.04	-387,732,474.15
Decrease in deferred tax assets (increase marked "-")	143,953,069.82	-59,619,134.68
Increase in deferred tax liabilities (decrease marked "-")	-1,951,199.21	-8,443,924.51
Decrease in inventories (increase marked "-")	-1,798,709,951.6	-1,393,495,293.97
Decrease in operating receivables (increase marked "-")	-137,674,403.40	-4,141,890,993.73
Increase in operating payables (decrease marked "-")	1,676,173,123.19	2,502,759,243.86
Others		
Net cash flow from operating activities	-1,051,849,821.76	-2,949,193,640.55
<b>2. Investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion from debt to capital		
Convertible bonds due within 1 year		
Fixed assets under finance lease		
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance	2,724,187,025.99	3,702,545,149.25
Less: Beginning balance	3,702,545,149.25	3,642,373,050.61
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-978,358,123.26	60,172,098.64

## (3) Cash and cash equivalents

Items	Current Year	Last Year
Cash	2,724,187,025.99	3,702,545,149.25
Including: Cash on hand	42,887.07	52,919.87
Bank deposit available-for-use	2,724,089,083.49	3,702,377,814.04
Other cash fund available-for-use	55,055.43	114,415.34
Deposits in central bank available-for-use		
Deposits in other banks		
Replacement in other banks		
Cash equivalents		
Including: Bond investment due within 3 months		
Ending Balance of cash and cash equivalents	2,724,187,025.99	3,702,545,149.25
Including: restricted cash and cash equivalents available-for-use to Parent Company or Subsidiaries		

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were issued with the approval of the board of the directors of the Company on 24 March 2016.

### Supplemental information on financial statements

#### 1. Statement of non-operating profit and loss

According to the No. 1 Notice on publicly listed company financial information disclosure – Non-operating gains and losses (2008), issued by China Securities Regulatory Commission, the non-operating gains and losses are disclosed as below:

Items	Current Year	Explanation
Gains and losses from disposal of non-current assets	-3,211,071.04	
Casual tax rebate or tax exemption with ultra vires or without formal approval		
Government grants expensed	192,692,782.78	
Funds usage fees from non-financial institutions expense		
Gains from the investment lower than the fair value of net identifiable assets of investees during the process of acquiring subsidiaries, joint ventures and associate		
Gains and losses from non-monetary assets exchange		
Gains and losses from commissioned investment or assets management	34,828,675.78	
Force majeure, provision for impairment of assets due to natural disaster		
Gains and losses from debt restructuring		
Corporate restructuring expenditures		
Gains and losses from the non-arm's length transactions		
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date	-36,332,145.48	
Gains and losses from non-operating business contingencies		
Gains and losses on changes in fair value from Financial assets/liabilities held-for-trading; and Realized gain on disposal of Financial assets/liabilities held-for-trading, Financial assets available-for-use, except for the operation related hedging transactions	-196,831,173.89	
Reversals of provision for impairment reserves from receivables with individual impairment test		
Reversals of provision for impairment reserves from receivables with individual impairment test		
Gains and losses on changes in fair value, arisen from subsequent measurement of Investment property using fair value model		
The impact of one-time adjustment of current profit and loss, according to the laws and regulations of taxation or accounting		
Trustee fee income from entrusted operation		
Other non-operating income and expense except for the above items	4,617,023.08	
Other non-operating profit and loss items	2,054,974,131.69	Note
<b>Subtotal</b>	<b>2,050,738,222.92</b>	
Income tax impact	331,974,568.03	
Impact on non-controlling shareholder's equity (after-tax)	805,077.83	
<b>Total</b>	<b>1,717,958,577.06</b>	

Note: mainly from the income from disposal of subsidiaries of RMB2,054,974,131.69.

#### 2. Return on net assets and earnings per share

Reported profit	Weighted average return on net assets (%)		Earnings per share			
			Basic EPS		Diluted EPS	
	2015	2014	2015	2014	2015	2014
Net profit attributable to the parent company	0.99	4.46	0.0709	0.3253	0.0709	0.3253
Net profit attributable to the parent company, net of non-operating gains and loss	-17.86	-11.30	-1.2291	-0.6487	-1.2291	-0.6487

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

## 3. Abnormal issues and explanations

Assets	Note	Ending balance	Beginning balance	Change	Percentage of change
Accounts receivable	Note 1	<b>1,709,967,395.06</b>	718,056,504.75	991,910,890.31	138.14%
Other receivables	Note 2	<b>694,376,182.24</b>	328,144,005.96	366,232,176.28	111.61%
Other current assets	Note 3	<b>845,000,000.00</b>	50,500,000.00	794,500,000.00	1573.27%
Available-for-sale financial assets	Note 4	<b>19,268,341.89</b>	14,426,737.16	4,841,604.73	33.56%
Deferred tax assets	Note 5	<b>477,364,386.52</b>	733,657,109.09	-256,292,722.57	-34.93%
Other non-current assets	Note 6	<b>300,000,000.00</b>	505,000,000.00	-205,000,000.00	-40.59%

Note 1: Accounts receivable increased by 138.14%, mainly due to the increase in ship-related receivables;

Note 2: Other receivables increased by 111.61%, mainly due to the increase in the consideration receivable for the disposal of equity interest in Guangzhou Shipyard Shipping, a subsidiary of the Company;

Note 3: Other current assets increased by 1,573.27%, mainly due to the increase in wealth management products purchased by Huangpu Wenchong, a subsidiary of the Company;

Note 4: Available-for-sale financial assets increased by 33.56%, mainly due to the increase in available-for-sale financial assets measured at cost;

Note 5: Deferred tax assets decreased by 34.93%, mainly due to the reversal of deferred tax assets recognised in respect of deductible temporary differences and deductible loss;

Note 6: Other non-current assets decreased by 40.59%, mainly due to the reclassification of wealth management products purchased by Huangpu Wenchong, a subsidiary of the Company, to other non-current assets based on the time length of holding such assets;

Liabilities and equity	Note	Ending balance	Beginning balance	Change	Percentage of change
Financial liabilities at fair value through profit or loss	Note 7	<b>181,241,917.70</b>	56,475,710.29	124,766,207.41	220.92%
Advances from customers	Note 8	<b>627,518,169.05</b>	1,173,880,958.53	-546,362,789.48	-46.54%
Taxation payable	Note 9	<b>-1,122,743,774.34</b>	-311,783,190.54	-810,960,583.80	-260.10%
Interest payable	Note 10	<b>21,533,573.71</b>	46,368,757.24	-24,835,183.53	-53.56%
Dividend payable	Note 11	<b>256,103,771.17</b>	177,721.77	255,926,049.40	144003.77%
Share capital	Note 12	<b>1,413,506,378.00</b>	1,030,534,651.00	382,971,727.00	37.16%

Note 7: Financial liabilities at fair value through profit or loss increased by 220.92%, mainly due to the Group's recognition of loss on change in fair value of forward foreign exchange contracts as a result of the depreciation of Renminbi.

Note 8: Advances from customers decreased by 46.54%, mainly due to the decrease in advances for non-shipbuilding business;

Note 9: Taxation and expenses payable decreased by 260.10%, mainly due to the increase in input tax;

Note 10: Interest payable decreased by 53.56%, mainly due to the decrease in interest rate of loans and in the average balance of loans;

Note 11: Dividend payable increased by 144,003.77%, mainly due to the fact that profit and loss of Huangpu Wenchong during its delivery period shall be enjoyed and assumed by its former shareholder CSSC according to the acquisition agreement and such dividend has yet to be paid;

Note 12: Share capital increased by 37.16%, mainly due to private placement of shares;

# NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2015 to 31 December 2015

(Unless otherwise stated, all amounts in the notes to these financial statements are expressed in Renminbi)

Income/expense	Note	Current year	Last year	Change	Percentage of change
Selling expenses	Note 12	<b>210,814,276.68</b>	94,550,943.28	116,263,333.40	122.96%
Finance costs	Note 13	<b>336,489,851.01</b>	29,569,154.39	306,920,696.62	1037.98%
Impairment loss in respect of assets	Note 14	<b>391,283,454.14</b>	50,499,974.86	340,783,479.28	674.82%
Gain on change in fair value	Note 15	<b>-129,608,691.45</b>	-214,469,412.26	84,860,720.81	39.57%
Investment income	Note 16	<b>2,034,308,125.58</b>	504,809,584.21	1,529,498,541.37	302.99%
Non-operating income	Note 17	<b>289,796,380.33</b>	977,057,653.80	-687,261,273.47	-70.34%
Income tax expenses	Note 18	<b>365,814,179.00</b>	-48,275,306.82	414,089,485.82	857.77%
Other comprehensive income	Note 19	<b>-14,881,889.67</b>	-40,074,759.82	25,192,870.15	62.86%

Note 13: Selling expenses increased by 122.96% from last year, mainly due to the increase in shipbuilding income, provision made for maintenance fee according to the progress and increase in the write-back of ship maintenance fee for subsidiaries' ships expiring maintenance period in last year;

Note 14: Finance cost increased by 1,037.98% from last year, mainly due to the decrease in interest income as a result of the decrease in deposit interest rate from last year, as well as the increase in exchange losses as a result of fluctuations in exchange rate;

Note 15: Impairment loss in respect of assets increased by 674.82% from last year, mainly because the shipbuilding market is still in the trough period and ship price is at a low level, as well as the estimated total cost increase because of the delay of the shipbuilding schedule for various reasons such as improvement of the construction standard resulted from changes of demand-supply relationship in the shipbuilding market, the strict periodic inspection by ship owners, and the lower willingness for taking over the ships, resulting in increase in total contract costs and impairment loss in respect of assets;

Note 16: Gain on change in fair value increased by RMB85 million from last year, mainly due to the increase in gain on change in fair value of forward exchange contracts as a result of the increase in forward exchange rate of US dollars;

Note 17: Investment income increased by 302.99% from last year, mainly due to the increase in income from disposal of equity interest in Guangzhou Shipyard Shipping;

Note 18: Non-operating income decreased by 70.34% from last year, mainly due to the compensation for production loss received for disposal of equity interest in Guangzhou Shipyard Industrial in last year;

Note 19: Income tax expenses increased by RMB414 million from last year, mainly due to the reversal of deferred tax assets;

Note 20: Other comprehensive income increased by RMB25 million from last year, mainly due to the recognition by Huangpu Wenchong, a subsidiary of the Company, of costs of "three kinds of personnel" (retire, retired and retreated) according to the actuarial report provided by Towers Watson Consult Company which include the actuarial gains arising from change in financial assumptions (i.e. discount rate) in other comprehensive income.

**CSSC Offshore & Marine Engineering (Group) Company Limited**

24 March 2016