

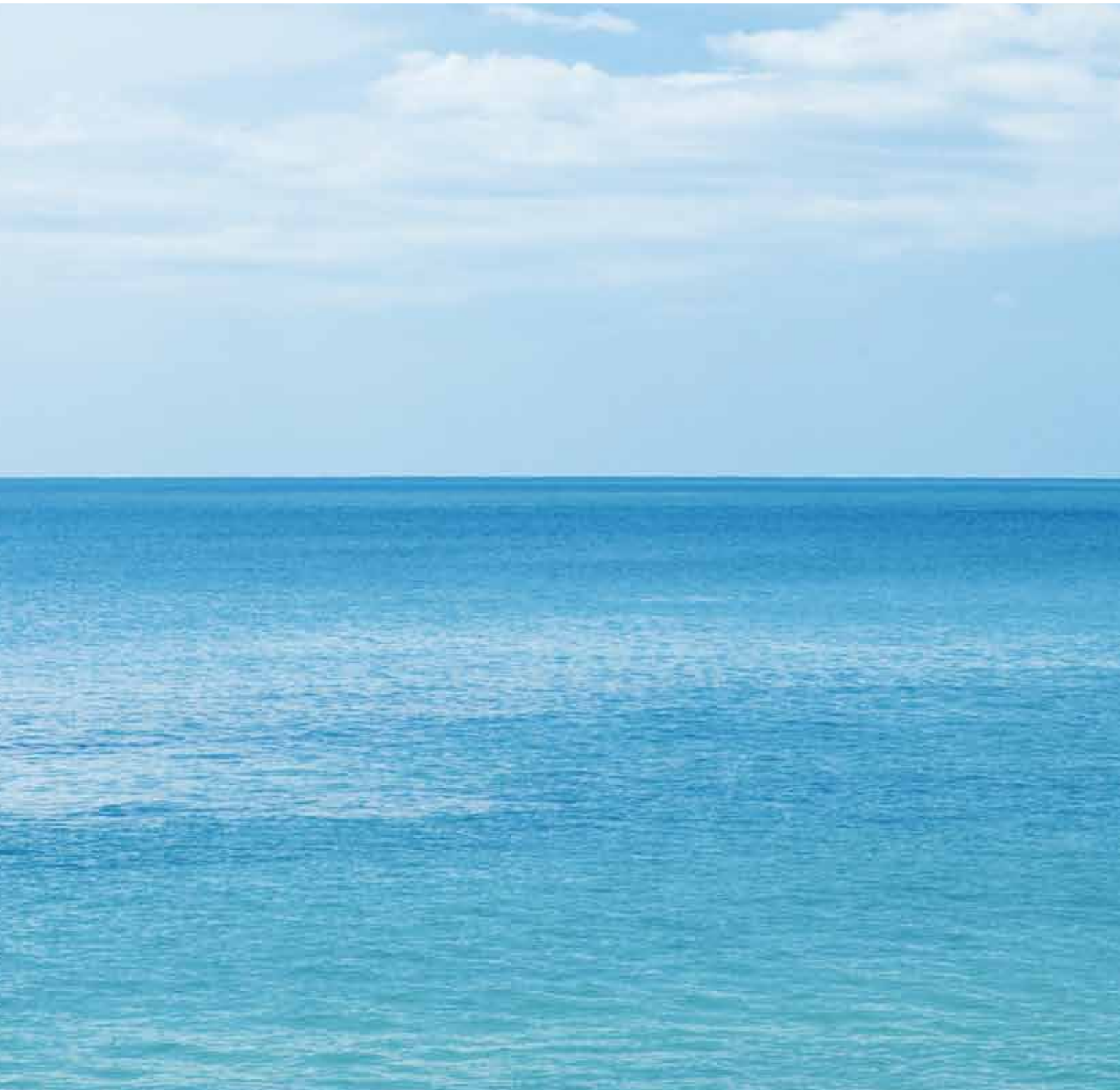


中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

H Stock Code: 00317 A Stock Code: 600685

Interim Report 2016



IMPORTANT NOTES

1. The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”), the directors (the “Directors”), Supervisors and senior management of CSSC Offshore & Marine Engineering (Group) Company Limited (“COMEC” or the “Company”) warrant that there are no false statements, misleading information or material omissions in the interim report for 2016 (the “Report”) and are jointly and severally responsible for the truthfulness, accuracy and completeness of the contents of the Report.
2. All Directors of the Company attended the 31st meeting of the eighth session of the Board held on 30 August 2016, of which Mr. Chen Ji, executive Director, and Mr. Wang Guozhong, non-executive Director, appointed Mr. Han Guangde, executive Director, to attend and vote at the meeting on their behalf, Mr. Yang Li, non-executive Director, appointed Mr. Xiang Huiming, executive Director, to attend and vote at the meeting on his behalf, and Mr. Min Weiguo, independent non-executive Director, appointed Mr. Wang Yichu, independent non-executive Director, to attend and vote at the meeting on his behalf. The Report was unanimously approved at the meeting.
3. The interim report of the Company is unaudited.
4. Mr. Han Guangde, the legal representative of the Company, Mr. Chen Qiongliang, the person in charge of accounting, and Ms. Xie Weihong, head of accounting department, guarantee the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
5. The Company would not make profit distribution or issue new bonus shares by conversion of capital reserve for the first half of 2016.
6. None of the controlling shareholders of the Company or its associates had misappropriated the Company's funds.
7. There was no external guarantee provided in violation of any specified decision-making procedures.
8. The financial statements in the Report were prepared under the PRC Accounting Standards for Business Enterprises and Relevant Regulations (“Accountant Standards and Regulations”), and had been reviewed and confirmed by the Audit Committee under the Board.
9. The Report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.
10. The Report was prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

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I. DEFINITIONS

Unless otherwise stated in context, the following terms should have the following meanings in the report:

Definitions of frequently used terms

DWT (deadweight tonnage)	deadweight capacity with ton as unit
CSSC	China State Shipbuilding Corporation, controlling shareholder of the Company
Company or COMEC	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 controlled 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
Wenchong Heavy Industrial	Guangzhou Wenchong Heavy Industrial Co., Ltd., a subsidiary of Wenchong Shipyard
Zhongshan GSI	Zhongshan GSI Marine Engineering Company Limited, a wholly-owned subsidiary of GSI
United Steel	Guangzhou United Steel Structures Limited, a wholly-owned subsidiary of GSI
Guangchuan Large-scale Machinery	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd., a wholly-owned subsidiary of GSI
Guangli	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited, a wholly-owned subsidiary of GSI
Shanghai Lingxiang	Shanghai Lingxiang Equity Investment Co., Ltd., a subsidiary of CSSC Group as to 50%
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
Shanghai Stock Exchange	the 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., an indirect subsidiary of China State Shipbuilding Corporation
Chengxi Guangzhou	CSSC Chengxi Shipyard (Guangzhou) Company Limited, an indirect subsidiary of China State Shipbuilding Corporation
Baiyin Sanfeng	Baiyin Sanfeng Wenchuan Environmental Protection Power Generation Co., Ltd.

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHODS

Type	Secretary to the Board	Joint company secretary	Representative in charge of securities affairs
Name	Shi Weidong	Li Zhidong	Yu Wenbo
Contact address	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC
Telephone	020-81636688	020-81636688	020-81636688
Facsimile	020-81896411	020-81896411	020-81896411
E-mail	shiw@comec.cssc.net.cn	lizd@comec.cssc.net.cn	yuwb@comec.cssc.net.cn

III. BASIC INFORMATION

Registered address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC
Postal code of the registered address of the Company	510382
Office address of the Company	40 South Fangcun Main Road, Liwan District, Guangzhou City, PRC
Postal code of the office address of the Company	510382
Company's international internet website	comec.cssc.net.cn
E-mail	comec@comec.cssc.net.cn

IV. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

54/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

V. ACCOUNTING FIRM

Accounting firm	Name	Shinewing Certified Public Accountants (special general partnership)
	Office address	8/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing, the PRC

VI. LEGAL ADVISOR OF THE COMPANY

Legal advisor as to PRC laws	Name	SG&CO PRC Lawyers
	Office address	15/F, 21st Century Building, 210 Century Avenue, Lujiazui, Shanghai
Legal advisor as to Hong Kong laws	Name	Herbert Smith Freehills
	Office address	23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong

VII. CHANGE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Names of newspapers designated for information disclosure	Shanghai Securities News, China Securities Journal, Securities Times and Securities Daily
Website designated by CSRC for publishing interim reports	www.sse.com.cn
Place for inspection of interim reports of the Company	Office of the Board of Directors
Website of the Stock Exchange	www.hkexnews.hk

VIII. INFORMATION OF THE COMPANY'S SHARES

Type of shares	Place of listing of the shares	Stock Abbreviation	Stock code	Stock abbreviation before changes
A Shares	The Shanghai Stock Exchange	COMEC	600685	GSI
H Shares	The Stock Exchange of Hong Kong Limited	COMEC	00317	Guangzhou Ship

SECTION II CORPORATE PROFILE

IX. SHARE REGISTRAR AND TRANSFER OFFICE

Share registrar and transfer office for A shares	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
Share registrar and transfer office for H shares	Name	Hong Kong Registrars Limited
	Office address	17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

X. CUSTODIAN BANK FOR AMERICAN DEPOSIT RECEIPTS

The Bank of New York Mellon

SECTION III SUMMARY OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

I. KEY ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY

(i) Key accounting information

Unit: RMB

Key accounting information	Reporting Period (January-June)	Corresponding period of last year	Change (%)
Operating income	11,359,948,288.79	10,809,719,237.47	5.09
Net profit attributable to shareholders of the Company	37,072,739.65	-524,993,554.11	Not applicable
Net profit attributable to shareholders of the Company after deduction of exceptional items	-67,233,326.03	-589,332,813.80	Not applicable
Net cash flow from operating activities	-3,748,517,735.67	-3,498,657,736.99	Not applicable
	As at the end of the Reporting Period	As at the end of last year	Change (%)
Net assets attributable to shareholders of the Company	10,313,637,268.62	10,318,048,242.46	-0.04
Total assets	50,763,333,152.68	48,995,954,305.21	3.61

(ii) Key financial indicators

Key financial indicators	Reporting Period (January-June)	Corresponding period of last year	Change (%)
Basic earnings per share (RMB/share)	0.0262	-0.3866	Not applicable
Diluted earnings per share (RMB/share)	0.0262	-0.3866	Not applicable
Basic earnings per share after deduction of exceptional items (RMB/share)	-0.0476	-0.4823	Not applicable
Weighted average return on equity (%)	0.36	-5.71	Increase of 6.07 percentage points
Weighted average return on equity after deduction of exceptional items (%)	-0.65	-7.70	Increase of 7.05 percentage points

SECTION III SUMMARY OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

II. EXCEPTIONAL ITEMS AND THEIR AMOUNTS

Unit: RMB

Exceptional items	Amount
Gain or loss on disposal of non-current assets	22,609,773.51
Unauthorized or informal approval documents or one-off tax returns and exemptions on tax	-
Government subsidies included in current profit or loss, other than on-going government subsidies which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions	37,743,539.76
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	-
Gain or loss on exchange of non-monetary assets	-
Gain or loss on entrusted investments or asset management	29,277,064.59
Provision for impairment on assets due to force majeure events, such as natural disasters	-
Gain or loss on 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 or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control	-
Profit or loss from other contingencies which are not related to the Company's normal operations	-
Gains or losses on changes in fair value and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operations	17,649,025.69
Reversal of the provision for receivable impairment which was tested individually for impairment	-
Profit or loss from entrusted loans	-
Profit or loss arising from changes in fair value of investment property 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 income and expenses apart from above items	3,832,433.80
Other profit and loss items falling within the definition of extraordinary profit and loss	-
Effect of non-controlling interests	-322,890.58
Effect of income tax	-6,482,881.09
Total	104,306,065.68

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OVERALL OPERATION DURING THE REPORTING PERIOD

During the Reporting Period, the shipping market continued to be at a low point. The shipbuilding market showed no signs of strong recovery and the demand for new ships remained depressed. In response to the adverse impacts of the macroeconomic environment, the Group actively responded to challenges for development by carefully implementing the overall plan of ensuring steady growth, adjusting structure and preventing risks and further optimising its allocation of resources to areas including military products and civil products, strengthening management, lowering cost and improving efficiency so as to boost the results of operation of the Company.

During the Reporting Period, the Group secured new projects with contract value of RMB14,854 million, representing 50.7% of annual target; operating income of the Group prepared in accordance with the Accounting Standards and Regulations amounted to RMB11,360 million, representing an increase of 5.09% compared with the corresponding period of last year. Net profit attributable to the shareholders of the Company amounted to RMB37 million, turning into profit from loss. Earnings per share were RMB0.0262, and earnings per share after deduction of exceptional items were RMB-0.0476.

(i) Main businesses analysis

1. Analysis of changes in relevant items in the financial statements

Unit: RMB

Item	Reporting Period	Corresponding period of last year	Change (%)
Operating income	11,359,948,288.79	10,809,719,237.47	5.09
Operating cost	10,635,670,335.59	10,505,677,087.10	1.24
Selling expenses	100,032,415.61	77,145,661.29	29.67
Administrative expenses	595,934,762.38	603,455,675.24	-1.25
Finance costs	9,665,504.45	39,589,871.47	-75.59
Net cash flow from operating activities	-3,748,517,735.67	-3,498,657,736.99	Not applicable
Net cash flow from investment activities	-1,297,790,012.77	-652,263,549.02	Not applicable
Net cash flow from financing activities	4,738,591,512.43	2,351,461,445.40	101.52
Research and development expenditure	175,584,518.03	173,326,764.96	1.30

Analysis of changes in relevant items in balance sheet

Financial assets at fair value through profit or loss	1,928,068.11	13,063,411.11	-85.24
Accounts receivable	2,284,110,490.57	1,709,967,395.06	33.58
Other current assets	2,110,000,000.00	845,000,000.00	149.70
Long-term equity investments	48,721,494.05	78,062,223.23	-37.59
Other non-current assets	400,000,000.00	300,000,000.00	33.33
Short-term loans	9,405,840,118.77	6,746,671,403.20	39.41
Financial liabilities at fair value through profit or loss	20,822,888.30	181,241,917.70	-88.51
Employee benefits payable	152,103,347.90	35,838,830.14	324.41
Taxes payable	-1,634,697,438.25	-1,122,743,774.34	Not applicable
Interest payable	14,887,318.63	21,533,573.71	-30.86
Dividends payable	44,727,537.30	256,103,771.17	-82.54
Other payables	344,060,416.88	245,194,170.01	40.32
Non-current liabilities due within one year	5,181,200,000.00	1,777,500,000.00	191.49
Deferred income	55,701,591.71	260,320,055.21	-78.60
Deferred tax liabilities	747,213.57	2,310,530.93	-67.66

Reason for change in operating income: the structural difference in production.

Reason for change in operating cost: the structural difference in production.

Reason for change in selling expenses: mainly due to provision made for maintenance fee according to the progress with the increase in shipbuilding income during the period, and increase in the reversal of ship maintenance fee for subsidiaries' ships for which the maintenance period has expired during the corresponding period of last year.

Reason for change in administrative expenses: mainly due to the decrease in taxes.

SECTION IV REPORT OF THE BOARD

Reason for change in finance cost: mainly due to the increase in exchange gains arising from change in exchange rates.

Reason for change in net cash flow from operating activities: mainly due to the increase in payment as the production and business volume increased.

Reason for change in net cash flow from investing activities: mainly due to the increase in wealth management products during the period and the payment of consideration for acquisition of 15% equity interest in Huangpu Wenchong during the corresponding period of last year.

Reason for change in net cash flow from financing activities: mainly due to the increase in net borrowings.

Reason for change in research and development expenditure: the structural difference in research and development projects.

Reasons for changes in items in balance sheet:

Reason for change in financial assets at fair value through profit or loss: mainly due to the decrease in the value of outstanding forward exchange contracts as at the end of the period.

Reason for change in accounts receivable: mainly due to the increase in ship-related receivables.

Reason for change in other current assets: mainly due to the increase in entrusted wealth management products due within one year of Huangpu Wenchong and GSI, both subsidiaries of the Company.

Reason for change in long-term equity investments: mainly due to the disposal by Huangpu Wenchong, a subsidiary of the Company, of equity interest in Baiyin Sanfeng, a joint venture.

Reason for change in other non-current assets: mainly due to the increase in entrusted wealth management products of Huangpu Wenchong and GSI, both subsidiaries of the Company.

Reason for change in short-term borrowings: increase in borrowings denominated in USD.

Reason for change in financial liabilities at fair value through profit or loss: mainly due to the decrease in the value of outstanding forward exchange contracts as at the end of the period.

Reason for change in employee benefits payable: mainly due to the monthly provision of year-end bonus by subsidiaries.

Reason for change in taxes payable: mainly due to the increase in input tax during the period.

Reason for change in interest payable: mainly due to the decrease in interest rate of borrowings.

Reason for change in dividends payable: mainly due to the payment by Huangpu Wenchong, a subsidiary, of gain or loss attributable to original shareholders for the period before completion.

Reason for change in other payables: mainly due to the increase in deposit and business dealings of the Company during the period.

Reason for change in non-current liabilities due within one year: mainly due to the increase in long-term borrowings due within one year.

Reason for change in deferred income: mainly due to reclassification of items relating to assets.

Reason for change in deferred tax liabilities: mainly due to the decrease in financial assets at fair value through profit or loss during the period.

2. Others

(1) Details of the composition of the Company's profits or material changes of the sources of profits

Item	Reporting Period	Corresponding period of last year	Change (%)	Reason for change
Business tax and surcharges	11,239,441.71	8,389,291.14	33.97	Increase in turnover tax payable
Finance cost	9,665,504.45	39,589,871.47	-75.59	Increase in exchange gains arising from change in exchange rates
Loss on impairment of assets	75,346,825.42	230,127,890.25	-67.26	Decrease in expected contractual loss with continuous depreciation of Renminbi
Gain on change in fair value	149,283,686.40	52,317,853.55	185.34	Increase in gain on fair value of forward exchange contracts arising from change in exchange rates
Investment income	-74,790,875.31	7,925,146.08	-1,043.72	Increase in loss on completion of forward exchange contracts arising from change in exchange rates
Non-operating expenses	5,189,356.38	1,219,283.81	325.61	Increase in loss on disposal of fixed assets during the period
Income tax expenses	23,834,214.63	-19,723,979.56	Not applicable	Increase in deferred income tax expenses
Other comprehensive income	-331,848.09	668,612.45	-149.63	Effect of change in fair value of available-for-sale financial assets

(2) Analysis and description of previous fund-raising activities and material asset reorganisations of the Company

The Company conducted no fund-raising activity or material asset reorganisation during the Reporting Period.

(3) Particulars of the progress of business plan

Total industrial production value completed during the Reporting Period was RMB11,748 million, representing a year-on-year increase of 2.13%. Including: Shipbuilding and maintenance: amount of production value completed was RMB9,599 million, representing a year-on-year increase of 16.55%. Offshore engineering products: amount of production value completed was RMB1,629 million, representing a year-on-year decrease of 35.76%, mainly because production for existing orders was close to completion. Electromechanical equipment: amount of production value completed was RMB522 million, representing a year-on-year decrease of 28.59%, mainly attributable to the decrease in business volume as production for existing orders was close to completion.

Business plan for the second half of 2016: to realize industrial production value of RMB13,252 million and complete 42 ships.

SECTION IV REPORT OF THE BOARD

(ii) Information on businesses by industry, product or region

1. Information on principal businesses by product

Unit: RMB

Principal businesses by product						
By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income over last year (%)	Increase/decrease in operating cost over last year (%)	Increase/decrease in gross profit margin over last year (%)
Shipbuilding	8,979,697,648.66	8,551,559,139.96	4.77	15.31	9.27	Increase of 5.26 percentage points
Offshore engineering products	1,549,804,777.13	1,336,593,081.40	13.76	-31.96	-32.91	Increase of 1.23 percentage points
Ship maintenance	64,847,696.56	56,933,314.16	12.20	-1.20	-9.95	Increase of 8.52 percentage points
Steel structure engineering	522,730,843.92	495,628,798.76	5.18	41.69	43.96	Decrease of 1.50 percentage points
Electromechanical products and others	125,434,218.63	87,057,483.32	30.60	-36.54	-53.89	Increase of 26.10 percentage points

During the Reporting Period, the Group's income from principal businesses amounted to RMB11,243 million, representing an increase of 5.09% compared with the corresponding period last year, and gross profit from principal businesses amounted to RMB715 million, representing an increase of 152.57% compared with the corresponding period last year. Revenue from shipbuilding was RMB8,980 million, representing an increase of 15.31% compared with the corresponding period last year, mainly due to the increase in production capacity and in the number of ships under construction; revenue from offshore engineering products was RMB1,550 million, representing a decrease of approximately 31.96% compared with the corresponding period last year, mainly due to the decrease in the number of offshore engineering products under construction; revenue from ship maintenance was RMB65 million, representing a decrease of 1.20% compared with the corresponding period last year. For non-ship business, revenue from steel structure engineering during the period was RMB523 million, representing an increase of 41.69% compared with the corresponding period last year, mainly due to the significant progress made for the projects during the period; revenue from electromechanical products and others during the period was RMB125 million, representing a decrease of 36.54% compared with the corresponding period last year, mainly due to the decrease in sales volume of electromechanical products as a result of the sluggish market.

2. Information on principal businesses by region

Unit: RMB

Region	Operating income	Increase/decrease in operating income over last year (%)
China (including Hong Kong, Macau and Taiwan)	7,782,053,029.14	1.46
Other regions in Asia	909,385,935.29	144.07
Europe	1,992,704,245.97	-8.45
Oceania	4,909,606.65	-98.68
North America	452,776,095.15	587.61
Africa	100,686,272.70	138.59
Total	11,242,515,184.90	5.09

During the Reporting Period, income from the Group's principal business increased by 5.09% compared with the corresponding period of last year, among which, turnover in the PRC (including Hong Kong, Macau and Taiwan) increased by 1.46% compared with the corresponding period of last year, and its overseas revenue recorded an increase of 14.29% compared with the corresponding period of last year. The Company will actively responded to the adverse impacts of slow recovery of the ship building market and go all out to develop domestic and overseas market.

(iii) Analysis of core competitiveness

During the Reporting Period, there were no significant changes in the core competitiveness of the Company since the date of the annual report of the Company for 2015. For details, please refer to Section III of the 2015 Annual Report of COMEC published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) on 24 March 2016.

(iv) **Analysis of investments**

1. Overall analysis of equity investments

During the Reporting Period, the balance of equity investments of the Company was RMB48,721,500, representing a decrease of 37.59% compared with RMB78,062,200 as at the beginning of the year, mainly due to the disposal of equity interest in Baiyin Sanfeng by Wenchong Shipyard, a subsidiary of the Company.

(1) *Securities Investment*

No.	Type of securities	Securities code	Stock abbreviation	Original investment amount (RMB)	Number of holding (Share)	Closing carrying amount (RMB)	Percentage of total securities as at the end of the period (%)	Gain or loss during the reporting Period (RMB)
1	A shares issued on the Shanghai Stock Exchange	601328	Bank of Communications	1,155,497.30	546,252	3,075,398.76	100%	-442,464.12
	Other securities held as at the end of the period			0	-	0	0	0
	Gain or loss on disposal of securities investments			-	-	-	-	0
Total				1,155,497.30	546,252	3,075,398.76	100%	-442,464.12

(2) *Shareholding in other listed companies*

Unit: RMB

Securities code	Stock abbreviation	Original investment cost (RMB)	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period	Gain or loss during the Reporting Period	Change in owners' equity during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications	1,155,497.30	0	0	3,075,398.76	-442,464.12	-442,464.12	Available-for-sale financial assets	Investments and subsequent subscription
Total		1,155,497.30	-	-	3,075,398.76	-442,464.12	-442,464.12	-	-

(3) *Shareholding in financial enterprises*

Name of investee	Original investment amount (RMB)	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period (RMB)	Gain or loss during the Reporting Period (RMB)	Change in owners' equity during the Reporting Period (RMB)	Accounting item	Source of shares
CSSC Finance	2,000,000.00	0.33	0.33	5,828,000.00	-	No effect on owner's equity of the Company	Available-for-sale financial assets	Investment made together with CSSC, the major shareholder
Total	2,000,000.00	-	-	5,828,000.00	-	-	-	-

CSSC Finance was established in August 1997, in which Wenchong Shipyard invested RMB2 million and held 0.65% of its shares. Following several increases in registered capital through profit capitalisation, by 2016 Wenchong Shipyard invested a total of RMB5,828,000 in CSSC Finance and held its 0.33% equity interest.

2. Non-financial entrusted wealth management products and investments in derivatives

(1) Entrusted wealth management products

Unit: RMB

Name of cooperation party	Type of entrusted wealth management products	Amount of entrusted wealth management products	Date of commencement of entrusted wealth management products	Date of expiry of entrusted wealth management products	Method of determination of remuneration	Expected earnings	Principal amount recovered	Gains obtained	Whether statutory procedures have been performed	Amount of provision made for impairment	Whether connected transaction	Whether involving lawsuit	Source of funding and whether raised	Relationship
CSSC Finance	Entrusted assets	1,000,000,000	2016/5/4	2016/10/10	One-off recovery of principal and interest upon maturity	13,068,493.15	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000	2016/6/17	2018/6/17	One-off recovery of principal and interest upon maturity	16,600,000.00	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	110,000,000	2015/7/3	2016/6/14	One-off recovery of principal and interest upon maturity	5,533,150.68	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	390,000,000	2015/7/3	2016/11/14	One-off recovery of principal and interest upon maturity	24,041,095.89	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	205,000,000	2014/12/29	2016/12/29	One-off recovery of principal and interest upon maturity	20,528,082.19	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	300,000,000	2014/12/29	2017/6/21	One-off recovery of principal and interest upon maturity	37,191,780.82	0	0	Yes	-	Yes	No	No	Sister company of the Group
CSSC Finance	Entrusted assets	200,000,000	2016/6/17	2018/6/17	One-off recovery of principal and interest upon maturity	16,600,000.00	0	0	Yes	-	Yes	No	No	Sister company of the Group
Total	-	<u>2,405,000,000</u>	-	-	-	<u>133,562,602.73</u>	0	0	-	-	-	-	-	-

Total principal and interest overdue unrecovered (RMB)

0

Description of entrusted wealth management products

Huangpu Wenchong and GSI have utilised surplus capital of RMB2,405 million in entrusted asset management, which mainly represents low risk products such as central bank bills, treasury bonds, corporate bonds, convertible bonds, trust products, short-term financing bills, medium-term notes, bank financial products, brokerage asset management plan, money funds, bond funds and deposits, and generates return higher than income from bank deposit for the same period while having their risk under control. Based on past cooperation experiences, CSSC Finance makes prudent investments and has not been unable to make payment at lowest annual rate of return.

(2) *Entrusted loans*

Unit: RMB

Name of borrower	Amount of entrusted loan	Term of loan	Interest rate of loan	Use	With collateral or guarantor	Whether overdue	Whether related party transaction	Whether extended	Whether involving lawsuit	Source of funding and whether raised	Relationship	Expected income	Gains or losses on investment
Zhongshan GSI	320,000,000.00	2014.8.13-2018.5.25	0.00%	Infrastructure and research and development expenses	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	-	-
United Steel	50,000,000.00	2016.5.5-2017.5.4	4.00%	Replenishment of working capital	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	-	-
Guangchuan Large-scale Machinery	15,000,000.00	2014.10.21-2016.10.20	1.50%	Infrastructure project	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	-	-
GSI	500,000,000.00	2012.6.20-2022.6.15	5.25%	Production and operation	COMEC	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary	-	-
GSI	600,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	None	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary	-	-
GSI	500,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	None	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary	-	-
GSI	500,000,000.00	2015.10.28-2016.10.11	3.00%	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary	-	-
GSI	500,000,000.00	2015.10.28-2016.10.11	3.00%	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary	-	-
Huangou Wenchong	500,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	Wenchong Shipyard	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary	-	-
Huangou Wenchong	1,000,000,000.00	2015.10.28-2016.10.11	3.00%	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary	-	-
Wenchong Shipyard	500,000,000.00	2012.7.18-2019.7.15	5.00%	Production and operation	Huangou Wenchong	No	Yes	No	No	Proceeds from issue of medium-term notes by the Group	Wholly-owned subsidiary	-	-
Wenchong Shipyard	100,000,000.00	2016.3.17-2016.12.9	2.90%	Production and operation	None	No	Yes	No	No	Short-term financing raised by the Group	Wholly-owned subsidiary	-	-
Wenchong Heavy Industrial	30,000,000.00	2014.9.15-2016.9.14	0.00%	Production and operation	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	-	-
Wenchong Heavy Industrial	20,000,000.00	2015.12.22-2017.12.21	4.75%	Production and operation	None	No	Yes	No	No	Advances received from shipbuilding contracts	Wholly-owned subsidiary	-	-

Description of entrusted loans

As at the end of June 2016, the balance of entrusted loans amounted to RMB5,135 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 mainly for use in the construction of Zhongshan base for a period from August 2014 to May 2018. Since August 2012, GSI provided 25 entrusted loans with a total amount of RMB870 million to Zhongshan GSI, RMB550 million of which had become due and been repaid. The entrusted loans were in fact GSI's investments in fixed assets and intangible assets (land use right), being the future non-ship business base, and free of capital risks.

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In May 2016, a trusted loan of RMB50 million was provided to United Steel, a wholly-owned subsidiary of GSI, through CSSC Finance, for payment of material purchases. United Steel undertook a natural gas project in Cameron and a chemical project of Fluor, and it had insufficient self-owned funds to meet its production and operational needs. There are no capital risks.

In 2014, an entrusted loan of RMB15 million was provided to Guangchuan Large-scale Machinery 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 has high-quality shipbuilding assets and there are no capital risks.

With CSSC Finance as the trustee financial institution, GSI applied to CSSC for 5 entrusted loans with an accumulative amount of RMB2,600 million, which in fact aimed to support the operation and development of the Company, free of capital risks.

Huangpu Wenchong had no sufficient funds due to the time notes, and given that the industrial park project of Longxue factory zone was developed and it 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 RMB450 million was used for production and operation and RMB50 million was used for the industrial park product. The aforesaid 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 amount of RMB1 billion, which was utilised to prepay the loans denominated in United States dollars with relatively high exchange risk exposure and free of capital risks.

With CSSC Finance as the trustee financial institution, Wenchong Shipyard applied to CSSC for a total of 2 entrusted loans with an accumulative amount of RMB600 million, which in fact aimed to support the operation and development of the Company, free of capital risks.

With CSSC Finance as the trustee financial institution, Wenchong Shipyard provided entrusted loans with an accumulative amount of RMB50 million for Wenchong Heavy Industrial, a wholly-owned subsidiary of Wenchong Shipyard, for its daily production and operation. The entrusted loan in fact aims to support the operation and development of Wenchong Heavy Industrial for the on-board component processing business, free of capital risks.

(3) Other wealth management products and investment in derivatives

Type of investment	Source of funding	Contracting party	Percentage of investment	Term of investment	Type of products	Expected earnings	Gains or losses on investments	Whether involving lawsuit
USD forward exchange settlement	Product export contracts	Banks, finance companies	-	Within 3 years	Forward exchange settlement	-16,622,700.00	-152,763,400.00	No
Euro forward exchange purchase	Ship export contracts	Banks, finance companies	-	Within 3 years	Forward exchange purchase	1,787,000.00	23,316,332.56	No
USD option portfolios	Ship export contracts	Banks	-	Within 3 years	Option portfolios	-4,170,970.00	-2,424,000.00	No

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 the Reporting Period, the Group had a total of 4 outstanding forward USD settlement foreign exchange contracts with total amount of US\$53,000,000 and latest settlement date of 25 December 2017, and recognised gains on change in fair value of RMB-16,514,600 as at the end of the Reporting Period; the Group had one outstanding forward Euro purchase contract with amount of EUR5 million and settlement date of 26 July 2016, and recognised gains on change in fair value of RMB1,781,600 as at the end of the Reporting Period; the Group had a total of 3 outstanding option portfolios with total amount of US\$17,420,000 and latest settlement date of 29 July 2016, and recognised gains on change in fair value of RMB-4,161,800 as at the end of the Reporting Period.

3. Information on use of funds raised

General information on use of funds raised

Unit: RMB

Year of fund raising	Method of fund raising	Total proceeds raised	Total proceeds utilised during the Reporting Period	Total accumulated proceeds that have been utilised	Total proceeds that have been not utilised	Planned use and status of proceeds that have been not utilised
2015	Non-public issuance	1,607,882,382.42	91,310,648.53	1,401,647,713.72	139,725,578.85	Unutilized funds raised were temporarily deposited in the special account for funds raised of Huangpu Wenchong as account holder.
Total	—	1,607,882,382.42	91,310,648.53	1,401,647,713.72	139,725,578.85	—

Overall description of use of proceeds

As approved by the China Securities Regulatory Commission through 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 (Zheng Jian Xu Ke [2015] No. 330), the Company issued through private placement 42,559,089 A Shares 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 commission 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 as the consideration for 15% equity interest in Huangpu Wenchong during the restructuring, 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 Shipyard Co., Ltd., 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; RMB240,274,421.15 was utilised for replenishment and improvement of maritime engineering equipment production facilities in Longxue Factory of Huangpu Wenchong. As at 30 June 2016, the total utilised amount of proceeds raised was RMB1,401,647,713.72, and the total unutilised proceeds raised of RMB139,725,578.85 were temporarily deposited in a special account established under the name of Huangpu Wenchong and a wealth management product account maintained at China CITIC Bank Corporation Limited.

Explanation for purchase of wealth management products out of certain temporarily unutilised proceeds raised: (1) 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. To date such wealth management products had expired on 30 December 2015, 1 March 2016, 25 March 2016 and 25 May 2016, respectively, and the principal amount and interest had been repaid as scheduled, with investment income totalling RMB1,914,610.95. (2) On 8 and 11 April 2016, Huangpu Wenchong purchased CITIC Xinying Series Bu Bu Gao Sheng No. 4 Renminbi Wealth Management Products (for Institutions Only), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited, with RMB50 million and RMB55 million, respectively, out of its temporarily unutilised proceeds raised. To date such wealth management products have been redeemed, and the principal amount and interest had been repaid as scheduled, with investment income totalling RMB942,657.54. (3) On 11 August 2016, Huangpu Wenchong purchased CITIC Gongying Principal-protected Renminbi Wealth Management Products (Tranches 1647 and 1648), a floating income product with guaranteed principal repayment issued by China CITIC Bank Corporation Limited with maturity of 14 September 2016 and 11 November 2016, respectively, with RMB30

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million and RMB50 million, respectively, out of its temporarily unutilised proceeds raised. To date the wealth management products purchased with RMB30 million of temporarily unutilised proceeds raised have expired and the principal amount and interest had been repaid as scheduled, generating gain on wealth management products of RMB69,164.38 (For details of the wealth management products purchased with proceeds raised, please refer to the announcements of the Company dated 13 November 2015, 30 November 2015, 31 December 2015, 1 March 2016, 25 March 2016, 12 April 2016, 25 May 2016, 1 August 2016, 12 August 2016 and 20 September 2016, respectively, on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company).

4. Analysis of major subsidiaries and investees

Currency: RMB Unit: ten thousand

Entity name	Principal activities	Registered capital	Shareholding by the Company (%)	Assets/ total assets at the end of the period	Total net assets at the end of the period	Net profit/loss for the period
Shares directly held						
1	Guangzhou Shipyard International Company Limited	272,000.00	100	2,584,628	546,247	493
2	CSSC Huangpu Wenchong Shipbuilding Company Limited	155,163.00	100	2,330,171	342,762	3,481
3	GSI Yangzhou Co., Ltd.	130,283.62	100	133,137	130,409	74
Shares indirectly held						
1	Guangdong GSI Elevator Co., Ltd.	2,100	100	9,100	4,368	84
2	Guangzhou Xingshun Marine Services Co., Ltd.	200	100	5,169	2,524	104
3	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	18,861	100	25,812	11,752	224
4	Guangzhou United Steel Structures Limited	US\$8,850,000	100	40,440	13,465	535
5	Glory Group Development Co., Ltd.	HK\$30 million	100	35,192	10,755	1,065
6	Zhongshan GSI Marine Engineering Company Limited	10,000	100	87,918	42,435	-1,659
7	Guangzhou Shipyard International Marine Engineering Co., Ltd.	5,000	100	11,369	1,094	-24
8	Guangzhou Hongfan Hotel Co., Ltd.	11,940	100	13,397	11,847	30
9	Guangzhou Hongfan Technology Co., Ltd.	500	51	3,896	2,793	106
10	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	500	100	4,982	689	112
11	Guangzhou Wanda Marine Engineering Co., Ltd.	US\$600,000	100	2,075	1,929	5
12	Fanguang Development Co., Ltd.	HK\$200,000	80	26,037	2,035	765

SECTION IV REPORT OF THE BOARD

Currency: RMB Unit: ten thousand

Entity name	Principal activities	Registered capital	Shareholding by the Company (%)	Assets/ total assets at the end of the period	Total net assets at the end of the period	Net profit/loss for the period
13 Fanguang (Macau) Development Single Person Co., Ltd.	Installation and manufacturing of steel structures	HK\$100,000	100	430	141	62
14 Guangzhou Wenchong Shipyard Co., Ltd.	Shipbuilding; ship outfitting manufacture and installation; ship conversion and removal; ship repair; ship design services	52,017.85	100.	394,389	68,396	-4,656
15 Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Design, construction, reformation and repair of marine engineering vessels and platforms, and manufacturing of steel structures	6,800	100	29,838	6,627	13
16 Guangzhou Xinhang Human Resources Service Co., Ltd.	Human resources development and management consulting; professional intermediary services; personnel leasing; personnel training; personnel recommendation; labor dispatch services;	150	75	2,292	369	5
17 Guangzhou Xingji Maritime Engineering Design Co., Ltd.	Ship design services, metal structure design services, engineering and technical consulting services	375	75	527	502	1
18 Guangzhou Wenchong Chonggong Co. Ltd.	Design, manufacturing, installation and repair of ships and supporting machinery and metal components	3,000	100	30,842	1,719	79
19 Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	Machinery technology development services, ship design services, manufacturing of pumps and vacuum equipment, manufacturing of marine equipment	336	60	633	301	-4
20 Guangzhou Longxue Properties Co., Ltd.	Property industry	150	66.67	20	16	-2
21 Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	Repair, debugging and maintenance of shipboard equipment and system	200	80.5	452	271	15
22 Guangzhou Longxue Pipe Co., Ltd.	Black metal refining and rolling industry	7,000	42.86	10,925	5,853	789

II. PROFIT DISTRIBUTION PROPOSAL OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

(i) Implementation of or adjustment to profit distribution proposal during the Reporting Period

As considered and passed at the annual general meeting of the Company for the year 2015 held on 27 May 2016, 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 held were distributed to all shareholders as dividends for the year of 2015, totalling RMB42,405,191.34 (inclusive of tax). The remaining undistributed profit will be carried forward to the next year. The Company did not increase its share capital by conversion of capital reserve in 2015. The distribution of dividends for A shares and H shares for the year 2015 was completed on 20 July 2016.

(ii) Profit distribution proposal or plan to convert surplus reserves into share capital for the interim period

Whether or not distribution or conversion into share capital	No
Number of shares to be distributed for every ten shares (share)	0
Amount to be distributed for every ten shares (RMB) (inclusive of tax)	0
Number of shares to be converted into share capital for every ten shares (share)	0

Description of profit distribution proposal or plan to convert surplus reserves into share capital

The Company would not make profit distribution or issue new bonus shares by conversion of capital reserve for the first half of 2016.

III. OTHER DISCLOSURES

(i) Gearing ratio

As at 30 June 2016, the Company's gearing ratio (total liabilities/total assets x 100%) was 79.57% (as at the beginning of the Reporting Period: 78.84%), almost the same level as that at the beginning of the year.

(ii) Details of pledge of assets

As at 30 June 2016, the Company had a total of fixed deposits denominated in Renminbi of RMB115 million and denominated in US dollars of US\$1,039 million pledged to secure long- and short-term borrowings. Save for pledged fixed bank deposit, no other assets of the Company were pledged.

I. MATERIAL LITIGATIONS, ARBITRATIONS AND MATTERS COMMONLY CONCERNED BY MEDIA

Litigations and arbitrations that have been commonly concerned by media and disclosed in temporary announcement without further progress

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 Guangli sued Jiangsu Shenghua in relation to a dispute over the Contract for Installation Engineering of 1# and 2# 79,600DWT bulk carriers, Jiangsu Shenghua was declared bankrupt by Zhenjiang Intermediate Court in 2016. Following the suspension of execution of the case, the Company completed the filing of creditor's right and priority in receiving payment, and attended the first creditors' meeting of Jiangsu Shenghua. As the appraisal for the buildings and land use right owned by Jiangsu Shenghua had not been completed during the Reporting Period, the Company will attend the second creditors' meeting after the appraisal is completed and a new realization plan is available.

For details, please refer to the "Significant Events (I) Significant Litigations and Arbitrations" in the annual report of the Company for the year 2011

II. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

During the Reporting Period, the Company had no matters regarding bankruptcy or reorganisation.

III. ASSETS TRANSACTIONS AND MERGER OF ENTERPRISES

Matters not disclosed in extraordinary announcements or with further progress

Disposal of assets

Unit: in RMB ten thousand

Counterparty	Assets disposed of	Date of disposal	Selling price	Net profit contributed to the Company by the assets during the period from the beginning of the year to the date of disposal	Gain or loss on disposal	Whether connected transaction (if yes, state pricing principle)	Pricing principle for disposal of assets	Whether transfer of all related assets is completed	Whether transfer of all related creditor's rights and indebtedness is completed	Net profit contributed to the Company by the assets as a percentage of total profit (%)	Relationship
Chongqing Caixin Environment Resources Co., Ltd.	50% equity interest in Baiyin Sanfeng	2016.4.11	5,780	0	2689.62	no	Listing for sale upon valuation	yes	yes	29.84	

Baiyin Sanfeng was established in April 2013, with RMB30 million contributed by Wenchong Shipyard, holding its 50% equity interest. In December 2015, Wenchong Shipyard listed its 50% equity interest in Baiyin Sanfeng for sale at the Chongqing Assets and Equity Exchange, and Chongqing Caixin Environment Resources Co., Ltd. successfully won the bid at a consideration of RMB57.80 million. An equity transfer agreement was entered into by the parties on 29 March 2016, and the equity transfer was completed on 11 April 2016. Wenchong Shipyard has received the consideration for 50% equity interest in Baiyin Sanfeng in full of RMB57.80 million.

SECTION V SIGNIFICANT EVENTS

IV. MATERIAL CONNECTED TRANSACTIONS

(i) Connected transactions related to daily operation

Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

Connected transactions related to daily operation for 2016 (from January to June)

Unit: (in RMB ten thousand)

No.	Content and type of connected transactions	Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
1	Products and services provided by the Group to the CSSC Group				
1.1	Provision of electrical and mechanical engineering equipment, and metallic accessories	226,877.00	88,893.41	8.26%	Market price
1.2	Supply of utilities	10,956.00	2,337.32	12.11%	Cost plus a 20-25% management fee or on terms no less favourable to the Group than terms available from independent third parties
1.3	Labor and technical services	37,342	3,414.63	2.21%	On terms no less favourable to the Group than terms available from independent third parties
2	Products, leasing services and labour services provided by the CSSC Group to the Group				
2.1	Provision of electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories and equipment for use on ships	1,446,227	243,751.98	28.08%	Market price or on terms no less favourable to the Group than terms available from independent third parties
2.2	Leasing, labour supply and technical services	137,893.00	11,122.96	4.82%	On terms no less favourable to the Group than terms available from independent third parties or market price
3	Financial services provided by the CSSC Group				
3.1	Deposits (amount)	780,000.00	431,127.59	25.09%	Benchmark deposit interest rate set by the People's Bank of China
3.2	Interest on deposits	38,000.00	4,425.45	23.70%	
3.3	Loans (amount)	930,000.00	487,710.00	23.73%	No more than benchmark loan interest rate set by the People's Bank of China
3.4	Interest on loans	65,900.00	10,683.80	46.66%	
3.5	Other credit services (amount)	750,000.00	342,761.00	17.49%	On terms no less favourable to the Group than terms available from independent third parties
3.6	Other credit services (interest amount)	1,720.00	112.70	14.37%	On terms no less favourable to the Group than terms available from independent third parties
3.7	FX forward contracts	850,000.00	6,631.20	2.54%	On terms no less favourable to the Group than terms available from independent third parties
3.8	Entrusted assets management services (amount)	400,000.00	240,500.00	100.00%	On terms no less favourable to the Group than terms available from independent third parties
3.9	Entrusted assets management services (interest)	16,000.00	2,927.71	100.00%	

SECTION V SIGNIFICANT EVENTS

Unit: (in RMB ten thousand)

No.	Content and type of connected transactions	Cap approved at general meeting	Actual transaction amount	Proportion of total amount of transactions of the same type (%)	Pricing basis
4	Guarantee				
4.1	Maximum guarantee amount provided by the Company for the CSSC Group and its members	250,000	-	-	
4.2	Expenses incurred in relation to the guarantee amount provided by the Company for the CSSC Group and its members	0	-	-	None
4.3	Maximum guarantee amount provided by the CSSC Group and its members for the Company	1,200,000	-	-	
4.4	Expenses incurred in relation to the guarantee amount provided by the CSSC Group and its members for the Company	7,300	-	-	Guarantee fee of no more than 0.6%
5	Ship sales agency services provided by the CSSC Group				
5.1	Ship sales agency	11,320.00	3,580.39	48.02%	Follow the worldwide industry practice and will not exceed 1% of the contract price and be paid in according to the shipbuilding progress of the vessel in question
6	Materials purchase agency services provided by the CSSC Group				
6.1	Materials purchase agency	2,278.00	165.06	60.88%	1-2% of the contract price

(ii) Connected transactions in relation to the acquisition or disposal of assets

During the Reporting Period, the Company had no connected transactions in relation to the acquisition or disposal of assets.

(iii) Material connected transactions relating to common external investments

Matters which were not disclosed in extraordinary announcements

Unit: Yuan Currency: RMB

Common investor	Relationship	Name of investee	Principal activities of investee	Registered capital of investee	Total assets of investee	Net assets of investee	Net profit of investee	Progress of material construction in progress of investee
Shanghai Waigaoqiao Shipbuilding Co., Ltd.; Shanghai Merchant Ship Design and Research Institute; Design and Research Institute of China Shipbuilding and Marine Engineering	Sister company of the Group	CSSC Liner Technology Development Co., Ltd.	Technology development, technical consulting, technical services, technology transfer in relation to liner design and related technical areas; research and development and sale of ship equipment; research and development, production and sale of computer software and hardware and provision of related technical services; import and export of goods and technology	200,000,000	180,000,000	180,000,000	0	None

CSSC Liner Technology Development Co., Ltd. was established by GSI (a wholly-owned subsidiary of the Company), Shanghai Waigaoqiao Shipbuilding Co., Ltd (a subsidiary of the CSSC Group), Shanghai Merchant Ship Design and Research Institute (a subsidiary of the CSSC Group) and the Design and Research Institute of China Shipbuilding and Marine Engineering (a subsidiary of the CSSC Group) on 30 May 2016. GSI contributed its capital of RMB20 million and holds its 10% equity interest.

SECTION V SIGNIFICANT EVENTS

(iv) Related creditor's right and debt transactions

Matters which were not disclosed in extraordinary announcements

Unit: Yuan Currency: RMB

Related party	Relationship	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
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Sister company of the Group	-	-	-	8,616,403.15	0.00	8,616,403.15
CSSC Financial Leasing (Shanghai) Co., Ltd.	Sister company of the Group	-	-	-		592,202.69	592,202.69
Shanghai Zhenhua Engineering Consulting Co., Ltd.	Sister company of the Group	-	-	-		240,000.00	240,000.00
China Marine Power Co., Ltd.	Sister company of the Group	-	-	-	132,512.82	0.00	132,512.82
Guangzhou Shipyard Co., Ltd.	Sister company of the Group	-	-	-	2,825.96	108,078.60	110,904.56
China State Shipbuilding Co., Ltd.	Sister company of the Group	-	-	-		58,887.00	58,887.00
China State Shipbuilding Corporation	Controlling shareholder	-	-	-		35,075.00	35,075.00
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sister company of the Group	-	-	-		28,027.90	28,027.90
Beijing Shipbuilding Information Technology Co., Ltd.	Sister company of the Group	-	-	-	20,000.00	0.00	20,000.00
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Sister company of the Group	-	-	-		294.40	294.4
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Sister company of the Group	-	-	-	172,804.00	-172,804.00	0.00
Shanghai Dongxin Software Engineering Co., Ltd.	Sister company of the Group	-	-	-	125,000.00	-125,000.00	0.00
Hong Kong Hualian Ship Co., Ltd.	Sister company of the Group	-	-	-	469,396.39	0.00	469,396.39
CSSC Chengxi Shipbuilding Co., Ltd.	Sister company of the Group	-	-	-	59,970.00	-59,970.00	0.00
Total		-	-	-	9,598,912.32	704,791.59	10,303,703.91
Capital provided by the Company to the controlling shareholder and its subsidiaries during the Reporting Period (RMB)				-			
Balance of capital provided by the Company to the controlling shareholder and its subsidiaries (RMB)				-			
Reasons for occurrence of related creditor's right and debt transactions					Business dealings		
Settlement of related creditor's right and debts				-			
Undertakings relating to related creditor's right and debts				-			
Effects of related creditors' rights and debts on the Company's operating results and financial position					There were no effects of related creditors' rights and debts on the Company's operating results and financial position		

V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Leasing

Unit: in RMB ten thousand

Name of lessor	Lessee Name	Assets leased	Amount of assets involved	Date of commencement	Date of termination	Rental income	Basis for determination of rental income	Impact of rental income on the Company	Whether related party transaction or not	Relationship
Guangzhou Shipyard Industrial	GSI	Land and buildings	-	2014.10.1	2017.12.31	-	-	-	Yes	Other related party
Guangzhou Shipyard Shipping	GSI	Land and buildings	-	2015.12.1	2017.12.31	-	-	-	Yes	Other related party
Guangzhou Ship Industrial Company	Huangpu Wenchong	Land and buildings	-	2014.5.1	-	-	-	-	Yes	Sister company of the Group
Guangzhou Ship Industrial Company	Wenchong Shipyard	Land and buildings	-	2014.5.1	-	-	-	-	Yes	Sister company of the Group
GSI Yangzhou	CSSC Chengxi	Land for industrial use, buildings and structures thereon and related ancillary facilities	-	2015.10.1	2016.12.31	127.76	Taking into account the lease price of the relevant shipbuilding assets in the surrounding area of the lessor, the depreciation of the relevant assets of the lessor, current conditions in the ship industry and reasonable cost and profit of the lessor	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
GSI	Chengxi Guangzhou	Land, buildings and equipment	-	2015.9.30	2016.9.29	-	Taking into full account prices of ancillary assets adjacent to the location of the lessor, depreciation status of assets, and reasonable cost and profit margin for the lessor	Utilisation of ancillary assets of the Company was improved to cover amortisation cost	Yes	Sister company of the Group

Description of leases

- On 27 September 2014, the Company and Guangzhou Shipyard Industrial entered into a lease agreement, pursuant to which Guangzhou Shipyard Shipping shall lease three parcels of land currently for industrial use located at Heliwei, Fangcun Main Road, Liwan District, Guangzhou, 29 Donglang Market Street, Fangcun Main Road, Liwan District, Guangzhou and south to Heliwei, Fangcun Main Road, Liwan District, Guangzhou, with a total site area of 108,939 sq.m., and buildings and structures thereon to the Company 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 announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 12 December 2014.
- On 9 November 2015, GSI and Guangzhou Shipyard Shipping entered into the Lease Agreement, pursuant to which Guangzhou Shipyard Shipping shall lease a parcel of land for industrial use for the technical center building located at 40 South Fangcun Main Road, Liwan District, Guangzhou City 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 announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 16 December 2015.
- In January 2015, Guangzhou Ship Industrial Company and Huangpu Wenchong entered into a land use right lease agreement, pursuant to which it shall lease the land use right owned by it in relation to the Changzhou Plant to Huangpu Wenchong for use in operation. The rent for the land use right shall be determined in the principle of asset depreciation, amortisation and taxes and fees and shall be checked and confirmed by the parties on an annual basis. The rent for the period from January to June 2016 is RMB3,389,693.29, and the annual rent for the year 2016 will be paid in monetary fund by 5 November 2016. The term for the aforesaid lease of land use right will commence on 1 May 2014 and end on the date on which the relocation of Huangpu Wenchong from the Changzhou Plant is completed and commences formal production in its new plant.
- In January 2015, Guangzhou Ship Industrial Company and Wenchong Shipyard entered into a lease agreement in relation to land use right and buildings and structures erected thereon, pursuant to which it shall lease the land use right in relation to certain land in the Wenchong Plant and buildings and structures erected thereon owned by it to Wenchong Shipyard for use in operation. The rent for the land use right shall be determined in the principle of asset depreciation, amortisation and taxes and fees and shall be checked and confirmed by party A and party B on an annual basis. The rent for the period from January to June 2016 is RMB13,989,153.58, and the annual rent for the year 2016 will be paid in monetary fund by 5 November 2016. The term for the aforesaid lease of land use right, buildings and structures will commence on 1 May 2014 and end on the date on which the relocation Wenchong Shipyard from the Wenchong Plant is completed and commences formal production in its new plant.

SECTION V SIGNIFICANT EVENTS

5. 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 for a term of 15 months commencing on 1 October 2015. For details, please refer to the announcement published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (comec.cssc.net.cn) on 22 December 2015.
6. On 18 December 2015, GSI and Chengxi Guangzhou entered into a property lease framework agreement in relation to the quarter for workers of CSSC Longxue base (stage 1 of phase I), pursuant to which the new worker's village located in Longxue Island, Nansha District, Guangzhou was leased to Chengxi Guangzhou as staff quarter. It was agreed that the rent shall be settled on a quarterly basis and the lease shall commence on 30 September 2015. Under the aforesaid framework agreement and based on the actual use of the staff quarter (including utilities expenses), the rent for such staff quarter for the period from January to June 2016 was approximately RMB6,690,000 in total.

(ii) Guarantee

Unit: RMB

Guarantor	Relationship between guarantor and the Company	Guarantee	Amount of guarantee	External guarantees by the Company (excluding guarantees for its subsidiaries)			Type of guarantee	Whether fully executed	Whether guarantee is overdue	Overdue amount	Existence of counter guarantee	Whether provided for related party	Relationship
				Date of guarantee (date of signing of agreement)	Date of commencement	Date of expiry							
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantee during the Reporting Period (excluding guarantees for the subsidiaries)													-
Total balance of guarantee as at the end of the Reporting Period (A) (excluding guarantees for the subsidiaries)													-
Guarantees provided by the Company for its subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period													-
Total balance of guarantees provided for its subsidiaries during the Reporting Period (B)													2,550,120,000.00
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)													2,550,120,000.00
Total amount of guarantees as a percentage of the Company's net assets (%)													24.59
Including:													
Amount of guarantees provided for shareholders, actual controller and related parties (C)													-
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)													-
Total amount of guarantees in excess of 50% of net assets (E)													-
Sum of the above three guarantees (C+D+E)													-
Description of outstanding guarantees which may incur several and joint liability													Not applicable

Notes on guarantees

During the Reporting Period, the Group provided guarantee with a total balance of guarantee of RMB2,550 million, which were either provided by the Group for its subsidiaries or by them to their own subsidiaries. The balance of guarantee provided by COMEC for GSI amounted to RMB500 million, the balance of guarantee provided by Huangpu Wenchong for Wenchong Shipyard amounted to RMB1,550 million, and the balance of guarantee provided by Wenchong Shipyard for Huangpu Wenchong amounted to RMB500 million. The cap for the proposed guarantee between the Company and its subsidiaries for the year 2016 and their amounts have not been exceeded.

VI. FULFILMENT OF UNDERTAKINGS

Undertakings by the Company, its shareholders holding over 5% shares, controlling shareholder and actual controller made or effective during the Reporting Period

Background	Type of undertaking	Entity making the commitment	Content of undertaking	Date and duration	Whether there is a deadline for performance	Whether strictly perform in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe future plans
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 ad 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.	Made on 19 January 2015 and effective from 8 April 2015 to 9 April 2020	Yes	Yes	-	-
Undertaking relating to the material asset reorganisation	Settlement of connected transactions	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 and permanently effective	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 and permanently effective	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.	Made on 31 October 2014 and effective from 8 April 2015 to 9 April 2018	Yes	Yes	-	-

SECTION V SIGNIFICANT EVENTS

Background	Type of undertaking	Entity making the commitment	Content of undertaking	Date and duration	Whether there is a deadline for performance	Whether strictly perform in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe future plans
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 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 and permanently effective	No	Yes	-	-
Undertaking relating to the material asset reorganisation	Others	CSSC	<p>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.</p>	Made on 3 March 2015 and permanently effective	No	Yes	-	-

Background	Type of undertaking	Entity making the commitment	Content of undertaking	Date and duration	Whether there is a deadline for performance	Whether strictly perform in a timely manner	If not performed timely, describe the specific reasons	If not performed timely, describe future plans
Others	Selling restrictions of shares	CSSC HK	Upon the completion of the transaction, the shares subscribed by CSSC HK shall not be traded or transferred within 36 months since the date of listing to safeguard the interests of all shareholders.	Made on 30 September 2013 and effective from 11 February 2014 to 10 February 2017	Yes	Yes	-	-

VII. PUNISHMENT AGAINST THE COMPANY AND DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING 5% OR MORE SHARES, ACTUAL CONTROLLER AND PURCHASER AND RECTIFICATIONS

During the Reporting Period, none of the Company or Directors, supervisors, senior management, shareholders holding 5% or more shares, actual controller or purchaser had been subject to investigation, administrative sanction, criticism or public condemnation by the CSRC.

VIII. CORPORATE GOVERNANCE

To date, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate and complete disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of Board.

(i) Corporate governance

The Company kept improving its corporate governance structure in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, relevant laws and regulations issued by the China Securities Regulatory Commission and the requirements of the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. To date, the Company's governance had no material difference from the Company Law and relevant regulations of the China Securities Regulatory Commission. During the six months ended 30 June 2016, the Company has adopted the codes set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with all the code provisions (including the revised risk management and internal control principles), save as deviations as follows:

- For the purpose of Code Provision A.6.7 of the CG Code, Mr. Chen Zhongqian, Mr. Xiang Huiming and Mr. Zhou Dusheng, being executive Directors, Mr. Yang Li, Mr. Wang Guozhong and Mr. Wang Jun, being non-executive Directors, and Mr. Wang Yichu and Mr. Min Weiguo, being independent non-executive Directors, were unable to attend the annual general meeting of the Company for the year 2015 held on 27 May 2016 for work reason. Mr. Chen Zhongqian and Mr. Xiang Huiming, being executive Directors, Mr. Yang Li and Mr. Wang Guozhong, being non-executive Directors, and Mr. Min Weiguo, being independent non-executive Director, were unable to attend the extraordinary general meeting of the Company for the year 2016 held on 10 August 2016 for work reason.
- As Mr. Zhou Dusheng, an executive Director, and Mr. Wang Jun, a non-executive Director, resigned on 24 June 2016, the Company had the following non-compliance with the CG Code:

For the purpose of Rule 3.21 of the Listing Rules, following the resignation of Mr. Wang Jun with effect from 24 June 2016, there has been vacancy for one member of the Audit Committee, failing to meet the requirement that an audit committee should have at least three members.

SECTION V SIGNIFICANT EVENTS

(ii) Securities Transactions by Directors

The Company has strictly complied with the relevant restrictive provisions imposed by PRC and Hong Kong regulatory organs in relation to securities transactions by directors and has consistently upheld the principle of complying with the most stringent provisions and had adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific inquiry of all its directors for preparing this Report and all directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period.

(iii) Board Meetings

To date a total of five meetings (including three meetings held in writing) were held by the Board. All directors attended these meetings (including attendance by proxy).

In addition, the Audit Committee held three meetings to review issues including the annual report of the Company for the year 2015, the report of the internal control review and the first quarterly report for the year 2016; the Nomination Committee held two meetings to nominate Mr. Chen Liping as general manager of the Company and Mr. Chen Ji as candidate for executive Director of the eighth session of the Board; and the Emolument and Examination Committee held one meeting to receive and review the report on the remuneration of senior management of the Company for the year 2015. To date, the general meeting of the Company, the Board and the management performed their specific responsibilities and regulated corporate operation to ensure the true, accurate and complete disclosure of corporate information. Specialized committees of the Board carried out works in accordance with their respective duties, and independent non-executive Directors played an important role in the work of Board.

(iv) Repurchase, disposal or redemption of securities of the Company

The Group has not made any purchase, disposal or redemption of securities of the Company during the Reporting Period.

SECTION VI CHANGE IN SHARES AND SHAREHOLDERS

I. CHANGE IN SHARE CAPITAL

(i) Statement of changes in shares

There was no change in the total number of shares and structure of shares of the Company during the Reporting Period.

(ii) Changes in shares subject to selling restriction

Unit: share

Name of shareholder	Number of shares subject to selling restriction at the beginning of the period	Number of shares with selling restriction removed during the Reporting Period	Number of shares with selling restriction imposed during the Reporting Period	Number of shares subject to selling restriction at the end of the period	Reason for selling restriction	Date of removal of selling restriction
CSSC HK	345,940,890	0	0	345,940,890	Subscribed for H shares and undertook not to transfer within 36 months	10 February 2017
CSSC	272,099,300	0	0	272,099,300	Subscribed for A shares and undertook not to transfer within 36 months	9 April 2018
Yangzhou Kejin	68,313,338	68,313,338	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Shanxi Securities Company Limited	9,021,916	9,021,916	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Caitong Fund Management Co., Ltd.	8,000,423	8,000,423	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Hua An Fund Management Co., Ltd.	7,092,641	7,092,641	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Penghua Fund Management Co., Ltd.	5,791,159	5,791,159	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Xi'an Investment Holding Co., Ltd.	5,291,159	5,291,159	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Golden Eagle Asset Management Co., Ltd.	5,244,679	5,244,679	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Lion Fund Management Co., Ltd.	2,117,112	2,117,112	0	0	Subscribed for A shares and undertook not to transfer within 12 months	11 April 2016
Total	728,912,617	110,872,427	0	618,040,190	-	-

II. SHAREHOLDERS

(i) Total numbers of shareholders:

Total number of shareholders at the end of the Reporting Period 47,019

Total number of shareholders of preference shares with restored voting right as at the end of the Reporting Period 0

SECTION VI CHANGE IN SHARES AND SHAREHOLDERS

(ii) **Shareholding of top ten shareholders, top ten shareholders of circulating shares (or holders of shares not subject to selling restriction) as at end of the Reporting Period**

Unit: share

Name of shareholder (full name)	Increase/decrease during the Reporting Period	Shareholding of top ten shareholders		Number of shares held subject to selling restrictions	Pledged or locked up Status	Pledged or locked up Number	Nature of shareholder
		Number of shares held at end of the period	Percentage (%)				
HKSCC NOMINEES LIMITED	-50,676	588,848,269	41.66	345,940,890	None	0	Overseas legal persons
CSSC	0	501,745,100	35.50	272,099,300	None	0	State-owned legal-person
Yangzhou Kejin	-2,500,000	65,813,338	4.66	0	Pledged	64,530,000	Domestic non-state-owned legal person
China Securities Finance Corporation Limited	0	26,008,443	1.84	0	None	0	State-owned legal-person
Central Huijin Asset Management Ltd.	0	15,126,100	1.07	0	None	0	State-owned legal-person
Shanxi Securities Company Limited	-1,500,000	11,021,916	0.78	0	None	0	State-owned legal-person
China Construction Bank Corporation – Penghua China Securities National Defense Index Grading Securities Investment Fund	1,536,029	8,706,583	0.62	0	None	0	Others
China Merchants Securities Co., Ltd – Qian Hai Kai Yuan China Aviation Index Classification Securities Investment Funds	5,054,885	6,544,485	0.46	0	None	0	Others
China Construction Bank Corporation – Fulgoal China Securities Military Index Grading Securities Investment Fund	-2,840,815	6,440,220	0.46	0	None	0	Others
National Social Security Fund Portfolio 503	0	5,791,159	0.41	0	None	0	Others

SECTION VI CHANGE IN SHARES AND SHAREHOLDERS

Top ten holders of shares subject to selling restriction and conditions

Unit: share

No.	Name of holder of shares subject to selling restriction	Number of shares held subject to selling restriction	Trading in shares subject to selling restriction		
			Date of commencement of trading	Number of new shares tradable	Condition
1	CSSC HK	345,940,890	10 February 2017	0	Undertook not to transfer within 36 months
2	CSSC	272,099,300	9 April 2018	0	Undertook not to transfer within 36 months

Explanation on the connected relationship or acting in concert among the aforesaid Shareholders

CSSC HK undertook that it will not transfer the 345,940,890 H shares it subscribed for within 36 months. As mentioned in the Announcement in relation to Completion of Non-public issue of Overseas Listed Foreign Shares dated 12 February 2014 and published on the website of the Shanghai Stock Exchange, the number of shares (H shares) subject to selling restriction after changes of the shareholding structure of the Company was 345,940,890. As confirmed by Computershare Hong Kong Investor Services Limited, there is no share identification with selling restriction condition for H share. Therefore, the aforesaid part of shares still marked as outstanding shares with no selling restriction condition (H shares). CSSC and CSSC HK entered into the Parties Acting in Concert Agreement on 25 April 2014, in which it was agreed that CSSC HK shall authorize CSSC to exercise the shareholder's rights it enjoyed so far as CSSC HK remains a wholly-owned subsidiary of CSSC (For details, please refer to the Announcement in relation to the Entering to the Parties Acting in Concert Agreement by Substantial Shareholders of the Company published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 29 April 2014 by the Company).

SECTION VII DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGE IN SHAREHOLDING

During the Reporting Period, there was no change in shareholding of existing Director, supervisor or senior management or those left office during the Reporting Period.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Chen Liping	Director	Elected	Replacement
Chen Ji	Director	Elected	Replacement
Wu Guangjun	Chairman of the supervisory committee	Elected	Replacement
Zhou Dusheng	Director	Resigned	Age
Wang Jun	Director	Resigned	Work
Ou Guangquan	Chairman of the supervisory committee	Resigned	Work
Chen Liping	General manager	Appointed	Appointed

- (i) The Board received written resignations from Mr. Zhou Dusheng, an executive Director, and Mr. Wang Jun, a non-executive Director under the eighth session of the Board, on 24 June 2016. Mr. Zhou Dusheng resigned as executive Director and member of the Strategy Committee due to age, and Mr. Wang Jun resigned as non-executive Director and member of the Audit Committee due to career change. At the first extraordinary general meeting of the Company for 2016 held on 10 August 2016, each of Mr. Chen Liping and Mr. Chen Ji was approved by shareholders as Director.
- (ii) The Board received written resignation from Mr. Ou Guangquan, chairman of Supervisory Committee under the eighth session of the Board, on 16 May 2016. Mr. Ou Guangquan resigned as Supervisor and chairman of the Supervisory Committee due to work. At the first extraordinary general meeting of the Company for 2016 held on 10 August 2016, Mr. Wu Guangjun was approved by shareholders as a Supervisor. On the same date, the Company held the 19th meeting of the eighth session of the Supervisory Committee, at which Mr. Wu Guangjun was elected as chairman of the Supervisory Committee.
- (iii) On 24 March 2016, the Company held the 28th meeting of the eighth session of the Board, at which Mr. Chen Liping was appointed by the Board as general manager of Company.

III. EQUITY INTEREST OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Up to 30 June 2016, the Company had not received any notice sent by any director, supervisor or senior management in accordance with section 341 of the Securities and Futures Ordinance ("SFO") or the Model Code for Securities Transactions by Directors of Listed Issuers to the Company and the Hong Kong Stock Exchange, disclosing any equity or debt securities held by such director, supervisor or senior management or their spouses or children under 18 in the Company or any associated corporations (within the meaning of the SFO). No other interests have been recorded in the register, which is required in accordance with section 352 of the SFO. No directors, supervisors or senior management or their spouses or children under 18 had been granted or exercised any rights to subscribe any share or debts of the Company.

IV. EMPLOYEES AND REMUNERATION POLICIES

The remuneration of the Group's employees includes salary, bonus and other benefit plans required by the State. The Group applies different rates of remuneration for different employees, which are determined based on their positions and performance pursuant to the relevant PRC laws and regulations. As at 30 June 2016, the number of employees on the record of the Group was 21,391. As at 30 June 2016, the remuneration paid by the Group to employees was RMB1,198 million in aggregate.

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Balance Sheet 30 June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents		17,185,278,346.39	17,664,365,754.92
Transaction settlement funds		-	-
Placements with banks and non-bank financial institutions		-	-
Financial assets at fair value through profit or loss		1,928,068.11	13,063,411.11
Derivative financial assets		-	-
Notes receivable		20,446,582.89	21,097,180.25
Accounts receivable		2,284,110,490.57	1,709,967,395.06
Prepayments		3,027,696,073.81	2,515,258,065.45
Insurance premium receivable		-	-
Reinsurance premium receivable		-	-
Reserves for reinsurance contract receivable		-	-
Interest receivable		205,461,252.57	192,335,788.34
Dividend receivable		635,116.05	635,116.05
Other receivables		658,711,133.56	694,376,182.24
Financial assets purchased under agreements to resell		-	-
Inventories		10,737,120,603.84	10,742,673,543.44
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		2,110,000,000.00	845,000,000.00
Total current assets		36,231,387,667.79	34,398,772,436.86
Non-current assets:			
Loans and advances granted		-	-
Available-for-sale financial assets		18,825,877.77	19,268,341.89
Held-to-maturity investments		-	-
Long-term receivables		348,316,830.80	356,141,245.87
Long-term equity investments		48,721,494.05	78,062,223.23
Investment properties		23,194,431.92	23,508,788.00
Fixed assets		10,282,827,526.90	10,533,735,083.01
Construction in progress		889,761,332.16	731,737,560.48
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		2,028,923,099.03	2,056,652,662.93
Development expenditure		-	-
Goodwill		-	-
Long-term deferred expenses		16,659,868.42	20,711,576.42
Deferred tax assets		474,715,023.84	477,364,386.52
Other non-current assets		400,000,000.00	300,000,000.00
Total non-current assets		14,531,945,484.89	14,597,181,868.35
Total assets		50,763,333,152.68	48,995,954,305.21

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Balance Sheet (Continued) 30 June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		9,405,840,118.77	6,746,671,403.20
Loan from central bank		-	-
Deposits from customers and other banks		-	-
Placements from banks and other financial institutions		-	-
Financial liabilities at fair value through profit or loss		20,822,888.30	181,241,917.70
Derivative financial liabilities		-	-
Notes payable		1,860,252,195.20	2,364,995,314.53
Accounts payable		7,342,947,747.61	6,735,387,372.25
Advances from customers		644,900,554.11	627,518,169.05
Securities sold under agreements to repurchase		-	-
Fee and commission payable		-	-
Employee benefits payable		152,103,347.90	35,838,830.14
Taxes payable		-1,634,697,438.25	-1,122,743,774.34
Interest payable		14,887,318.63	21,533,573.71
Dividends payable		44,727,537.30	256,103,771.17
Other payables		344,060,416.88	245,194,170.01
Reinsured accounts payable		-	-
Reserves for insurance contracts		-	-
Brokerage for trading securities		-	-
Brokerage for underwriting securities		-	-
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year		5,181,200,000.00	1,777,500,000.00
Other current liabilities		9,020,359,875.45	12,090,184,240.88
Total current liabilities		32,397,404,561.90	29,959,424,988.30
Non-current liabilities:			
Long-term borrowings		5,967,757,000.00	6,690,567,600.00
Bonds payable		-	-
Including: Preference shares		-	-
Perpetual bonds		-	-
Long-term payables		-	-
Long-term employee benefits payable		283,516,327.85	286,730,158.80
Special payables		1,223,839,744.58	984,839,744.58
Estimated liabilities		465,295,715.91	443,104,113.90
Deferred income		55,701,591.71	260,320,055.21
Deferred tax liabilities		747,213.57	2,310,530.93
Other non-current liabilities		-	-
Total non-current liabilities		7,996,857,593.62	8,667,872,203.42
Total liabilities		40,394,262,155.52	38,627,297,191.72

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Balance Sheet (Continued) 30 June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Owners' equity			
Share capital		1,413,506,378.00	1,413,506,378.00
Other equity instruments		-	-
Including: Preference shares		-	-
Perpetual bonds		-	-
Capital reserve		6,867,585,222.21	6,867,585,222.21
Less: Treasury shares		-	-
Other comprehensive income		-60,498,573.91	-60,166,725.82
Special reserve		1,253,325.94	-
Surplus reserve		943,767,421.48	943,767,421.48
Provision for general risks		-	-
Undistributed profit		1,148,023,494.90	1,153,355,946.59
Total equity attributable to owners of the Company		10,313,637,268.62	10,318,048,242.46
Minority interest		55,433,728.54	50,608,871.03
Total owners' equity		10,369,070,997.16	10,368,657,113.49
Total liabilities and owners' equity		50,763,333,152.68	48,995,954,305.21

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Balance Sheet of the Company 30 June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents		173,636,505.36	3,725,827,025.99
Financial assets at fair value through profit or loss		-	1,597,147.55
Derivative financial assets		-	-
Notes receivable		684,763.69	311,119.00
Accounts receivable		31,410,813.99	677,468,227.95
Prepayments		10,690,663.76	3,223,652,503.90
Interest receivable		-	69,002,234.43
Dividend receivable		-	47,600,000.00
Other receivables		2,571,116.64	3,476,271,808.07
Inventories		147,301,180.07	4,050,349,013.03
Assets classified as held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		-	-
Total current assets		366,295,043.51	15,272,079,079.92
Non-current assets:			
Available-for-sale financial assets		-	1,000,000.00
Held-to-maturity investments		-	-
Long-term receivables		667,500,000.00	667,500,000.00
Long-term equity investments		8,532,958,687.34	6,203,078,728.58
Investment properties		-	23,508,788.00
Fixed assets		83,198,411.63	394,722,990.42
Construction in progress		-	205,913,567.86
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		11,277,870.90	21,313,210.43
Research and Development expense		-	-
Goodwill		-	-
Long-term deferred expenses		513,246.64	12,155,239.21
Deferred tax assets		20,000,000.00	20,000,000.00
Other non-current assets		-	-
Total non-current assets		9,315,448,216.51	7,549,192,524.50
Total assets		9,681,743,260.02	22,821,271,604.42

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Balance Sheet of the Company (Continued) 30 June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings		155,000,000.00	1,117,000,000.00
Financial liabilities at fair value through profit or loss		-	169,786,438.85
Derivative financial liabilities		-	-
Notes payable		4,183,900.00	666,115,033.68
Accounts payable		84,959,950.37	2,949,424,645.21
Advances from customers		78,758,382.37	102,971,450.69
Employee benefits payable		43,913.01	19,231,876.14
Taxes payable		-24,897,274.30	-926,830,947.39
Interest payable		343,020.84	4,398,553.01
Dividends payable		42,579,537.30	174,345.96
Other payables		5,912,143.80	43,553,010.12
Liabilities classified as held for sale		-	-
Non-current liabilities due within one year		482,500,000.00	549,000,000.00
Other current liabilities		-	6,152,425,858.57
Total current liabilities		829,383,573.39	10,847,250,264.84
Non-current liabilities:			
Long-term borrowings		30,000,000.00	2,720,500,000.00
Bonds payable		-	-
Including: Preference shares			
Perpetual bonds			
Long-term payables		-	-
Long-term employee benefits payable		-	50,876,069.79
Special payables		99,370,000.00	99,370,000.00
Estimated liabilities		5,032,564.64	229,399,586.26
Deferred income		-	218,225,166.74
Deferred tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities		134,402,564.64	3,318,370,822.79
Total liabilities		963,786,138.03	14,165,621,087.63
Owners' equity:			
Share capital		1,413,506,378.00	1,413,506,378.00
Other equity instruments		-	-
Including: Preference shares			
Perpetual bonds			
Capital reserve		6,147,927,729.10	6,147,927,729.10
Less: Treasury shares		-	-
Other comprehensive income		-	-
Special reserve		-	-
Surplus reserve		453,894,266.30	453,894,266.30
Undistributed profit		702,628,748.59	640,322,143.39
Total owners' equity		8,717,957,121.99	8,655,650,516.79
Total liabilities and owners' equity		9,681,743,260.02	22,821,271,604.42

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Income Statement From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Total operating income		11,359,948,288.79	10,809,719,237.47
Including: Operating income		11,359,948,288.79	10,809,719,237.47
Interest income			
Premium earned			
Fee and commission income			
II. Total operating costs		11,427,889,285.16	11,464,385,476.49
Including: Operating cost		10,635,670,335.59	10,505,677,087.10
Interest expenses			
Fee and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of reserves for reinsurance contract			
Policy dividend payment			
Reinsured expenses			
Business tax and surcharges		11,239,441.71	8,389,291.14
Selling expenses		100,032,415.61	77,145,661.29
Administrative expenses		595,934,762.38	603,455,675.24
Finance cost		9,665,504.45	39,589,871.47
Loss on impairment of assets		75,346,825.42	230,127,890.25
Add: Gains from changes in fair values (loss expressed with "-")		149,283,686.40	52,317,853.55
Investment income (loss expressed with "-")		-74,790,875.31	7,925,146.08
Including: Income from investment in associates and joint ventures		659,270.82	152,528.55
Exchange gain (loss expressed with "-")			
III. Operating profit (loss expressed with "-")		6,551,814.72	-594,423,239.39
Add: Non-operating income		66,248,903.45	52,325,766.15
Including: Income from disposal of non-current assets		740,368.61	22,175.73
Less: Non-operating expenses		5,189,356.38	1,219,283.81
Including: Loss from disposal of non-current assets		5,026,795.10	430,799.46
IV. Total profit (loss expressed with "-")		67,611,361.79	-543,316,757.05
Less: Income tax expenses		23,834,214.63	-19,723,979.56
V. Net profit (net loss expressed with "-")		43,777,147.16	-523,592,777.49
Net profit attributable to owners of the Company		37,072,739.65	-524,993,554.11
Profit or loss attributable to minority interest		6,704,407.51	1,400,776.62

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Income Statement (Continued) From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
VI. Net other comprehensive income after tax		-331,848.09	668,612.45
Net other comprehensive income after tax attributable to owners of the Company		-331,848.09	668,612.45
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Net liabilities or net assets movement due to re-measurement on defined benefit plan			
2. Share of other comprehensive income of investee that cannot be subsequently reclassified to profit and loss under equity method			
(2) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		-331,848.09	668,612.45
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method			
2. Gain/loss on fair value movement for available-for-sale financial assets		-331,848.09	668,612.45
3. Gain/loss on held-to-maturity investment re-classified into available-for-sale financial assets			
4. Effective portion of hedging gains and losses from cash flows			
5. Exchange differences from retranslation of foreign currency financial statements			
6. Others			
Net other comprehensive income after tax attributable to minority interest			
VII. Total comprehensive income		43,445,299.07	-522,924,165.04
Total comprehensive income attributable to owners of the Company		36,740,891.56	-524,324,941.66
Total comprehensive income attributable to minority interest		6,704,407.51	1,400,776.62
VIII. Earnings per share:			
(1) Basic earnings per share (RMB/share)		0.0262	-0.3866
(2) Diluted earnings per share (RMB/share)		0.0262	-0.3866

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Income Statement of the Company From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Operating income		251,123,829.80	3,310,847,149.80
Less: Operating cost		244,088,870.22	3,526,509,434.37
Business tax and surcharges		707,593.94	1,275,157.00
Selling expenses		3,469,573.82	11,242,258.15
Administrative expenses		5,885,543.06	178,135,965.76
Finance cost		-3,903,659.90	984,991.84
Loss on impairment of assets		95,310.11	335,896,206.79
Add: Gains from changes in fair values (loss expressed with "-")			27,128,716.11
Investment income (loss expressed with "-")		93,600,910.09	-4,608,621.81
Including: Income from investment in associates and joint ventures			256,914.03
II. Operating profit (Loss expressed with "-")		94,381,508.64	-720,676,769.81
Add: Non-operating income		10,430,295.90	23,652,734.83
Including: Income from disposal of non-current assets			
Less: Non-operating expenses		100,008.00	278,453.26
Including: Loss from disposal of non-current assets			232,003.26
III. Total profit (loss expressed with "-")		104,711,796.54	-697,302,488.24
Less: Income tax expenses			-109,457,958.54
IV. Net profit (Net loss listed with "-")		104,711,796.54	-587,844,529.70
V. Net other comprehensive income after tax			
(1) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods			
1. Net liabilities or net assets movement due to re-measurement on defined benefit plan			
2. Share of other comprehensive income of investee that cannot be subsequently reclassified to profit and loss under equity method			
(2) Other comprehensive income that will be reclassified to profit and loss in subsequent periods			
1. Other comprehensive income classified to profit and loss in the future shared by investee accounted under equity method			
2. Gain/loss on fair value movement for available-for-sale financial assets			
3. Gain/loss on held-to-maturity investment re-classified into available-for-sale financial assets			
4. Effective portion of hedging gains and losses from cash flows			
5. Exchange differences from retranslation of foreign currency financial statements			
6. Others			
VI. Total comprehensive income		104,711,796.54	-587,844,529.70
VII. Earnings per share:			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (RMB/share)			

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxian

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Cash Flow Statement From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Cash Flows from operating activities:			
Cash receipts from sale of goods and renderings of services		8,147,137,570.24	8,507,332,545.03
Net increase in deposits from customers and deposits from other banks			
Net increase in loans from central bank			
Net increase in placements from other financial institutions			
Cash receipts of premium for direct insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits from insurance policy holders and investment			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash receipts of interest, fees and commission			
Net increase in placements from other financial institutions			
Net increase in sales and repurchase operations			
Cash received from tax refund		285,555,572.06	634,473,823.41
Other cash receipts relating to operating activities		273,307,629.45	253,932,348.98
Sub-total of cash inflows from operating activities		8,706,000,771.75	9,395,738,717.42
Cash paid for goods purchased and services received		11,113,094,923.56	11,198,730,643.43
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		952,616,034.31	870,826,405.69
Payments of taxes		177,761,894.52	267,690,189.46
Other cash payments relating to operating activities		211,045,655.03	557,149,215.83
Sub-total of cash outflows from operating activities		12,454,518,507.42	12,894,396,454.41
Net cash flow from operating activities		-3,748,517,735.67	-3,498,657,736.99
II. Cash flows from investing activities:			
Cash receipts from disposal of investments		170,000,000.00	
Cash receipts from investment income		41,680,000.00	296,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		675,326.51	16,348.25
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		5,649,226,846.42	4,696,321,240.31
Sub-total of cash inflows from investing activities		5,861,582,172.93	4,696,633,588.56
Cash paid to acquire fixed assets, intangible assets and other long-term assets		312,405,713.23	489,098,987.88
Cash paid to acquire investments		1,648,628,357.44	680,408,300.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities		5,198,338,115.03	4,179,389,849.70
Sub-total of cash outflows from investing activities		7,159,372,185.70	5,348,897,137.58
Net cash flow from investment activities		-1,297,790,012.77	-652,263,549.02

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Cash Flow Statement (Continued) From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
III. Cash flows from financing activities:			
Cash receipt from receiving investments			1,541,373,292.57
Including: Cash received by subsidiaries from receiving investments made by minority interest			
Cash receipts from loans obtained		7,922,524,620.58	10,167,045,595.34
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities		39,000,000.00	100,456,014.39
Sub-total of cash inflows from financing activities		7,961,524,620.58	11,808,874,902.30
Cash paid for repayment of debts		2,754,359,509.51	9,220,246,698.15
Cash paid for dividend, profit appropriation or interest expenses		468,573,598.64	233,312,259.25
Including: Dividends and profits paid to minority interest			
Other cash payments relating to financing activities			3,854,499.50
Sub-total of cash outflows from financing activities		3,222,933,108.15	9,457,413,456.90
Net cash flow from financing activities		4,738,591,512.43	2,351,461,445.40
IV. Effect of change in foreign exchange rate on cash and cash equivalents		118,016,880.45	3,574,784.78
V. Net increase in cash and cash equivalents		-189,699,355.56	-1,795,885,055.83
Add: Opening balance of cash and cash equivalents		9,232,645,596.18	8,341,435,741.37
VI. Closing balance of cash and cash equivalents		9,042,946,240.62	6,545,550,685.54

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Cash Flow Statement of the Company From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Note	Current period	Previous period
I. Cash flows from operating activities:			
Cash receipts from sale of goods and renderings of services		675,167,191.61	2,474,441,757.78
Cash received from tax refund		75,793,250.24	251,036,246.14
Other cash receipts relating to operating activities		10,980,186.17	23,768,791.26
Sub-total of cash inflows from operating activities		761,940,628.02	2,749,246,795.18
Cash paid for goods purchased and services received		998,225,500.75	5,821,078,459.91
Cash paid to and on behalf of employees		22,017,827.25	148,772,908.67
Payments of taxes		14,374,129.88	99,931,505.43
Other cash payments relating to operating activities		24,725,637.25	190,596,937.54
Sub-total of cash outflows from operating activities		1,059,343,095.13	6,260,379,811.55
Net cash flow from operating activities		-297,402,467.11	-3,511,133,016.37
II. Cash flows from investing activities:			
Cash receipts from disposal of investments			
Cash receipts from investment income		93,600,910.09	721,976.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			16,348.25
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		1,027,743,494.97	1,973,122,688.86
Sub-total of cash inflows from investing activities		1,121,344,405.06	1,973,861,013.67
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,079,560.00	80,893,498.96
Cash paid to acquire investments		3,367,252,991.39	1,437,413,332.60
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			312,272,000.00
Sub-total of cash outflows from investing activities		3,368,332,551.39	1,830,578,831.56
Net cash flow from investment activities		-2,246,988,146.33	143,282,182.11
III. Cash flows from financing activities:			
Cash receipt from receiving investments			1,541,373,292.57
Cash receipts from loans obtained			5,264,977,919.70
Other cash receipts relating to financing activities			67,456,014.39
Sub-total of cash inflows from financing activities			6,873,807,226.66
Cash paid for repayment of debts			5,081,029,672.26
Cash paid for dividend, profit appropriation or interest expenses		6,174,375.00	61,829,761.85
Other cash payments relating to financing activities			3,552,293.41
Sub-total of cash outflows from financing activities		6,174,375.00	5,146,411,727.52
Net cash flow from financing activities		-6,174,375.00	1,727,395,499.14
IV. Effect of change in foreign exchange rate on cash and cash equivalents		14,467.81	6,219,186.06
V. Net increase in cash and cash equivalents		-2,550,550,520.63	-1,634,236,149.06
Add: Opening balance of cash and cash equivalents		2,724,187,025.99	3,702,545,149.25
VI. Closing balance of cash and cash equivalents		173,636,505.36	2,068,309,000.19

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongliang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Statement of Changes in Owners' Equity From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Current period												Total owners' equity
	Equity attributable to owners of the parent company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interest	
Preference shares		Perpetual bonds	Others										
I. Balance as at the end of the previous year	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
Add: accounting policy change													
Correction of previous errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	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
III. Increase/Decrease for the period (Decrease marked with "-")													
(I) Total comprehensive income							-331,848.09	1,253,325.94			-5,332,451.69	4,824,857.51	413,883.67
(II) Capital paid in and reduced by owners							-331,848.09				37,072,739.65	6,704,407.51	43,445,239.07
1. Ordinary shares paid by shareholders													
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity													
4. Others													
(III) Profit distribution											-42,405,191.34	-1,879,550.00	-44,284,741.34
1. Transfer to surplus reserve													
2. Transfer to general risk provision													
3. Distribution to owners (shareholders)													
4. Others													
(IV) Transfer within owner's equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(V) Special reserve									1,253,325.94				1,253,325.94
1. Transfer in the current period									13,333,496.25				13,333,496.25
2. Use in the current period									12,080,170.31				12,080,170.31
(VI) Others													
IV. Balance at the end of the current period	1,413,506,378.00				6,867,585,222.21		-60,498,573.91	1,253,325.94	943,767,421.48		1,148,023,494.90	55,433,728.54	10,369,070,997.16

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Consolidated Statement of Changes in Owners' Equity (Continued) From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Previous period												Total owners' equity
	Equity attributable to owners of the parent company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profit	Minority interest	
Preference shares		Perpetual bonds	Others										
I. Balance as at the end of the previous year	1,030,534,651.00			5,421,591,956.64		-45,294,836.15	1,439,966.32	943,767,421.48		1,310,184,662.42	45,721,941.76	6,707,955,763.47	
Add: accounting policy change													
Correction of previous errors													
Business combination under common control													
Others													
II. Balance at the beginning of the year	1,030,534,651.00			5,421,591,956.64		-45,294,836.15	1,439,966.32	943,767,421.48		1,310,184,662.42	45,721,941.76	6,707,955,763.47	
III. Increase/Decrease for the period (Decrease marked with "-")	382,971,727.00			1,445,993,265.57		668,612.45	-478,995.12			-780,142,979.32	-69,223.38	1,048,942,407.20	
(I) Total comprehensive income						668,612.45	-478,995.12			-524,993,554.11	1,400,776.62	-522,924,165.04	
(II) Capital paid in and reduced by owners	382,971,727.00			1,445,993,265.57								1,828,964,992.57	
1. Ordinary shares paid by shareholders	382,971,727.00			1,445,993,265.57								1,828,964,992.57	
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity													
4. Others													
(III) Profit distribution										-255,149,425.21	-1,470,000.00	-256,619,425.21	
1. Transfer to surplus reserve													
2. Transfer to general risk provision													
3. Distribution to owners (shareholders)										-255,149,425.21	-1,470,000.00	-256,619,425.21	
4. Others													
(IV) Transfer within owner's equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(V) Special reserve													
1. Transfer in the current period													
2. Use in the current period													
(VI) Others													
IV. Balance at the end of the current period	1,413,506,378.00			6,867,585,222.21		-44,616,223.70	960,971.20	943,767,421.48		530,041,683.10	45,652,718.38	9,756,898,170.67	

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Statement of Changes in Owners' Equity of the Parent Company From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Current period										Total owners' equity
	Share capital	Preference shares	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance as at the end of the previous year	1,413,506,378.00				6,147,927,729.10				453,894,266.30	640,322,143.39	8,655,650,516.79
Add: accounting policy change											
Correction of previous errors											
Others											
II. Balance at the beginning of the year	1,413,506,378.00				6,147,927,729.10				453,894,266.30	640,322,143.39	8,655,650,516.79
III. Increase/Decrease for the period (Decrease marked with "-")										62,306,605.20	62,306,605.20
(I) Total comprehensive income										104,711,796.54	104,711,796.54
(II) Capital paid in and reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution										-42,405,191.34	-42,405,191.34
1. Transfer to surplus reserve										-42,405,191.34	-42,405,191.34
2. Distribution to owners (shareholders)										-42,405,191.34	-42,405,191.34
3. Others											
(IV) Transfer within owner's equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer in the current period											
2. Use in the current period											
(VI) Others											
IV. Balance at the end of the current period	1,413,506,378.00				6,147,927,729.10				453,894,266.30	702,628,748.59	8,717,957,121.99

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

SECTION VIII FINANCIAL REPORTS (UNAUDITED)

Statement of Changes in Owners' Equity of the Parent Company (Continued) From January to June 2016

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

Unit: Yuan Currency: RMB

Item	Other equity instruments					Previous period		Surplus reserve	Undistributed profit	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income			
I. Balance as at the end of the previous 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: accounting policy change										
Correction of previous errors										
Others										
II. Balance at the beginning of the 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. Increase/Decrease for the period (Decrease marked with "-")	382,971,727.00				4,195,290,513.43				-587,844,529.70	3,890,417,710.73
(I) Total comprehensive income									-587,844,529.70	-587,844,529.70
(II) Capital paid in and reduced by owners	382,971,727.00				4,195,290,513.43					4,578,282,240.43
1. Ordinary shares paid by shareholders	382,971,727.00				4,195,290,513.43					4,578,282,240.43
2. Capital paid by holders of other equity instruments										
3. Amounts of share-based payments recognised in owners' equity										
4. Others										
(III) Profit distribution										
1. Transfer to surplus reserve										
2. Distribution to owners (shareholders)										
3. Others										
(IV) Transfer within owner's equity										
1. Capitalization of capital reserve										
2. Capitalization of surplus reserve										
3. Loss offset by surplus reserve										
4. Others										
(V) Special reserve										
1. Transfer in the current period								14,083,194.21		14,083,194.21
2. Use in the current period								14,083,194.21		14,083,194.21
(VI) Others										
IV. Balance at the end of the current period	1,413,506,378.00				6,147,927,729.10			453,894,266.30	1,862,861,911.89	9,878,190,285.29

Legal representative:
Han Guangde

Person in charge of accounting:
Chen Qiongxiang

Head of accounting department:
Xie Weihong

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 30 June 2016

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

I. BACKGROUND INFORMATION

CSSC Offshore & Marine Engineering (Group) Company Limited (the “Company”, together with its subsidiaries, the “Group”), formerly known as Guangzhou Shipyard International Company Limited, 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, 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, on 11 December 2014, 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 29 December 2015, the Company received a new business license issued by Guangzhou Administration for Industry and Commerce (uniform social credit code: 91440101190499390U), with legal representative of Han Guangde. As at 30 June 2016, the total 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, and 272,099,300 shares held by CSSC were subject to sale restriction for a period of 36 months starting from 8 April 2015.

The Group operates in the shipbuilding industry. The principal activities of the Group includes: metal shipbuilding; marine equipment manufacturing; container manufacturing; metal structures manufacturing; metal pressure vessel manufacturing; mechanical parts processing; tempered glass manufacturing; cutting tool manufacturing; other furniture manufacturing; ship repair; general equipment repairs; engineering survey and design; machinery technology transfer services; interior decoration and design; water transport equipment rental services; container leasing services; machinery and equipment leasing; construction general contracting services; overseas dispatch of all kinds of labor service personnel (excluding seamen); provision of docks, barge anchorages, floats and other facilities for ships.

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.

II. 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 ShipShipbuilding 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 Bingshen Facilities Co., Ltd., Guangzhou Wenchong Heavy Industrial Co. Ltd., and Guangzhou Xingji Maritime Engineering Design Co., Ltd.. The scope of consolidation has not changed compared to last year.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 30 June 2016

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

III. 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 30 June 2016, ship construction contracts in hand were 8,072,900 DWT, orders for shipbuilding plan has been arranged until 2020. 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.

IV. 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 2016 to 30 June 2016

(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 2016 to 30 June 2016

(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 2016 to 30 June 2016

(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.

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(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 a 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.

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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.

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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.

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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 Period.

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.

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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 accosting 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.

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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 Period 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.

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24. Work safety fees

According to the regulation for accrued work safety fees and usage (Cai Qi [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 reliably, 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.

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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 Period 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.

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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.

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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 Period and future periods.

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.

As stated in Note IV/26, the Group conducts checking for the progress of ship construction contract at the balance sheet date. If the total estimated cost of the construction contract is higher than the total estimated income from the contract, provision shall be made for the estimated loss on contracts, and the loss on impairment of assets and provision for impairment of inventories- estimated loss on contract shall be increased at the same time. The accounting estimates for construction contracts are made by the management based on their past experiences in building similar assets, estimated production schedule, market price trend and production technology upgrading and with reference to existing economic situations and industry conditions. In case of any material changes in previous estimates, the revenue, cost and estimated loss on contracts for future periods will be adjusted accordingly.

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.

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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.

V. 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%
	Revenue from construction and installation business ^{Note 1}	11%
	Modern service ^{Note 1}	6%
Business	Revenue from construction and installation business ^{Note 1}	3%
	Revenue from other labour services ^{Note 1}	5%
City Maintenance and Construction Tax	Turnover tax payable	7%
Education Surcharge	Turnover tax payable	3%
Local education Surcharge	Turnover tax payable	2%
Flood control and maintain expenses	Main business income and other incomes ^{Note 2}	0.072%

Note 1: Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) and the related policies for conversion of business tax to value-added tax, since 1 May 2016, revenue from construction and installation business and other labour services of the Group is subject to value-added tax, rather than to business tax.

Note 2: 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	25%	
Guangzhou Hongfan Technology Co., Ltd.	15%	
CSSC Huangpu Wenchong Shipbuilding Company Limited	15%	
Glory Group Development Co., Ltd.	16.5%	Registered in Hong Kong
Fanguang Development Co., Ltd.	16.5%	Registered in Hong Kong
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.

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VI. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

For the purpose of the financial statement data disclosed below, unless specifically noted, "Beginning Balance" refers to 1 January 2016; and "Ending Balance" refers to 30 June 2016. "Current Period" refers to the period from 1 January 2016 to 30 June 2016; "Corresponding period of last year" refers to the period from 1 January 2015 to 30 June 2015. The currency unit is in RMB.

1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	661,592.38	456,708.87
Bank deposits	9,041,947,077.78	9,232,133,831.88
Others	8,142,669,676.23	8,431,775,214.17
Total	17,185,278,346.39	17,664,365,754.92
Including: Total amount deposited overseas	129,424,433.70	27,262,282.90

Note 1: Included in the other monetary funds of the Group were ending balance of credit card deposit and gift cards of RMB71,957.03 (beginning balance: RMB55,055.43); bank drafts of RMB265,613.43; letter of guarantee and deposit for letter of credit of RMB28,467,255.23 (beginning balance: RMB10,471,716.20); deposit for construction-in-progress of RMB5,092,920.54 (beginning balance: RMB5,092,920.54); fixed deposit pledged for long-term and short-term mortgage loans of RMB6,585,356,800.00 (beginning balance: RMB4,376,311,442.00). Such pledged fixed deposit will be released upon repayment; total time deposits with a term of over 3 months amounted to RMB1,523,415,130.00 (beginning balance: RMB3,839,844,080.00); and deposit for bank acceptance bills of RMB0.00 (beginning balance: 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. and Fanguang Development Co., Ltd. in Hong Kong and Fanguang (Macau) Development Single Person Co., Ltd. in Macau.

2. Financial assets at fair value through profit or loss

(1) Types of held-for-trading financial assets

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	1,928,068.11	13,063,411.11
Including: Forward exchange contracts	1,928,068.11	13,063,411.11
Total	1,928,068.11	13,063,411.11

(2) Held-for-trading financial assets are analyzed as follows:

Item	Ending fair value	Beginning fair value
Listed		
Unlisted	1,928,068.11	13,063,411.11
Total	1,928,068.11	13,063,411.11

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 PBC 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^{period}.

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^{period}.

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

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3. Notes receivable

(1) Types of notes receivable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	20,446,582.89	21,097,180.25
Total	20,446,582.89	21,097,180.25

(2) Notes receivable which have been endorsed or discounted to other party but not yet expired at the end of period

Item	Amount derecognized at the end of period	Amount not derecognized at the end of period
Bank acceptance bills	12,532,530.16	
Total	12,532,530.16	

4. Accounts receivable

Name of project	Ending balance	Beginning balance
Accounts receivable	2,324,917,334.61	1,747,486,656.26
Less: Provision for bad debts	40,806,844.04	37,519,261.20
Net amount	2,284,110,490.57	1,709,967,395.06

(1) Terms of sales on credit

Business	Term of credit
Shipbuilding	1 month after invoicing
Other Business	Normally 1 to 6 months

(2) Ageing analysis on accounts receivable

Ageing	Ending balance				Beginning balance					
	Book value		Provision for bad debts		Book value		Provision for bad debts		Net amount	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)		
Within 1 year	2,145,488,539.93	92.28	14,873,047.87	0.69	2,130,615,492.06	1,629,786,151.55	93.26	12,095,764.59	0.74	1,617,690,386.96
1-2 years	116,828,196.76	5.03	584,200.99	0.50	116,243,995.77	61,228,720.04	3.50	364,792.83	0.60	60,863,927.21
2-3 years	30,871,735.10	1.33	9,338,116.62	30.25	21,533,618.48	21,062,108.45	1.21	225,691.11	1.07	20,836,417.34
3-4 years	10,054,790.02	0.43	4,405,290.79	43.81	5,649,499.23	14,215,910.78	0.81	9,164,423.64	64.47	5,051,487.14
4-5 years	11,835,517.67	0.51	6,496,480.68	54.89	5,339,036.99	11,257,082.83	0.65	9,627,071.05	85.52	1,630,011.78
Over 5 years	9,838,555.13	0.42	5,109,707.09	51.94	4,728,848.04	9,936,682.61	0.57	6,041,517.98	60.80	3,895,164.63
Total	2,324,917,334.61	-	40,806,844.04	-	2,284,110,490.57	1,747,486,656.26	-	37,519,261.20	-	1,709,967,395.06

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(3) Classification of accounts receivable by risk

Type	Ending balance				Beginning balance					
	Book value		Provision for bad debts		Book value		Provision for bad debts		Net amount	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)		
Accounts receivable that are individually significant and for which bad debt provision have been made on an individual basis										
Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis	30,351,826.50	1.31	29,334,016.50	96.65	1,017,810.00	28,926,460.22	1.65	28,926,460.22	100.00	0.00
Accounts receivable for which bad debt provision have been made using percentage method	2,294,565,508.11	98.69	11,472,827.54	0.50	2,283,092,680.57	1,718,560,196.04	98.35	8,592,800.98	0.50	1,709,967,395.06
Total	2,324,917,334.61	-	40,806,844.04	-	2,284,110,490.57	1,747,486,656.26	-	37,519,261.20	-	1,709,967,395.06

1) Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis as at the end of the period

Name of company	Book value	Amount of bad debts	Percentage (%)	Reasons for provision
THYSSENKRUPP MATERIALS HANDLING	9,232,619.76	9,232,619.76	100.00	Counterparty unable to pay due to financial difficulty
ASTA LTD-KINGSTOWN ST. VINCENT AND THE GRENADINE SC/O	5,280,093.00	5,280,093.00	100.00	Counterparty unable to pay due to financial difficulty
TENOVA AUSTRALIA PTY LTD	4,050,721.24	4,050,721.24	100.00	Difficult to recover
Guangzhou Huayu Electromechanical Equipment Co., Ltd.	3,956,480.68	3,956,480.68	100.00	Counterparty unable to pay due to financial difficulty
WHL-Fonkwang	2,723,017.76	2,723,017.76	100.00	Long ageing and counterparty in operational difficulty
Chongqing Yuandong Fushi Electromechanical Company	1,912,380.00	894,670.00	46.78	Long ageing and counterparty in operational difficulty
Fuzhou Hongjia Electronic Technology Company	688,188.00	688,188.00	100.00	Long ageing and counterparty in operational difficulty
Guilin Hongyuan Elevators Company	398,250.00	398,250.00	100.00	Long ageing and counterparty in operational difficulty
Chongqing South Group Company	263,698.87	263,698.87	100.00	Long ageing and counterparty in operational difficulty
Qingdao Haier Special Freezer Co., Ltd.	208,000.00	208,000.00	100.00	Long ageing and counterparty in operational difficulty
Hisense Rongshen (Yangzhou) Refrigerator Co., Ltd.	179,579.35	179,579.35	100.00	Long ageing and counterparty in operational difficulty
China Refrigeration Industry Co., Ltd.	166,510.00	166,510.00	100.00	Long ageing and counterparty in operational difficulty
China Railway 12th Bureau Group Co., Ltd.	138,281.00	138,281.00	100.00	Long ageing and counterparty in operational difficulty
Chongqing Guangchuan Elevators Co., Ltd.	129,999.76	129,999.76	100.00	Long ageing and counterparty in operational difficulty
Chongqing Yicheng Property Co., Ltd.	123,465.32	123,465.32	100.00	Retention money that may be unable to recover
Swan (Jingzhou) Electric Co., Ltd.	120,985.49	120,985.49	100.00	Long ageing and counterparty in operational difficulty
Hefei Hualing Co., Ltd.	117,000.00	117,000.00	100.00	Long ageing and counterparty in operational difficulty
Wuhan Yujie Property Co., Ltd.	105,500.00	105,500.00	100.00	Long ageing and counterparty in operational difficulty
16 other companies	557,056.27	556,956.27	100.00	Difficult to recover due to long ageing
Total	30,351,826.50	29,334,016.50	-	

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- 2) *Accounts receivable for which bad debt provision is made using percentage method as at the end of the period*

Name of portfolio	Book value	Percentage (%)	Amount of bad debts
Within 1 year	2,145,488,539.18	0.50	10,727,442.68
1-2 years	116,828,196.76	0.50	584,140.99
2-3 years	21,099,370.37	0.50	105,496.86
3-4 years	1,030,924.38	0.50	5,154.62
4-5 years	5,365,866.32	0.50	26,829.33
Over 5 years	4,752,611.10	0.50	23,763.06
Total	2,294,565,508.11	-	11,472,827.54

- (4) *Provision for bad debts reversed or recovered during the period*

Provision for bad debts made during the period amounted to RMB3,344,011.84, and provision for bad debts recovered or reversed during the period amounted to RMB35,000.00.

- (5) *Accounts receivable written-off during the period*

Name of company	Nature of accounts receivable	Amount written-off	Reason for writing-off	Whether arising from connected transaction
Guangzhou Weikang Coking Equipment Technology Co., Ltd.	Construction expenses	21,429.00	Unable to recover	No
Total		21,429.00		

- (6) *Top five accounts receivable at the end of period*

Investee Name	Relationship with the Group	Amount	Ageing	Proportion (%)	Provision for bad debts Ending balance
Customer 1	Under common control of CSSC	276,811,435.18	Within 1 year	11.91	1,384,057.18
Customer 2	Third party	263,811,460.00	Within 1 year	11.35	1,319,057.30
Customer 3	Third party	187,955,040.00	Within 1 year	8.08	939,775.20
Customer 4	Third party	165,396,400.00	0-2 years	7.11	826,982.00
Customer 5	Third party	152,729,765.24	Within 1 year	6.57	763,648.83
Total		1,046,704,100.42		45.02	5,233,520.51

5. Prepayments

- (1) *Ageing of prepayments*

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,246,278,318.32	74.19	2,031,907,046.94	80.78
1-2 years	698,337,186.66	23.06	444,791,064.71	17.69
2-3 years	46,478,868.52	1.54	21,182,886.96	0.84
Over 3 years	36,601,700.31	1.21	17,377,066.84	0.69
Total	3,027,696,073.81	-	2,515,258,065.45	-

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(2) Reason for unsettled significant advances to suppliers aged over one year

Name of company	Relationship with the Company	Amount	Including: Over 1 year	Among aged over 1 year as a percentage total of prepayments (%)	Ageing	Reason for unsettlement
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	337,050,805.64	163,049,268.30	5.39	0-2 years	Equipment not received yet
WARTSILA Company (Finland)	Third party	148,410,181.89	29,333,609.11	0.97	0-2 years	Equipment not received yet
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Under common control of CSSC	130,000,000.00	100,000,000.00	3.30	0-2 years	Contract not expired yet
EAGLE POINT INTERNATIONAL LIMITED	Third party	95,675,264.43	4,628,666.25	0.15	0-3 years	Equipment not received yet
Hoi Tung Marine Machinery Suppliers Limited	Third party	89,064,000.00	1,206,550.40	0.04	0-2 years	Equipment not received yet
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Under common control of CSSC	85,800,000.00	17,920,000.00	0.59	0-2 years	Equipment not received yet
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Under common control of CSSC	73,618,096.74	15,650,707.68	0.52	0-4 years	Equipment not received yet
China Shipbuilding Trading Co., Ltd.	Under common control of CSSC	39,186,301.77	16,810,340.70	0.56	0-2 years	Equipment not received yet
China State Shipbuilding Steel Structure Engineering Company Limited	Under common control of CSSC	28,991,453.00	21,743,589.75	0.72	0-2 years	Equipment not received yet
Kailunbo Maritime Technology (Shanghai) Co., Ltd.	Third party	22,419,929.42	1,840,652.08	0.06	0-3 years	Equipment not received yet
ICE MARINE Company	Third party	11,400,060.20	10,685,651.72	0.35	0-2 years	Project unsettled
China Zhiteng Development Co., Ltd.	Third party	10,681,294.94	10,681,294.94	0.35	1-2 years	Equipment not received yet
Total		1,072,297,388.03	393,550,330.93	13.00		

(3) Top five advances to suppliers by supplier based on ending balance

Name of company	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	337,050,805.64	0-2 years	11.13
EMER INTERNATIONAL LIMITED	302,195,059.03	0-2 years	9.98
China Shipbuilding Trading Shanghai Co., Ltd.	243,135,424.87	0-2 years	8.03
Eastern Shanghai Heavy Machinery Co., Ltd.	182,187,316.24	Within 1 year	6.02
WARTSILA Company (Finland)	148,410,181.89	0-2 years	4.90
Total	1,212,978,787.67	-	40.06

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6. Interest receivable

Item	Ending balance	Beginning balance
Interest on fixed deposits	139,507,475.65	155,659,076.01
Interest on entrusted wealth management products	65,953,776.92	36,676,712.33
Total	205,461,252.57	192,335,788.34

7. Dividend receivable

Item (or investee)	Ending balance	Beginning balance
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	635,116.05	635,116.05
Total	635,116.05	635,116.05

8. Other receivables

Name of project	Ending balance	Beginning balance
Other receivables	672,461,779.37	708,305,951.44
Less: Provision for bad debts	13,750,645.81	13,929,769.20
Net amount	658,711,133.56	694,376,182.24

(1) Ageing analysis of other receivables

Item	Ending balance					Beginning balance				
	Carrying amount	Proportion (%)	Provision for bad debts	Provision Proportion (%)	Net amount	Carrying amount	Proportion (%)	Provision for bad debts	Provision Proportion (%)	Net amount
Within 1 year	650,538,474.65	96.74	3,252,689.84	0.50	647,285,784.81	678,573,584.10	95.79	3,392,767.91	0.50	675,180,816.19
1-2 years	1,972,431.43	0.29	19,314.65	0.98	1,953,116.78	10,107,043.37	1.43	50,535.23	0.50	10,056,508.14
2-3 years	1,774,999.09	0.26	8,874.99	0.50	1,766,124.10	2,896,916.58	0.41	14,484.58	0.50	2,882,432.00
3-4 years	1,652,785.13	0.25	8,263.92	0.50	1,644,521.21	1,314,013.32	0.19	6,570.06	0.50	1,307,443.26
4-5 years	2,921,205.00	0.43	14,606.03	0.50	2,906,598.97	2,131,239.80	0.30	10,656.20	0.50	2,120,583.60
Over 5 years	13,601,884.07	2.02	10,446,896.38	76.80	3,154,987.69	13,283,154.27	1.88	10,454,755.22	78.71	2,828,399.05
Total	672,461,779.37	-	13,750,645.81	-	658,711,133.56	708,305,951.44	-	13,929,769.20	-	694,376,182.24

(2) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Carrying value	Book value		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Provision Percentage (%)		Amount	Percentage (%)	Amount	Provision Percentage (%)	
Other receivables that are individually significant and for which bad debt provision have been made on an individual basis as at the end of the period	10,340,232.15	1.54	10,340,232.15	100.00	0.00	10,340,232.15	1.45	10,340,232.15	100.00	0.00
Other receivables that are individually insignificant but for which the provision have been made on an individual basis	100,310.00	0.01	100,310.00	100.00	0.00	100,310.00	0.01	100,310.00	100.00	0.00
Other receivables for which bad debt provision have been made using percentage method	662,021,237.22	98.45	3,310,103.66	0.50	658,711,133.56	697,865,409.29	98.54	3,489,227.05	0.50	694,376,182.24
Total	672,461,779.37	-	13,750,645.81	-	658,711,133.56	708,305,951.44	-	13,929,769.20	-	694,376,182.24

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- 1) *Other receivables that are individually significant and for which the provision for bad debts have been made on an individual basis as at the end of period*

Name of company	Book value	Ending balance		Reasons for provision
		Amount of bad debts	Percentage (%)	
Konwin International Limited	10,340,232.15	10,340,232.15	100.00	Note
Total	10,340,232.15	10,340,232.15	-	-

Note: Pursuant to a debt restructuring agreement between the Company and Guangzhou International Trust and Investment Corporation ("Guangzhou Investment"), most of the trust deposits of the Company at Guangzhou Investment had been exchanged for assets. On 17 August 2005, the Company, Guangzhou Investment and Konwin International Limited ("Konwin") entered into a debt transfer agreement, pursuant to which Guangzhou Investment transferred its creditor's right against Konwin of RMB10,640,000 to the Company. A debt settlement agreement was also entered into with Konwin at the same time, pursuant to which Konwin settled part of the debts with seven cars owned by it, due to deliver by September 2005. The remaining debts will be settled with part of equity interest in Konwin Optoelectronic Technology (Shenzhen) Co., Ltd. for which it has the right to dispose of. Under the final judgement delivered by the Higher People's Court of Guangdong Province on 21 September 2009, Konwin shall repay the principal amount and corresponding interest to the Group within ten days after the judgment has taken effect. As at the end of the period, the Company was unable to recover the debts as scheduled and will further follow up on such matter.

- 2) *Other receivables that are individually insignificant but for which the provision have been made on an individual basis*

Name of company	Book value	Amount of bad debts	Percentage (%)	Reasons for provision
Guangzhou Urban Construction Archives	57,600.00	57,600.00	100.00	Unable to recover
Tian He District People's Court in Guangzhou City	33,210.00	33,210.00	100.00	Unable to recover
Guangdong Machinery Import & Export Co., Ltd.	9,500.00	9,500.00	100.00	Unable to recover
Total	100,310.00	100,310.00	-	-

- 3) *Other receivables for which bad debt provision is made using percentage method*

Name of portfolio	Ending balance		Percentage (%)
	Other receivables	Amount of bad debts	
Within 1 year	650,538,474.65	3,252,689.84	0.50
1-2 years	1,962,931.43	9,814.65	0.50
2-3 years	1,774,999.09	8,874.99	0.50
3-4 years	1,652,785.13	8,263.92	0.50
4-5 years	2,921,205.00	14,606.03	0.50
Over 5 years	3,170,841.92	15,854.23	0.50
Total	662,021,237.22	3,310,103.66	-

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

Provision for bad debts made during the period amounted to RMB-179,123.39, and provision for bad debts recovered or reversed during the period amounted to RMB0.

(4) There were no other receivables written-off during the period.

(5) Other receivables by nature

Nature	Book value at the end of period	Book value at the beginning of period
Refundable deposits	9,272,304.83	3,838,041.89
Temporary payments receivable	28,756,586.97	16,846,137.76
Grants receivable	0.00	24,921,565.79
Reserve funds	29,409,640.99	34,878,152.38
Other current account	11,333,431.58	34,132,238.62
Equity transfer payment	593,689,815.00	593,689,815.00
Total	672,461,779.37	708,305,951.44

(6) Top five other receivables based on 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	88.29	2,968,449.08
Guangzhou Nansha Pingqian Automobile Industrial Park Co., Ltd.	Deposit	3,982,863.00	1-5 years	0.59	19,914.32
Yantai Jiatai Ship Engineering Co., Ltd.	Current account	1,757,548.59	Within 1 year	0.26	8,787.74
Guangdong Yuanyang Transportation Co., Ltd.	Interest on amounts overdue	1,682,069.68	Within 1 year	0.25	8,410.35
CBM Company Limited	Lease deposits	1,050,000.00	Within 1 year	0.16	5,250.00
Total		602,162,296.27		89.55	3,010,811.49

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9. Inventories

(1) Classification of inventories

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Raw materials	1,921,135,560.50	23,373,095.36	1,897,762,465.14	2,011,571,552.79	23,373,095.36	1,988,198,457.43
Work-in-progress	1,013,443,878.38	22,581,177.14	990,862,701.24	1,049,300,993.01	22,581,177.14	1,026,719,815.87
Merchandise inventories	28,908,969.76	15,951.95	28,893,017.81	27,782,549.68	15,951.95	27,766,597.73
Capitalized construction contracts	8,107,763,096.01	298,927,960.31	7,808,835,135.70	8,268,934,660.21	607,793,041.24	7,661,141,618.97
Goods in transit	10,767,283.95		10,767,283.95	38,847,053.44		38,847,053.44
Total	11,082,018,788.60	344,898,184.76	10,737,120,603.84	11,396,436,809.13	653,763,265.69	10,742,673,543.44

(2) Provision for obsolete stocks

Item	Beginning balance	Increase in the period		Decrease in the period		Ending balance
		Provision	Others	Reversal or writing-off	Others Other transfer-out	
Raw materials	23,373,095.36					23,373,095.36
Work-in-progress	22,581,177.14					22,581,177.14
Merchandise inventories	15,951.95					15,951.95
Capitalized construction contracts	637,582,569.40	83,707,273.55		409,370,596.93		311,919,246.02
Including: Capitalized construction contracts (under inventories)	607,793,041.24	-	-	-	-	298,927,960.31
Capitalized construction contracts (under estimated liabilities)	29,789,528.16	-	-	-	-	12,991,285.71
Subtotal	683,552,793.85	83,707,273.55	-	409,370,596.93	-	357,889,470.47
Less: Capitalized construction contracts (under estimated liabilities)	29,789,528.16	-	-	-	-	12,991,285.71
Total	653,763,265.69	83,707,273.55	-	409,370,596.93	-	344,898,184.76

(3) Provision for obsolete stocks

Item	Basis for determination of net realisable value	Reason for reversal or writing-off
Raw materials	Book value higher than net realisable value (Estimated disposal proceeds less taxes)	
Work-in-progress	Book value higher than net realisable value (Estimated disposal proceeds related costs and expenses)	
Merchandise inventories	Book value higher than net realisable value (Estimated selling price less taxes)	
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Writing off according to construction process

(4) Completed and unsettled assets arising from construction contracts at the end of period

Item	Amount
Accumulated cost incurred	19,812,197,533.23
Accumulated gross profit recognised	-126,277,098.19
Less: Expected loss	298,927,960.31
Less: Amount settled	11,578,157,339.03
Completed and unsettled assets arising from construction contracts	7,808,835,135.70

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10. Other current assets

Item	Ending balance	Beginning balance
Entrusted wealth management products ^{note 1}	2,005,000,000.00	705,000,000.00
Wealth management products ^{note 2}	105,000,000.00	140,000,000.00
Total	2,110,000,000.00	845,000,000.00

Note 1: The breakdown of the entrusted wealth management products due within one year of Huangpu Wenchong and GSI, both subsidiaries of the Company, is as follows:

Trustee	Amount	Date of commencement	Date of ending
CSSC Finance Company Limited	1,000,000,000.00	2016-05-04	2016-10-10
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	2017-06-21
CSSC Finance Company Limited	110,000,000.00	2015-07-03	2016-08-14
CSSC Finance Company Limited	390,000,000.00	2015-07-03	2016-11-14
Total	2,005,000,000.00		

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 30 June 2016, the balance of wealth management products for which the Company has entered into agreement was RMB105,000,000.00:

Product name	Principal	Estimated interest rate	Date of commencement	Date of ending	Cycle (days)
CITIC Xinying Series Bu Bu Gao Sheng No. 4	50,000,000.00	3.00%	2016/04/08	-	-
Renminbi Wealth Management Products (open wealth management product)	55,000,000.00	3.00%	2016/04/11	-	-
Total	105,000,000.00				

11. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Available-for-sale equity instruments						
Including: Measured at fair value	3,075,398.76		3,075,398.76	3,517,862.88		3,517,862.88
Measured at cost	20,466,789.27	4,716,310.26	15,750,479.01	20,466,789.27	4,716,310.26	15,750,479.01
Total	23,542,188.03	4,716,310.26	18,825,877.77	23,984,652.15	4,716,310.26	19,268,341.89

(2) Available-for-sale financial assets are analyzed as follows:

Item	Ending balance	Beginning balance
Listed	3,075,398.76	3,517,862.88
Including: China (except Hong Kong)	3,075,398.76	3,517,862.88
Unlisted	15,750,479.01	15,750,479.01
Total	18,825,877.77	19,268,341.89

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(3) Available-for-sale financial assets measured at cost at the end of period

Investee	Book value			Provision for impairment			Shareholding percentage in investee (%)	Cash dividend for the period	
	Beginning balance	Current period Increase	Current period Decrease	Ending balance	Beginning balance	Increase in the period			Decrease in the period
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				17.10	
Nanjing Tongchuang Computer Co., Ltd.	4,716,310.26			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	
Huangpu 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				4.04	
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	
Total	20,466,789.27			20,466,789.27	4,716,310.26		4,716,310.26	-	

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	442,355,079.67	94,038,248.87	443,507,053.80	87,365,807.93
Total	442,355,079.67	94,038,248.87	443,507,053.80	87,365,807.93

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 investments

(1) Breakdown of long-term equity investments

Investee	Beginning balance	Additional investment	Decrease in investment	Changes in the current period					Ending balance	Ending balance of provision for impairment
				Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity	Declaration of cash dividend or profit	Provision for impairment made		
I. Associates										
Zhejiang CSSC Equipment Modern Co., Ltd.	44,291,602.83			686,291.90						44,977,894.73
South China Special Coating Industrial Co., Ltd.	3,770,620.40			-27,021.08						3,743,599.32
II. Joint ventures										
Baiyin Sanfeng Wenchuan Environmental Protection Power Generation Co., Ltd.	30,000,000.00		30,000,000.00							
Total	78,062,223.23		30,000,000.00	659,270.82						48,721,494.05

Note: For details of reduction in investments during the period, please refer to Note VI/62, gain on disposal of investments or properties.

(2) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	48,721,494.05	78,062,223.23
Total	48,721,494.05	78,062,223.23

14. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase in the period		
3. Decrease for the period		
4. Ending balance	29,171,739.00	29,171,739.00
II. Accumulated depreciation and amortisation		
1. Beginning balance	5,662,951.00	5,662,951.00
2. Increase in the period	314,356.08	314,356.08
(1) Provision made or amortisation	314,356.08	314,356.08
3. Decrease for the period		
4. Ending balance	5,977,307.08	5,977,307.08
III. Provision for impairment		
1. Beginning balance		
2. Increase in the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying amount		
1. Carrying amount at the end of period	23,194,431.92	23,194,431.92
2. Beginning carrying amount	23,508,788.00	23,508,788.00

The depreciation and amortisation of investment properties recognised in profit or loss during current period is RMB314,356.08 (Corresponding period of last year: RMB314,356.08).

The provision for impairment of investment properties made for the period is RMB0.00 (Corresponding period of last year: RMB0.00).

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(2) Investment properties analyzed by region and term:

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	23,194,431.92	23,508,788.00
Total	23,194,431.92	23,508,788.00

15. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	8,723,158,662.86	5,101,147,767.24	746,012,981.54	316,658,567.97	14,886,977,979.61
2. Increase in the period	52,125,395.07	-38,285,758.60	-4,675,796.05	76,329,907.62	85,493,748.04
(1) Purchase	3,576,650.84	6,570,561.05	1,717,964.97	12,222,989.98	24,088,166.84
(2) Transfer from construction in progress	48,548,744.23	9,504,833.29	1,571,649.47	1,780,354.21	61,405,581.20
(3) Other transfer-in		-54,361,152.94	-7,965,410.49	62,326,563.43	
3. Decrease for the period		28,481,131.27	2,719,363.50	10,531,723.33	41,732,218.10
(1) Disposal or retirement		28,481,131.27	2,719,363.50	10,531,723.33	41,732,218.10
4. Ending balance	8,775,284,057.93	5,034,380,877.37	738,617,821.99	382,456,752.26	14,930,739,509.55
II. Accumulated depreciation					
1. Beginning balance	1,557,908,882.29	2,249,848,541.29	367,143,250.84	171,098,929.48	4,345,999,603.90
2. Increase in the period	148,485,183.98	96,502,843.94	23,532,564.00	62,712,416.59	331,233,008.51
(1) Provision made	148,485,183.98	140,292,657.94	24,872,325.55	17,582,841.04	331,233,008.51
(2) Other transfer-in		-43,789,814.00	-1,339,761.55	45,129,575.55	
3. Decrease for the period		25,324,145.28	2,171,848.78	8,877,395.02	36,373,389.08
(1) Disposal or retirement		25,324,145.28	2,171,848.78	8,877,395.02	36,373,389.08
4. Ending balance	1,706,394,066.27	2,321,027,239.95	388,503,966.06	224,933,951.05	4,640,859,223.33
III. Provision for impairment					
1. Beginning balance		7,243,292.70			7,243,292.70
2. Increase in the period					
3. Decrease for the period		190,533.38			190,533.38
(1) Disposal or retirement		190,533.38			190,533.38
4. Ending balance		7,052,759.32			7,052,759.32
IV. Carrying amount					
1. Carrying amount at the end of period	7,068,889,991.66	2,706,300,878.10	350,113,855.93	157,522,801.21	10,282,827,526.90
2. Beginning 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

The depreciation of fixed assets recognised in profit or loss during current period is RMB331,233,008.51 (Corresponding period of last year: RMB320,384,789.95).

Included in fixed assets added during current period is RMB61,405,581.20 capitalized construction in progress.

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

Item	Ending balance	Beginning balance
Within China Medium term (10-50 years)	7,054,112,575.47	7,150,278,667.66
Short term (less than 10 years)	7,051,798,190.02	7,150,278,667.66
Outside China Long term (over 50 years)	2,314,385.45	
	14,777,416.19	14,971,112.91
	14,777,416.19	14,971,112.91
Total	7,068,889,991.66	7,165,249,780.57

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(3) Fixed assets leased out through operating leases

As at the end of the period, fixed assets with carrying amount of RMB1,059,900,807.74 (original cost: RMB1,181,785,621.92) were leased out for operation (beginning balance: RMB905,325,841.27, original cost: RMB997,500,647.53). The detailed analysis is as follows:

Item	Carrying value
Buildings and structures	851,827,004.44
Machinery equipment	192,638,526.95
Transportation vehicles	13,182,043.62
Other equipment	2,253,232.73
Total	1,059,900,807.74

(4) Fixed assets without property ownership certificates

Item	Carrying value	Reason for failure to obtain property ownership certificates
Workers' dormitory	489,837,890.30	In the process of obtaining ownership certificate
Ship joining workshop	140,354,059.28	In the process of inspection
Assembly and welding workshop	62,407,596.52	In the process of inspection
Production and living support building	14,294,101.09	In the process of inspection
Protection building project for submarine force at Longxue Factory	7,550,080.43	In the process of obtaining ownership certificate
Ship owner's auxiliary building for new platform at Longxue Factory	5,113,059.95	In the process of obtaining ownership certificate
Oil paint, oil and chemicals storage	3,409,136.61	In the process of inspection
Oily waste storage room	1,180,087.72	In the process of inspection
1# natural gas pressure regulating and blending station	785,892.95	In the process of inspection
Weigh house	538,492.36	In the process of inspection
Public toilet	421,278.51	In the process of inspection
Total	725,891,675.72	

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16. Construction in progress

(1) Breakdown of construction in progress

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Residential project for workers	71,800,331.85		71,800,331.85	71,800,258.90		71,800,258.90
Shipbuilding platform	242,872,490.65		242,872,490.65	203,061,049.83		203,061,049.83
Financing project	241,446,806.35		241,446,806.35	154,131,152.83		154,131,152.83
Project 7	42,508,431.17		42,508,431.17	57,519,747.92		57,519,747.92
Offshore platform project	33,691,412.56		33,691,412.56	30,381,945.09		30,381,945.09
Offshore engineering project phase I	15,772,746.09		15,772,746.09	16,302,940.78		16,302,940.78
Project 3	6,712,359.81		6,712,359.81	11,607,396.81		11,607,396.81
Project 6	12,850,216.42		12,850,216.42	12,857,724.17		12,857,724.17
Project 2	13,842,410.27		13,842,410.27	14,778,793.05		14,778,793.05
Construction of Zhongshan Base (Phase I)	11,773,267.33		11,773,267.33	10,126,087.90		10,126,087.90
Technological upgrading project	32,019,379.45		32,019,379.45	36,523,242.66		36,523,242.66
Project 4	9,241,122.40		9,241,122.40	9,667,882.20		9,667,882.20
Project 5	8,429,828.59		8,429,828.59	8,373,143.47		8,373,143.47
2 sets of 200T gantry cranes project and auxiliary project	7,782,409.06		7,782,409.06	7,084,715.82		7,084,715.82
New elevator and decompression bed construction project	9,838,122.67		9,838,122.67	9,836,135.69		9,836,135.69
Energy upgrading for Nos.7-9 slipways	5,499,343.08		5,499,343.08	5,195,889.08		5,195,889.08
Nansha Factory upgrading project	57,431,583.03		57,431,583.03	23,153,375.06		23,153,375.06
Pipe distribution warehouse project	4,475,164.56		4,475,164.56	3,395,959.84		3,395,959.84
Coating room upgrading project	3,515,033.84		3,515,033.84	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	2,455,069.87		2,455,069.87
Upgrading of factory office of China Shipping owner	1,165,075.96		1,165,075.96	1,165,075.96		1,165,075.96
Segmental workshop capacity expansion and renovation project	4,410,896.60		4,410,896.60	0.00		0.00
No. 8 project	3,121,051.82		3,121,051.82	0.00		0.00
External workers shift room	2,816,962.31		2,816,962.31	1,754,315.42		1,754,315.42
Internal workshop capacity expansion and renovation	2,617,405.23		2,617,405.23	0.00		0.00
Coating shelter renovation	2,614,192.97		2,614,192.97	2,538,600.66		2,538,600.66
Filed hardening including reserved area outside the warehouse at Nansha Factory	2,465,986.99		2,465,986.99	0.00		0.00
Phase 2 of singles' quarter	2,198,093.36		2,198,093.36	2,198,093.36		2,198,093.36
Section workshop lighting and separation power supply upgrading	2,092,397.45		2,092,397.45	1,321,457.26		1,321,457.26
Other projects	32,301,740.42		32,301,740.42	31,636,309.21		31,636,309.21
Total	889,761,332.16		889,761,332.16	731,737,560.48		731,737,560.48

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(2) Change in material construction in progress

Name of project	Beginning balance	Increase in the period	Decrease in the period		Ending balance
			Transfer to fixed assets	Other decreases	
Residential project for workers	71,800,258.90	72.95			71,800,331.85
Technological upgrading project	36,523,242.66	6,609,468.11	10,041,561.45	1,071,769.87	32,019,379.45
Project 6	12,857,724.17	–	–	7,507.75	12,850,216.42
Shipbuilding platform	203,061,049.83	39,811,440.82	–	–	242,872,490.65
Financing project	154,131,152.83	89,111,320.20	1,795,666.68	–	241,446,806.35
Project 7	57,519,747.92	20,502,756.10	35,514,072.85	–	42,508,431.17
Offshore platform project	30,381,945.09	3,309,467.47	–	–	33,691,412.56
Offshore engineering project phase I	16,302,940.78	5,285,965.51	5,816,160.20	–	15,772,746.09
Project 3	11,607,396.81	–	–	4,895,037.00	6,712,359.81
Nansha Factory upgrading project	23,153,375.06	34,278,207.97	–	–	57,431,583.03
Total	617,338,834.05	198,908,699.13	53,167,461.18	5,974,314.62	757,105,757.38

Name of project	Budgeted amount	Budget use-up ratio (%)	Progress	Accumulated interest capitalised	Including: Interest capitalised for the current period	Interest capitalisation ratio for the current period (%)	Source of funding
Residential project for workers	568,440,000.00	12.63	Under construction	5,321,235.58			Self-financed
Technological upgrading project	40,000,000.00	99.00	Under construction	–		–	Self-financed
Project 6	201,000,000.00	96.84	Under construction				Self-financed/ state-subsidised
Shipbuilding platform	666,670,000.00	36.43	Under construction				Self-financed/ state-subsidised
Financing project	653,000,000.00	39.22	Under construction				Self-financed
Project 7	424,940,000.00	79.07	Under construction	519,466.67	526,415.19	5.28	Self-financed/ state-subsidised
Offshore platform project	278,630,000.00	54.27	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
Nansha Factory upgrading project	1,699,370,000.00	3.38	Under construction	188,630.07	188,630.07	1.08	Self-financed
Total	5,541,140,000.00	–		108,643,523.75	5,804,873.43	–	

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17. Intangible assets

Item	Land use rights	Shoreline use rights	Software	Others	Total
I. Original carrying amount					
1. Beginning balance	2,063,486,929.61	145,232,000.00	166,530,932.59	2,423,934.00	2,377,673,796.20
2. Increase in the period	40,501.67		1,044,951.25		1,085,452.92
(1) Purchase	40,501.67		1,044,951.25		1,085,452.92
3. Decrease for the period					
4. Ending balance	2,063,527,431.28	145,232,000.00	167,575,883.84	2,423,934.00	2,378,759,249.12
II. Accumulated amortisation					
1. Beginning balance	177,034,983.41	19,606,319.73	124,359,888.61	19,941.52	321,021,133.27
2. Increase in the period	20,550,403.40	1,450,183.22	6,811,196.44	3,233.76	28,815,016.82
(1) Provision made	20,550,403.40	1,450,183.22	6,811,196.44	3,233.76	28,815,016.82
3. Decrease for the period					
4. Ending balance	197,585,386.81	21,056,502.95	131,171,085.05	23,175.28	349,836,150.09
III. Provision for impairment					
1. Beginning balance					
2. Increase in the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying amount					
1. Carrying amount at the end of period	1,865,942,044.47	124,175,497.05	36,404,798.79	2,400,758.72	2,028,923,099.03
2. Beginning carrying amount	1,886,451,946.20	125,625,680.27	42,171,043.98	2,403,992.48	2,056,652,662.93

There were no intangible assets arising from internal research and development of the Company during the period.

Land use rights analyzed by region and term:

Item	Ending balance	Beginning balance
Within China		
Medium term (10-50 years)	1,865,942,044.47	1,886,451,946.20
Total	1,865,942,044.47	1,886,451,946.20

The depreciation and amortisation of intangible assets recognised in profit or loss during current period is RMB28,815,016.82 (Corresponding period of last year: RMB30,296,791.17).

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18. Research and Development expense

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
		Internal research and development expenses	Transfer to profit or loss for the current period	
Research and development of key technologies for meter deepwater drill ships		32,328,790.36	32,328,790.36	
Research and development and industrial application of offshore oil spill recovery ships		19,909,098.65	19,909,098.65	
Research of comprehensive ship building process and technology		16,130,103.90	16,130,103.90	
Research of key technologies for polar deck ships		12,445,309.02	12,445,309.02	
Research and development of semi-submerged engineering ships		12,237,128.56	12,237,128.56	
Development of double-fuel high-speed luxury Ro/Ro ships		6,564,272.88	6,564,272.88	
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		4,504,589.20	4,504,589.20	
Development of new 1,700 TEU containerships		3,713,543.58	3,713,543.58	
Research and development of multi-purpose heavy life ships		3,493,591.29	3,493,591.29	
Development of 2,500 TEU containerships		3,411,787.54	3,411,787.54	
Research and development of MPSV ships		2,946,536.65	2,946,536.65	
Research and development of 2,700 TEU containerships		2,851,434.48	2,851,434.48	
Research and manufacture of drilling wave compensation device		2,765,565.04	2,765,565.04	
Hospital administration and office management platform based on SaaS model		2,632,854.47	2,632,854.47	
Research and development of key technologies for large bituminous ships		2,400,313.83	2,400,313.83	
Research and development of key technologies for jack-up drilling platforms		1,738,164.31	1,738,164.31	
2,200 TEU shallow draft containership upgrading		1,508,997.28	1,508,997.28	
Research and development of quick manufacturing process and fitting for maritime engineering		1,401,477.94	1,401,477.94	
Yacht project		1,385,343.27	1,385,343.27	
Research and development of 1,900 TEU containerships		1,368,951.03	1,368,951.03	
Research and development of green energy-saving and environment-friendly VLCC ships		1,365,955.93	1,365,955.93	
Research of key technologies for large-tonnage heavy ocean pipe-laying and lifting ships		1,363,818.34	1,363,818.34	
Hospital office application package based on WeChat enterprise account		1,347,023.39	1,347,023.39	
Precise control and new process and equipment technology for integration of ship outfitting and coating		1,162,514.47	1,162,514.47	
Research and development of ocean scientific research ships		1,134,385.08	1,134,385.08	
Research and development and industrial application of upgrading technology for 300,000 ton super deepwater floating production, storage and offloading devices (FPSO)		1,129,496.97	1,129,496.97	
Self-development of diving support ships		1,062,254.97	1,062,254.97	
Model project for South China Sea deepwater surveying ships		1,056,852.90	1,056,852.90	
Research and development of key technologies for 115 meter maritime engineering		1,047,718.24	1,047,718.24	
Smart ship demonstration project (Project Dawn)		1,030,474.05	1,030,474.05	
Research and development of energy-saving and environment-friendly transportation ships		1,016,465.84	1,016,465.84	
Research and development and application of component assembly and flexible (magnetic) outfitting		1,000,355.85	1,000,355.85	
Research of building process for hydroacoustics monitoring ships		875,803.12	875,803.12	
Research of key technologies for saturation diving supporting ships		809,559.79	809,559.79	
Development of Platform supply vessels (PSV)		783,820.23	783,820.23	
Research of polar module carriers		774,978.96	774,978.96	
Innovative enterprises in Guangzhou		743,061.11	743,061.11	
Development and application of XBRL system		740,101.38	740,101.38	
Research of key technologies for aluminium yacht hull building		709,601.45	709,601.45	
Research and development and demonstration application of comprehensive management system for vessel equipment		639,192.47	639,192.47	
Smart ship demonstration project (Project Dawn)		605,363.25	605,363.25	
Research and development of energy-saving and environment-friendly VLOC ships		594,082.49	594,082.49	
Research and development of green environment-friendly MR ships		586,722.65	586,722.65	

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Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
		Internal research and development expenses	Transfer to profit or loss for the current period	
Scientific development and technology tackling management		580,803.06	580,803.06	
Research and development of efficient welding and key technologies for ships		577,314.83	577,314.83	
Research and development of key technologies for building high-speed ships		564,000.00	564,000.00	
Research and development of key technologies for design and building of jack-up wind power installation platform		556,870.98	556,870.98	
Research and application of ship turbine system		555,384.60	555,384.60	
Further development and in-depth application of systems		522,040.98	522,040.98	
Hongfan contract management software		507,154.89	507,154.89	
Other miscellaneous projects		14,403,492.48	14,403,492.48	
Total		175,584,518.03	175,584,518.03	

During the period, development expense of RMB175,476,259.73 was transferred to administrative expense, and development expense of RMB108,258.30 was transferred to operating cost.

There were no intangible assets arising from internal research and development of the Company during the period.

19. Long-term deferred expenses

Item	Beginning balance	Increase in the period	Amortisation for the period	Other decreases for the period	Ending balance
Improvement in leased fixed assets	12,272,481.50	909,566.00	4,016,761.10		9,165,286.40
Reconstruction cost of plant	6,173,138.07		536,794.62		5,636,343.45
Dining hall complex modification	1,807,808.51		328,692.48		1,479,116.03
Renovation of ventilation and air-conditioning system of technical centre building	368,148.34		64,025.80		304,122.54
Drawing review and certification fees	90,000.00		15,000.00		75,000.00
Total	20,711,576.42	909,566.00	4,961,274.00		16,659,868.42

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets not set off

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	241,090,205.71	40,050,683.42	253,271,316.45	45,185,901.48
Deductible tax loss	1,317,543,963.41	329,385,990.85	1,316,973,433.50	329,243,358.37
Prepaid housing subsidy	223,301.96	55,825.49	223,301.96	55,825.49
Payroll for retiring employees	229,119,867.88	51,212,745.86	235,854,089.05	52,457,039.28
Accrued expenses	285,556,528.34	51,426,282.04	269,447,169.54	48,821,358.68
Change in fair value of financial liabilities at fair value through profit or loss	8,878,079.47	1,909,657.56	6,743,350.55	1,011,502.58
Timing differences for long-term deferred expenses	2,695,354.46	673,838.62	2,357,602.61	589,400.64
Total	2,085,107,301.23	474,715,023.84	2,084,870,263.66	477,364,386.52

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(2) Deferred tax liabilities not set off

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Change in fair value of available-for-sale financial assets	1,919,901.46	479,975.37	2,362,365.58	590,591.40
Change in fair value of financial assets at fair value through profit or loss	1,781,588.01	267,238.20	11,466,263.56	1,719,939.53
Total	3,701,489.47	747,213.57	13,828,629.14	2,310,530.93

(3) Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	521,835,905.74	1,027,797,392.32
Deductible tax loss	3,470,055,651.13	2,915,127,295.17
Total	3,991,891,556.87	3,942,924,687.49

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 Bingshen 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 RMB64,293,568.75 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 RMB72,022,706.36 in respect of the deductible temporary difference. No deferred tax assets were recognized by the remaining losses unrecovered.

(4) Deductible loss for which no deferred tax assets are recognised will be due in the following years

Item	Ending balance	Beginning balance
2017	73,230,228.54	83,410,331.25
2018	927,437,566.95	927,437,566.95
2019	1,030,752,048.25	1,031,690,036.46
2020	871,533,497.33	872,589,360.51
2021	567,102,310.06	
Total	3,470,055,651.13	2,915,127,295.17

21. Other non-current assets

Item	Ending balance	Beginning balance
Entrusted wealth management products	400,000,000.00	300,000,000.00
Total	400,000,000.00	300,000,000.00

Note: The breakdown of the entrusted wealth management products of Huangpu Wenchong and GSI, both subsidiaries of the Company, is as follows:

Trustee	Amount	Date of commencement	Date of ending
CSSC Finance Company Limited	200,000,000.00	2016-06-17	2018-06-17
CSSC Finance Company Limited	200,000,000.00	2016-06-17	2018-06-17
Total	400,000,000.00		

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22. Short-term borrowings

Type	Ending balance	Beginning balance
Pledged borrowings	7,000,441,800.00	3,740,518,000.00
Credit loans	2,405,398,318.77	3,006,153,403.20
Total	9,405,840,118.77	6,746,671,403.20

Mortgage:

As at the end of the period, short-term borrowings of RMB7,000,441,800.00 were secured by the Group's fixed deposit receipt of RMB14,850,000.00 and fixed deposit receipt of US\$1,039,000,000.00.

23. Financial liabilities at fair value through profit or loss

Item	Ending balance	Beginning balance
Financial liabilities designated at fair value through profit and loss	16,661,119.09	177,459,147.05
Including: Forward exchange contracts	4,161,769.21	3,782,770.65
Short USD call options		
Total	20,822,888.30	181,241,917.70

24. Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	1,646,460,851.65	1,987,065,708.98
Commercial acceptance bills	213,791,343.55	377,929,605.55
Total	1,860,252,195.20	2,364,995,314.53

Total notes payable due and unpaid at the end of the period amounted to RMB212,146,973.55.

25. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	5,967,726,799.62	5,294,699,709.50
Settlements for projects	485,216,486.22	317,751,893.10
Product settlement	391,592,530.63	489,885,334.50
Retention money	287,974,617.55	279,016,442.68
Other projects and labour services	210,437,313.59	354,033,992.47
Total	7,342,947,747.61	6,735,387,372.25

(2) Ageing analysis of accounts payable

As at the end of the period, the ageing analysis of accounts payable based on invoice date is as follows:

Item	Ending balance	Beginning balance
Within 1 year	6,506,048,320.80	6,294,237,944.36
1-2 years	554,434,332.80	228,221,851.45
2-3 years	125,721,784.94	138,489,337.36
Over 3 years	156,743,309.07	74,438,239.08
Total	7,342,947,747.61	6,735,387,372.25

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(3) Significant accounts payable aged over one year

Name of company	Ending balance	Including: Over 1 year	Reason for unsettlement or carrying forward
CSSC System Engineering Research Institute	419,637,000.00	111,502,600.00	Undue
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	358,637,485.44	7,839,100.00	Undue
China Shipbuilding Industry Corporation 704 Research Institute	167,326,510.00	5,671,760.00	Retention money
Shanghai Academy of Spaceflight Technology	158,485,000.00	27,885,000.00	Retention money
China Shipbuilding Industry Corporation 715 Research Institute	157,954,500.00	26,998,500.00	Retention money
China Shipbuilding Industry Corporation 707 Research Institute	121,635,880.00	32,322,028.00	Retention money
Eastern Shanghai Heavy Machinery Co., Ltd.	80,572,153.15	5,994,500.00	Undue
China Shipbuilding Industry Corporation 722 Research Institute	75,232,314.00	28,678,154.00	Retention money
Guangzhou Ship Industrial Company	28,993,424.37	4,078,434.77	Undue
Wuhan Marine Machinery Co., Ltd., China Electronics Technology Group Corporation 54 Research Institute	27,967,500.00	4,740,500.00	Retention money
Nanjing Panda Handa Technology Co., Ltd.	19,245,000.00	1,336,000.00	Undue
Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	19,035,000.00	10,185,000.00	Retention money
	18,472,294.28	18,372,294.28	Construction expenses
Jiangsu Zhaosheng Air-conditioner Co., Ltd.	18,074,610.04	2,143,200.04	Undue
Anqing CSSC Diesel Engine Co., Ltd.	34,804,413.33	5,970,000.00	Undue
China Marine Power Co., Ltd.	33,913,228.00	2,502,000.00	Undue
Sandvik Mining and Construction Material Handing GmbH & Co KG	14,048,735.79	12,963,598.49	Undue
Shaanxi Diesel Engine Co., Ltd.	6,395,999.96	4,199,999.96	Retention money
Chongqing Gearbox Co., Ltd.	6,395,456.47	1,022,900.00	Retention money
Jiangsu Nanji Machinery Co., Ltd.	4,899,392.87	1,582,285.87	Retention money
CSSC Southern China Ship Machinery Co., Ltd.	7,728,746.61	3,584,500.04	Undue
China Shipbuilding Industry Corporation 719 Research Institute	3,524,250.00	2,190,750.00	Retention money
Henan Diesel Engine Heavy Engineering Co., Ltd.	2,941,700.00	1,639,200.00	Undue
Jingjiang Nanyang Shipbuilding Company Limited	2,897,342.86	2,763,120.82	Undue
Guangzhou Life-saving Equipment Co., Ltd.	2,700,000.00	2,700,000.00	Undue
Huizhou Software (Shanghai) Co., Ltd.	2,450,082.60	2,450,082.60	Undue
Total	1,793,968,019.77	331,315,508.87	

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26. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Ship and offshore engineering products	217,454.70	
Steel structure engineering	94,548,945.23	102,160,637.38
Advance from customers for ship maintenance	332,768,965.01	296,295,905.20
Other products	217,365,189.17	229,061,626.47
Total	644,900,554.11	627,518,169.05

(2) Top five advances from customers aged over one year

Name of company	Ending balance	Reason for unsettlement or carrying forward
Customer 1	40,597,555.57	Project undue
Customer 2	21,524,308.16	Project undue
Customer 3	10,312,417.37	Project undue
Customer 4	8,529,240.30	Project undue
Customer 5	7,944,539.30	Project undue
Total	88,908,060.70	–

27. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Short-term employee benefits	32,495,025.06	1,910,295,864.66	1,793,098,506.01	149,692,383.71
Post-employment benefits – defined contribution plans		140,948,794.31	138,537,830.12	2,410,964.19
Termination benefits		331,891.00	331,891.00	
Other benefits due within one year	3,343,805.08		3,343,805.08	
Total	35,838,830.14	2,051,576,549.97	1,935,312,032.21	152,103,347.90

(2) Short-term remuneration

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	1,506,771.34	881,602,967.29	766,149,663.68	116,960,074.95
Staff welfare	5,072,421.30	25,221,570.45	25,221,570.45	5,072,421.30
Social insurance		81,959,894.79	81,772,621.14	187,273.65
Including: Medical insurance		68,242,407.08	68,080,053.97	162,353.11
Work-related injury insurance		2,944,705.38	2,940,061.46	4,643.92
Maternity insurance		6,955,577.50	6,942,076.74	13,500.76
Supplemental medical insurance		3,817,204.83	3,810,428.97	6,775.86
Housing funds	329,858.00	100,238,907.00	99,869,787.00	698,978.00
Union & education funds	24,766,158.84	12,929,553.88	12,386,503.10	25,309,209.62
Outsourcing labour costs and others	819,815.58	808,342,971.25	807,698,360.64	1,464,426.19
Total	32,495,025.06	1,910,295,864.66	1,793,098,506.01	149,692,383.71

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(3) Defined contribution plans

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Basic pension insurance		121,958,579.63	121,602,552.97	356,026.66
Unemployment insurance		6,508,985.06	6,495,656.88	13,328.18
Enterprise annuity		12,481,229.62	10,439,620.27	2,041,609.35
Total		140,948,794.31	138,537,830.12	2,410,964.19

28. Taxes payable

Item	Ending balance	Beginning balance
Value-Added Tax (VAT)	-1,684,354,009.96	-1,233,012,725.95
Business Tax	0.51	1,509,477.42
Enterprise Income Tax	37,735,857.00	68,236,904.48
Individual Income Tax	3,595,053.10	26,476,870.55
Urban maintenance and construction tax	941,941.71	2,463,456.21
Property tax	3,155,510.12	4,338,075.65
Land use tax	1,406,949.62	1,675,868.05
Educational surcharge	673,022.23	1,754,425.39
Others	2,148,237.42	3,813,873.86
Total	-1,634,697,438.25	-1,122,743,774.34

As at the end of the period, income tax payable in Hong Kong and Macau amounted to RMB2,328,657.35.

29. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in instalments and the principal is repaid when due	8,761,895.31	12,452,683.55
Interest payable on short-term borrowings	6,125,423.32	9,080,890.16
Total	14,887,318.63	21,533,573.71

30. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	24,706,690.15	63,634.72
Dividends payable for H shares	17,872,847.15	110,711.24
Dividend payable to minority interests	2,148,000.00	780,000.00
Dividend for Huangpu Wenchong before completion of transfer		255,149,425.21
Total	44,727,537.30	256,103,771.17

NOTES TO THE FINANCIAL STATEMENTS

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31. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	123,664,052.16	134,388,118.92
Payable for temporary receipts	220,396,364.72	110,806,051.09
Total	344,060,416.88	245,194,170.01

(2) Significant other payables with ageing of over 1 year

Name of company	Ending balance	Reason for unsettlement or carrying forward
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	8,555,853.15	Performance bond
China Xinxing Construction & Development General Company	3,275,198.69	Performance bond
Guangzhou Xingshun Marine Services Co., Ltd.	1,000,000.00	Performance bond
Shanghai Jiadi Steel Building Products Co., Ltd.	891,418.10	Performance bond
Guangdong No.1 Construction Engineering Co., Ltd.	641,642.22	Performance bond
OWNERSHIP Company in Germany	323,174.11	Retention money
Nantong Tongguang Steel Structures Co., Ltd. Hukou Branch	200,000.00	Deposit undue
Guangzhou Xiang Hong Xi Marine Engineering Co., Ltd.	180,000.00	Deposit undue
Guangzhou Haibin Shipbuilding Co., Ltd.	100,000.00	Deposit
Total	15,167,286.27	-

32. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	5,181,200,000.00	1,777,500,000.00
Total	5,181,200,000.00	1,777,500,000.00

33. Other current liabilities

(1) Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Long-term project settlement	9,002,069,694.63	12,071,881,483.19
Shipbuilding products	9,002,069,694.63	12,071,881,483.19
Deferred income	18,290,180.82	18,302,757.69
Government grants	18,290,180.82	18,302,757.69
Total	9,020,359,875.45	12,090,184,240.88

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

Item	Amount
Amount settled	12,235,981,389.87
Less: Accumulated cost incurred	3,507,721,834.65
Accumulated gross profit recognised	-273,810,139.41
Projects that are settled but not yet completed under construction contract	9,002,069,694.63

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

(3) Government grants

Government grant items	Beginning balance	New grants received during the period	Amount included in non-operating income during the period	Others Change	Ending balance	Relating to assets/revenue
Enterprise technology centre innovation capability development project	300,000.00		150,000.00	150,000.00	300,000.00	Relating to assets
150 tons self-propelled hydraulic flatbed trailer	166,666.68		83,333.34	83,333.34	166,666.68	Relating to assets
Coating technology process and transformation	153,698.64		76,849.32	76,849.32	153,698.64	Relating to assets
Technical upgrading for new ship research equipment	142,191.84		71,095.92	71,095.92	142,191.84	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	30,708.35		12,576.87		18,131.48	Relating to assets
No. 1 Dock adaptive transformation (1)	33,333.36		16,666.68	16,666.68	33,333.36	Relating to assets
No. 1 Dock adaptive transformation	26,666.64		13,333.00	13,333.00	26,666.64	Relating to assets
Noise control engineering for painting workshop	15,789.48		7,894.74	7,894.74	15,789.48	Relating to assets
Metering scientific instruments for the Group	9,999.96		4,999.98	4,999.98	9,999.96	Relating to assets
Noise control engineering for new area	9,519.96		4,759.98	4,759.98	9,519.96	Relating to assets
Base construction subsidy	62,182.78		31,091.39	31,091.39	62,182.78	Relating to assets
Offshore platform project	300,000.00		150,000.00	150,000.00	300,000.00	Relating to assets
Offshore expansion projects	3,500,000.00		1,750,000.00	1,750,000.00	3,500,000.00	Relating to assets
Offshore engineering phase I	1,500,000.00		750,000.00	750,000.00	1,500,000.00	Relating to assets
Design of deepwater drill ships	6,000,000.00				6,000,000.00	Relating to revenue
Deepwater diving support	2,500,000.00				2,500,000.00	Relating to revenue
Demonstration unit of intellectual property right in Guangzhou	110,000.00				110,000.00	Relating to revenue
Ship design and manufacturing integration	200,000.00				200,000.00	Relating to revenue
System equipment manufacturing	96,000.00				96,000.00	Relating to revenue
Drilling wave compensation device	961,050.00				961,050.00	Relating to revenue
Research and development of key technologies for large equipment	68,950.00				68,950.00	Relating to revenue
Key technologies for polar multi-purpose ships	1,680,000.00				1,680,000.00	Relating to revenue
Ship follow-up green cooling system	336,000.00				336,000.00	Relating to revenue
Construction of technical centre	100,000.00				100,000.00	Relating to revenue
Total	18,302,757.69		3,122,601.22	3,110,024.35	18,290,180.82	

34. Long-term borrowings

(1) Breakdown of borrowings

Type	Ending balance	Beginning balance
Pledged borrowings		
Guaranteed borrowing	1,908,000,000.00	2,289,067,600.00
Credit loans	9,240,957,000.00	6,179,000,000.00
Less: Borrowings due within one year	5,181,200,000.00	1,777,500,000.00
Total	5,967,757,000.00	6,690,567,600.00

Notes: Interest rates of long-term borrowings range from 1.08% to 5.25%.

Details of security:

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

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

As at the end of the period, long-term borrowing of RMB908,000,000.00 was guaranteed by CSSC Huangpu Wenchong Shipbuilding Company Limited;

Details of interest rate: As at the end of the period, weighted average annual interest rate of long-term borrowings was 2.82%.

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(2) Analysis of maturity of long-term borrowings

Item	Ending balance	Beginning balance
1-2 years	2,584,900,000.00	4,060,567,600.00
2-5 years	2,100,000,000.00	2,130,000,000.00
Over 5 years	1,282,857,000.00	500,000,000.00
Total	5,967,757,000.00	6,690,567,600.00

35. Long-term employee benefits payable

Item	Ending balance	Beginning balance
Monetary housing allowance for retired employees	52,593,679.22	49,101,266.74
Housing assistance for employees	10,667,393.28	10,193,308.20
Medical insurance for retirees	1,089,377.47	1,660,229.85
Three kinds of personnel costs ^{note}	219,165,877.88	225,775,354.01
Total	283,516,327.85	286,730,158.80

Note: Three kinds of personnel costs: According to the "Notice of the Ministry of Finance on the financial management of the payments for the resettlement of employees in the restructuring of enterprises" (Cai Qi [2009] No.117), the "Notice of the Ministry of Finance on the financial management of the overall external expenses of retirees in the restructuring of the central enterprises" (Cai Qi [2010] No.84) and the "Reply in relation to costs of retire, retired and retreated employees of CSSC Huangpu Wenchong Shipbuilding Company Limited" (Guo Zi Fen Pei [2014] No. 997), Huangpu Wenchong, a subsidiary of the Company, made accounting treatment for 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.

36. Special payables

Item	Beginning balance	Increase in the period	Decrease in the period	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	39,000,000.00		250,000,000.00
Project H	192,700,000.00			192,700,000.00
Project I	168,150,000.00			168,150,000.00
Project J	71,650,000.00			71,650,000.00
Project K		200,000,000.00		200,000,000.00
Total	984,839,744.58	239,000,000.00		1,223,839,744.58

Notes: The above are state funds allocated to the projects, and as the capital investment in the Company from the state, they belong to the state exclusively when the projects have been completed and approved as qualified.

The breakdown of projects completed, inspected and accepted as at the end of the period is as follows:

Project	Ending balance
Project A	17,850,000.00
Project B	6,720,000.00
Project C	26,600,000.00
Project D	4,500,000.00
Project E	43,700,000.00
Total	99,370,000.00

Upon increase in the registered capital of the Company, these special payables for the projects completed, inspected and accepted will be converted into the capital contribution to the Company made by the CSSC Group.

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37. Estimated liabilities

Project	Ending balance	Beginning balance
Product quality warranty	452,304,430.20	413,314,585.74
Loss-making construction contracts	12,991,285.71	29,789,528.16
Total	465,295,715.91	443,104,113.90

38. Deferred income

(1) Breakdown of deferred income

Project	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Government grants	260,320,055.21	13,368,338.68	217,986,802.18	55,701,591.71
Total	260,320,055.21	13,368,338.68	217,986,802.18	55,701,591.71

(2) Government grant items

Government grant items	Beginning balance	New grants received during the period	Amount included in non-operating income during the period	Other changes	Ending balance	Relating to assets/revenue
Construction of protection conditions 09E01-3	200,000,000.00			200,000,000.00	1,400,000.00	Relating to assets
Base construction subsidy	1,400,000.00				1,654,391.97	Relating to revenue
Development of double-fuel high-speed luxury Ro/Ro ships	1,685,483.36	5,480,000.00	4,534,684.96	31,091.39	945,315.04	Relating to assets
Research of maritime engineering welding technology		660,000.00			660,000.00	Relating to revenue
Research and development and industrial application of FPSO upgrading technology	918,666.37		918,666.37		3,286,442.65	Relating to revenue
Research of comprehensive building process and technology	7,552,250.19		4,265,807.54			Relating to revenue
Research and development of engineering ships	4,927,333.64		4,927,333.64			Relating to revenue
Offshore expansion projects	14,000,000.00			1,750,000.00	12,250,000.00	Relating to assets
Offshore platform project	2,100,000.00			150,000.00	1,950,000.00	Relating to assets
Offshore engineering phase I	6,000,000.00			750,000.00	5,250,000.00	Relating to assets
Research and development and industrial application of design and building technology for deepwater drill ships	6,000,000.00	6,680,188.68			12,680,188.68	Relating to revenue
Research and manufacture of drilling wave compensation device	9,288,950.00				9,288,950.00	Relating to revenue
Others	6,447,371.65	548,150.00	230,285.32	428,932.96	6,336,303.37	
Total	260,320,055.21	13,368,338.68	14,876,777.83	203,110,024.35	55,701,591.71	

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39. Share capital

Changes of authorised, issued and paid-up share capital of the Company are as follows. All the shares in the Company are ordinary shares with nominal value of RMB1 each.

Current period

Name/type of shareholder	Beginning balance		Increase or decrease (+, -)				Ending balance		
	Amount	Percentage (%)	Issue of new shares	Bonus issue	Conversion from reserve	Others	Subtotal	Amount	Percentage (%)
Shares not subject to restrictions on trading									
Ordinary shares denominated in RMB	438,463,454.00	31.02				110,872,427.00	110,872,427.00	549,335,881.00	38.87
Overseas listed foreign shares	246,130,307.00	17.41						246,130,307.00	17.41
Shares subject to restrictions on trading									
Ordinary shares denominated in RMB	382,971,727.00	27.10				-110,872,427.00	-110,872,427.00	272,099,300.00	19.25
Shares held by foreign investors	345,940,890.00	24.47						345,940,890.00	24.47
Including: Shares held by overseas legal persons	345,940,890.00	24.47						345,940,890.00	24.47
Total number of shares	1,413,506,378.00	100.00						1,413,506,378.00	100.00

Notes: During the period, the lock-up period for 68,313,338 Shares held by Yangzhou Kejin and 42,559,089 Shares held by seven specific investors expired and the restrictions were lifted.

Last year

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

Notes: 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.

40. Capital reserve

Current period

Project	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Share capital premium	6,783,877,295.10			6,783,877,295.10
Other capital reserves	65,447,048.32			65,447,048.32
Capital reserves transferred in from the original system	18,260,878.79			18,260,878.79
Total	6,867,585,222.21			6,867,585,222.21

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Last year

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

Notes: In 2015, 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 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, 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; when preparing consolidated financial statements, due to business combination under common control, share capital premium decreased by RMB2,749,297,247.86.

41. Other comprehensive income

Current period:

Project	Beginning balance	Current period				Ending balance
		Amount for current period before income tax	Less: Amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Amount attributable to the parent 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	-61,938,500.00					-61,938,500.00
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	1,771,774.18	-442,464.12		-110,616.03		1,439,926.09
Total other comprehensive income	-60,166,725.82	-442,464.12		-110,616.03		-60,498,573.91

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Last year

Project	Beginning balance	Current period				Ending balance
		Amount for the year before income tax	Less: Amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Amount attributable to the parent 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	-47,460,000.00	-18,070,000.00		-3,591,500.00		-61,938,500.00
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	2,175,163.85	-196,650.72		206,738.95		1,771,774.18
Total other comprehensive income	-45,284,836.15	-18,266,650.72		-3,384,761.05		-60,166,725.82

42. Special reserve

Current period

Project	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Production safety fee		13,333,496.25	12,080,170.31	1,253,325.94
Total		13,333,496.25	12,080,170.31	1,253,325.94

Last year

Project	Beginning balance	Increase	Decrease	Ending balance
Production safety fee	1,439,966.32	52,374,577.20	53,814,543.52	
Total	1,439,966.32	52,374,577.20	53,814,543.52	

43. Surplus reserve

Current period

Project	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Statutory surplus reserve	923,846,651.25			923,846,651.25
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	943,767,421.48			943,767,421.48

Last year

Project	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserve	923,846,651.25			923,846,651.25
Discretionary surplus reserve	19,920,770.23			19,920,770.23
Total	943,767,421.48			943,767,421.48

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44. Undistributed profit

Current period

Project	Amount	Percentage (%)
Ending Balance of last year	1,153,355,946.59	
Add: Beginning adjustment to undistributed profits		
Including: Retrospective adjustment according to new accounting standards		
Including: accounting policy change		
Correction of significant previous errors		
Changes in business combination under common control		
Other adjustments		
Beginning Balance of current period	1,153,355,946.59	
Add: Net profit attributable to shareholders of the Company for current period	37,072,739.65	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	42,405,191.34	
Dividends on ordinary shares converted into share capital		
Ending balance of current period	1,148,023,494.90	

Last year

Project	Amount	Percentage (%)
Ending Balance of last year	1,310,184,662.42	
Add: Beginning adjustment to undistributed profits		
Including: Retrospective adjustment according to new accounting standards		
Including: accounting policy change		
Correction of significant previous errors		
Changes in business combination under common control		
Other adjustments		
Beginning balance of current year	1,310,184,662.42	
Add: Net profit attributable to shareholders of the Company for the year	98,320,709.38	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	255,149,425.21	
Dividends on ordinary shares converted into share capital		
Ending Balance of current year	1,153,355,946.59	

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45. Minority interest

Name of subsidiary	Minority shareholding percentage (%)	Ending balance	Beginning balance
Guangzhou Hongfan Technology Co., Ltd.	49.00	13,687,388.53	15,029,073.90
Guangzhou Longxue Pipe Co., Ltd.	57.14	33,446,039.16	28,939,930.79
Guangzhou CSSC Wenchong Bingshen Facilities Co., Ltd.	40.00	1,204,355.34	1,219,934.22
Fanguang Development Co., Ltd.	20.00	4,336,804.94	2,683,007.29
Zhanjiang Nanhai Ship Hi-Tech Services Ltd.	19.50	528,777.41	516,911.15
Guangzhou Xinhang Human Resources Service Co., Ltd.	25.00	923,007.97	911,005.78
Guangzhou Longxue Properties Co., Ltd.	33.33	52,807.01	58,078.92
Guangzhou Xingji Maritime Engineering Design Co., Ltd.	25.00	1,254,548.18	1,250,928.98
Total	–	55,433,728.54	50,608,871.03

46. Net current assets

Project	Ending balance	Beginning balance
Current assets	36,231,387,667.79	34,398,772,436.86
Less: Current liabilities	32,397,404,561.90	29,959,424,988.30
Net current assets	3,833,983,105.89	4,439,347,448.56

47. Total assets less current liabilities

Project	Ending balance	Beginning balance
Total assets	50,763,333,152.68	48,995,954,305.21
Less: Current liabilities	32,397,404,561.90	29,959,424,988.30
Total assets less current liabilities	18,365,928,590.78	19,036,529,316.91

48. Borrowings

Details of the borrowings of the Group are as follows:

Project	Ending balance	Beginning balance
Short-term borrowings	9,405,840,118.77	6,746,671,403.20
Non-current liabilities due within one year	5,181,200,000.00	1,777,500,000.00
Long-term borrowings	5,967,757,000.00	6,690,567,600.00
Total	20,554,797,118.77	15,214,739,003.20

(1) Analysis of borrowings

Project	Ending balance	Beginning balance
Bank borrowing		
– Bank borrowings repayable within 5 years	14,884,840,118.77	9,452,739,003.20
– Bank borrowings repayable after 5 years	782,857,000.00	–
Other borrowings	–	–
– Other borrowings repayable within 5 years	4,387,100,000.00	5,262,000,000.00
– Other borrowings repayable after 5 years	500,000,000.00	500,000,000.00
Total	20,554,797,118.77	15,214,739,003.20

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(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	14,587,040,118.77	8,524,171,403.20
1-2 years	2,584,900,000.00	4,060,567,600.00
2-5 years	2,100,000,000.00	2,130,000,000.00
Over 5 years	1,282,857,000.00	500,000,000.00
Total	20,554,797,118.77	15,214,739,003.20

49. Operating income & Operating cost

Item	Current period	Corresponding period of last year
Operating income from principal business	11,242,515,184.90	10,697,708,511.19
Other operating income	117,433,103.89	112,010,726.28
Total	11,359,948,288.79	10,809,719,237.47
Principal operating costs	10,527,771,817.60	10,414,716,465.84
Other operating cost	107,898,517.99	90,960,621.26
Total	10,635,670,335.59	10,505,677,087.10

Gross profit

Item	Current period	Corresponding period of last year
Operating income from principal business	11,242,515,184.90	10,697,708,511.19
Operating cost of principal business	10,527,771,817.60	10,414,716,465.84
Gross profit	714,743,367.30	282,992,045.35

Revenue from building contracts

Item	Current period	Corresponding period of last year
Revenue from building contracts	10,529,502,425.79	10,065,488,135.21

(1) Main operation – by product

Product name	Current period	Corresponding period of last year
Operating income		
Shipbuilding	8,979,697,648.66	7,787,759,040.50
Offshore engineering products	1,549,804,777.13	2,277,729,094.71
Ship maintenance	64,847,696.56	65,637,265.97
Steel structure engineering	522,730,843.92	368,915,503.50
Electromechanical products and others	125,434,218.63	197,667,606.51
Total	11,242,515,184.90	10,697,708,511.19
Operating cost		
Shipbuilding	8,551,559,139.96	7,826,069,114.38
Offshore engineering products	1,336,593,081.40	1,992,369,470.57
Ship maintenance	56,933,314.16	63,221,527.10
Steel structure engineering	495,628,798.76	344,271,434.50
Electromechanical products and others	87,057,483.32	188,784,919.29
Total	10,527,771,817.60	10,414,716,465.84

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(2) Main operation – by region

Region	Current period	Corresponding period of last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	7,782,053,029.14	7,669,965,485.67
Other regions in Asia	909,385,935.29	372,584,716.44
Europe	1,992,704,245.97	2,176,554,999.84
Oceania	4,909,606.65	370,554,537.21
North America	452,776,095.15	65,847,435.56
Africa	100,686,272.70	42,201,336.47
Total	11,242,515,184.90	10,697,708,511.19
Operating cost		
China (including Hong Kong, Macau and Taiwan)	7,211,133,120.41	7,054,698,919.28
Other regions in Asia	889,573,991.52	518,469,529.85
Europe	1,895,769,841.22	2,221,182,114.26
Oceania	4,022,527.98	440,643,106.99
North America	430,483,352.98	80,338,751.22
Africa	96,788,983.49	99,384,044.24
Total	10,527,771,817.60	10,414,716,465.84

(3) Other operating income and other operating cost

Product name	Current period	Corresponding period of last year
Other operating income		
Sale of materials	2,953,786.07	12,693,984.72
Sales of scrap materials	39,243,313.53	62,105,890.64
Service income	4,044,844.74	5,581,313.16
Rental income	41,489,805.74	6,618,431.19
Energy income	24,903,802.88	23,701,046.48
Others	4,797,550.93	1,310,060.09
Total	117,433,103.89	112,010,726.28
Other operating cost		
Sale of materials	5,008,261.07	11,426,222.86
Sales of scrap materials	29,600,288.68	47,912,456.03
Service income	4,443,806.16	2,106,332.31
Rental income	33,556,799.77	5,678,991.40
Energy income	32,773,288.50	23,435,477.05
Others	2,516,073.81	401,141.61
Total	107,898,517.99	90,960,621.26

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(4) Contract revenue

Item	Total contract amount	Accumulated cost incurred	Accumulated gross profit recognised	Amount settled	Provision for impairment
Fixed price contracts	46,559,536,561.96	23,319,919,367.88	-400,087,237.60	23,814,138,728.90	311,919,246.02
Total contracts under construction 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)	6,654,841,072.45	2,387,273,484.36	-397,256,954.95	1,802,661,110.88	74,899,318.64
115,000 ton series (tankers for product oil/chemicals)	5,218,838,687.21	2,747,626,261.53	-440,694,261.97	2,464,332,455.84	90,842,617.70
250,000 ton series (tankers for product oil/chemicals)	3,019,674,605.37	694,297,146.30	-74,429,424.46	482,226,087.50	22,884,561.38
Platform ships	3,131,052,720.00	1,358,744,174.89	13,578,867.94	213,527,657.54	60,501,797.60
Bulk carriers	1,743,318,461.86	1,139,973,286.71	-58,424,263.12	395,072,856.20	31,052,406.04
Maritime engineering	3,942,080,755.61	2,647,790,695.02	152,702,524.91	2,042,921,524.98	195,487.00
Containerships	3,715,302,269.98	1,363,156,581.54	2,507,676.31	369,119,147.93	14,014,419.83
Multi-purpose ships	1,817,186,853.31	781,650,095.46	-49,725,810.74	385,335,039.86	15,249,262.68
Multi-purpose intelligent ships	168,340,250.00	12,632.00	-	-	2,249,950.00
Others	95,394,350.00	107,410,845.97	-249,749.96	86,683,898.94	29,425.15

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) Top five customers by operating income

Customers	Current period	Proportion (%)
Customer 1	4,187,127,781.64	37.24
Customer 2	653,889,910.94	5.82
Customer 3	407,873,025.30	3.63
Customer 4	360,433,734.57	3.21
Customer 5	356,916,359.15	3.17
Total	5,966,240,811.60	53.07

(6) Purchase amounts of top five suppliers

Suppliers	Relationship with the Group	Amount	Proportion (%)
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Under common control of CSSC	1,354,851,486.22	12.87
Eastern Shanghai Heavy Machinery Co., Ltd.	Under common control of CSSC	267,754,043.25	2.54
CSSC System Engineering Research Institute	Under common control of CSSC	222,273,000.00	2.11
National Oilwell Varco Norway AS	Third party	161,849,309.45	1.54
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Under common control of CSSC	142,013,244.70	1.35
Total		2,148,741,083.62	20.41

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50. Business tax and surcharges

Item	Current period	Corresponding period of last year
Business Tax	2,834,725.61	3,211,086.37
Urban maintenance and construction tax	4,894,783.76	3,013,852.92
Educational surcharge	3,509,932.34	2,164,351.85
Total	11,239,441.71	8,389,291.14

51. Selling expenses

Item	Current period	Corresponding period of last year
Ship maintenance fees	83,749,244.81	59,931,944.05
Transportation fees	1,204,110.60	1,232,683.49
Employee salaries	10,532,614.92	10,351,316.77
Business expenditure	1,561,934.58	1,499,112.14
Advertisement fees	581,315.15	910,929.10
Exhibition fees	750,747.27	1,855,468.93
Travelling expense	1,114,577.45	775,969.26
Rental expense	185,185.70	212,979.98
Depreciation	60,121.00	63,285.02
Other selling expenses	292,564.13	311,972.55
Total	100,032,415.61	77,145,661.29

52. Administrative expenses

Item	Current period	Corresponding period of last year
Employee salaries	175,813,637.66	162,275,786.05
Research and development expenses	175,476,259.73	173,326,764.96
Repairing expenses	91,325,877.17	89,074,323.25
Taxation	11,920,421.79	33,392,939.91
Labour service fee	13,904,028.44	4,341,861.27
Depreciation	21,375,827.10	38,240,690.58
Amortisation of intangible asset	26,288,392.58	28,800,512.08
Business entertainment expense	3,107,912.62	3,113,355.10
Travelling expense	4,114,673.70	3,543,048.99
Security expense	12,643,756.52	10,811,950.14
Agency fee	2,494,278.01	4,050,669.09
Board meeting fee	414,437.26	2,426,161.25
Utilities expense	3,816,917.48	5,745,331.50
Office expense	2,270,951.81	2,072,234.47
Rental expense	13,118,223.11	10,033,676.83
Insurance premium	2,356,031.54	726,911.76
Environmental protection fee	6,359,162.13	2,530,880.01
Others	29,133,973.73	28,948,578.00
Total	595,934,762.38	603,455,675.24

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53. Finance cost

(1) Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expenses	228,991,075.50	262,246,505.39
Less: Interest income	186,728,656.23	210,008,890.35
Add: Exchange losses	-36,398,324.82	-17,099,119.90
Add: Other expenses	3,801,410.00	4,451,376.33
Total	9,665,504.45	39,589,871.47

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank loans and overdraft		
Interest on bank loans due within 5 years	125,789,671.27	185,030,648.72
Interest on bank loans due after 5 years	3,964,805.89	
Sub-total	129,754,477.16	185,030,648.72
Other borrowings		
Interest on other borrowings due within 5 years	93,892,760.63	64,630,240.23
Interest on other borrowings due over 5 years	12,945,205.48	12,585,616.44
Sub-total	106,837,966.11	77,215,856.67
Less: Capitalized interest	7,601,367.77	
Total	228,991,075.50	262,246,505.39

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	186,728,656.23	210,008,890.35
Total	186,728,656.23	210,008,890.35

54. Loss on impairment of assets

Item	Current period	Corresponding period of last year
Provision for bad debts	9,801,931.40	5,371,502.71
Impairment loss on inventories	65,544,894.02	224,756,387.54
Total	75,346,825.42	230,127,890.25

55. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Financial assets at fair value through profit or loss	-11,135,343.00	44,889,251.01
Financial liabilities at fair value through profit or loss	160,419,029.40	7,428,602.54
Total	149,283,686.40	52,317,853.55

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56. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method	659,270.82	152,528.55
Investment income from disposal of long-term equity investments	26,896,200.00	
Investment income from disposal of financial assets at fair value through profit and loss	-131,634,660.72	-5,880,729.54
Investment income from holding available-for-sale financial assets	11,250.00	10,000.00
Gain on entrusted wealth management products	29,277,064.59	13,643,347.07
Total	-74,790,875.31	7,925,146.08

The investment income from investment in listed companies and non-listed companies for the period amounted to RMB11,250.00 and RMB-74,802,125.31, respectively.

57. Non-operating income

(1) Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amounts included in non-recurring profit and loss for current period
Income from disposal of non-current assets	740,368.61	22,175.73	740,368.61
Including: Gain on disposal of fixed assets	740,368.61	22,175.73	740,368.61
Government grants	61,513,539.76	48,436,455.73	37,743,539.76
Penalty income	230,514.00	171,300.00	230,514.00
Compensation income		40,755.06	
Others	3,764,481.08	3,655,079.63	3,764,481.08
Total	66,248,903.45	52,325,766.15	42,478,903.45

The amount included in extraordinary items for current period was RMB42,478,903.45 (Corresponding period of last year: RMB48,291,650.91).

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(2) Breakdown of government grants

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/Relating to revenue
Interest subsidy	13,000,000.00	17,500,000.00	Ministry of Finance	Relating to revenue
Research of shipbuilding process and technology	4,265,807.54	5,492,426.89	Government subsidies	Relating to revenue
Decoration design and building technology research for typical cabins of luxury cruises		5,000,000.00	MIIT	Relating to revenue
Research of key technologies for polar deck ships		4,461,600.00	MIIT	Relating to revenue
Revenue from product subsidies		4,034,115.24	Government subsidies	Relating to revenue
Offshore expansion projects	1,750,000.00	1,750,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao Ji Gai [2009] No. 666, Yue Jing Mao [2009] No. 870	Relating to assets
Key process and equipment technology for assembly of components		1,300,000.00		Relating to revenue
Revenue from engineering research and development for Project Dawn		1,165,094.34	CSSC	Relating to revenue
Emulation of shipbuilding precision control process		781,465.60	Government subsidies	Relating to revenue
Export credit insurance special funds		776,000.00	Liwan District Financial and Treasury Payment Centre; 2013 export credit insurance special funds	Relating to revenue
Offshore engineering phase I	750,000.00	750,000.00	Yue Cai Gong [2010] No. 445, Yue Jing Mao [2008] No. 35	Relating to assets
Research of digital production line technology for shipbuilding		750,000.00		Relating to revenue
Self-development of diving support ships		734,012.20	MIIT	Relating to revenue
Refund of tax for sale of self-developed software	890,627.79	530,108.58	Refund of tax by State Administration of Taxation	Relating to revenue
Research of measurement and analysis system for dual propulsion shaft power and torsional vibration stress		507,025.64		Relating to revenue
Shipbuilding projects		411,158.76	Central government	Relating to assets
Research of information on full three-dimensional digital sample ships		380,394.67	MIIT	Relating to revenue
Research of integration technology for digital ship design, design and management		214,653.72		Relating to revenue
Tax relief for land use right tax and property tax for 2013 International Maritime Organization shipbuilding file research	933,918.97		Refund of tax by taxation bureau	Relating to revenue
Enterprise technology centre innovation capability development project	150,000.00	200,000.00	MIIT	Relating to revenue
Formulation of ships design and construction technical standards		150,000.00	Central government	Relating to assets
Offshore platform project	150,000.00	150,000.00	Huangpu District Treasury Payment Centre	Relating to assets
Base construction subsidy	31,091.39	31,091.39	Government subsidies	Relating to assets
Development of double-fuel high-speed luxury Ro/Ro ships	4,534,684.96		MIIT	Relating to revenue
Export credit insurance special funds for 2015	4,000,000.00		Government subsidies	Relating to revenue
Steady industrial growth bonus	2,000,000.00		Government subsidies	Relating to revenue
Research and development of semi-submerged engineering ships	4,927,333.64		National Development and Reform Commission	Relating to revenue
Provincial post-R&D grant	2,375,000.00		Shui Ke Chuang Zi [2016] No. 68	Relating to revenue
Provincial post-R&D grant in Guangdong Province	4,349,400.00		Huangpu District Treasury Payment Centre	Relating to revenue
Interest subsidy for transformation into civil development	10,770,000.00		CSSC	Relating to revenue
Special government grant for research and development of enterprises in Guangdong Province for 2015	1,688,300.00		Government subsidies	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015	3,311,700.00		Government subsidies	Relating to revenue
Research and development and industrial application of FPSO upgrading technology	918,666.37		National Development and Reform Commission	Relating to revenue
Other projects	717,009.10	1,217,308.70		
Total	61,513,539.76	48,436,455.73		

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58. Non-operating expenses

Item	Current period	Corresponding period of last year	Amounts included in non-recurring profit and loss for current period
Total loss from disposal of non-current assets	5,026,795.10	430,799.46	5,026,795.10
Including: Loss on disposal of fixed assets	5,026,795.10	430,799.46	5,026,795.10
Penalty expense	2,666.95	547,000.00	2,666.95
Compensation expense		37,860.00	
Donations	2,000.00	2,000.00	2,000.00
Others	157,894.33	201,624.35	157,894.33
Total	5,189,356.38	1,219,283.81	5,189,356.38

The amount included in non-recurring profit and loss for current period was RMB5,189,356.38 (Corresponding period of last year: RMB1,219,283.81).

59. Income tax expenses

(1) Income tax expenses

Item	Current period	Corresponding period of last year
Current income tax – PRC enterprise income tax	22,637,553.28	62,213,178.16
1. PRC	22,627,267.72	66,646,746.31
2. Hong Kong		
3. Over-provision (Under-provision) in prior years	10,285.56	-4,433,568.15
Deferred tax	1,196,661.35	-81,937,157.72
Total	23,834,214.63	-19,723,979.56

(2) Reconciliation sheet between income tax expenses and total profit

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

Item	Current period	Corresponding period of last year
Total consolidated profit for the period	67,611,361.79	-543,316,757.05
Income tax expenses calculated at statutory/applicable tax rate	16,902,840.45	-81,497,513.56
Impact of different tax rates for subsidiaries	-10,486,189.67	-25,909,359.68
Impact of adjustment for income tax for previous period	11,727.47	-4,433,568.15
Impact of non-taxable income	-108,358.96	
Impact of non-deductible costs, expenses and losses	427,446.20	3,012,479.44
Impact of utilisation of deductible loss for which no deferred tax assets are previously recognised	-2,244,625.22	
Impact of deductible temporary differences for which no deferred tax assets are recognised for the period or deductible losses	19,331,374.36	88,369,703.08
Under-provision for income tax for prior years		
Change in beginning balance of deferred tax assets/liabilities as a result of change in tax rate		734,279.31
Income tax expenses	23,834,214.63	-19,723,979.56

60. Audit fees and auditor

The audit fees charged for 2016 are RMB2.6 million (2015: RMB2.6 million). The auditor engaged by the Company is Shinewing Certified Public Accountants (special general partnership), and there has not been any change of auditor since 2011.

NOTES TO THE FINANCIAL STATEMENTS

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61. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of investment properties	314,356.08	314,356.08
Depreciation of fixed assets	331,233,008.51	320,384,789.95
Amortisation of intangible asset	28,815,016.82	30,296,791.17
Amortisation of long-term prepaid expenses	4,961,274.00	1,986,924.21
Total	365,323,655.41	352,982,861.41

62. Gain (or loss) on disposal of investments or properties

As approved by the first session of the fifth board of directors of Guangzhou Wenchong Shipyard Co., Ltd. ("Wenchong Shipyard", a subsidiary of the Company), on 12 January 2016, Wenchong Shipyard listed its 50% equity interest in Baiyin Sanfeng Wenchuan Environmental Protection Power Generation Co., Ltd. ("Baiyin Sanfeng") for sale at the Chongqing Assets and Equity Exchange at a consideration of RMB40.80 million. The consideration was determined by reference to a valuation report (Yin Xin Ping Bao Zi [2015] Hu No. 1025) issued by Yinxin Assets Appraisal Co., Ltd., which valued Baiyin Sanfeng at RMB81.60 million. As such, the appraised value of its 50% equity interest is RMB40.80 million. On 29 March 2016, Chongqing Caixin Environment Resources Co., Ltd. won the bid for such equity interest at RMB57.80 million. On 29 March 2016, Wenchong Shipyard and Chongqing Caixin Environment Resources Co., Ltd. entered into a Chongqing state-owned asset transfer contract, pursuant to which the consideration shall be settled with one-off payment within 5 business days after the contract has taken effect. On 6 April 2016, change of business registration for Baiyin Sanfeng was completed. On 19 April 2016, Wenchong Shipyard received the consideration paid via the Chongqing Assets and Equity Exchange. As at the end of the period, the Group had recognised gain on disposal of investments of RMB26,896,200.

63. Operating rental expense

Operating rental expense for the period is RMB103,241,948.64 (Corresponding period of last year: RMB39,471,835.92), among which rental expenditure for machinery is RMB11,674,877.51 (Corresponding period of last year: RMB10,424,654.96).

64. Rental income

Operating rental income for the period is RMB34,333,089.14 (Corresponding period of last year: RMB6,618,431.19), including rental income from land and buildings of RMB16,290,259.49 (Corresponding period of last year: RMB5,644,099.32).

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 current period and the dilutive potential ordinary shares which were converted during current period are assumed to be converted at the date of issue.

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The calculation of basic earnings per share and diluted earnings per share are as follows:

Item	No.	Current period	Corresponding period of last year
Net profit attributable to shareholders of the Company	1	37,072,739.65	-524,993,554.11
Exceptional items attributable to the Company	2	104,306,065.68	64,339,259.69
Net profit attributable to shareholders of the Company, net of exceptional items	3=1-2	-67,233,326.03	-589,332,813.80
Total number of shares at the beginning of the year	4	1,413,506,378.00	1,030,534,651.00
Number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares (I)	5		
Number of shares increased due to issuance of new shares or debt for equity swap (II)	6		382,971,727.00
Number of months from next month to the year end regarding the number of shares (II)	7		3.00
Number of shares decreased due to stock repurchase	8		
Number of months from the next month to the year end regarding the decrease of shares	9		
Number of shares decreased due to capital reduction	10		
Number of months in the reporting period	11	6.00	6.00
Weighted average number of ordinary shares outstanding	12	1,413,506,378.00	1,358,070,164.50
Weighted average number of ordinary shares adjustments because of business combination under common control	13	1,413,506,378.00	1,222,020,514.50
Basic earnings per share (I)	14=1÷12	0.0262	-0.3866
Basic earnings per share (II)	15=3÷13	-0.0476	-0.4823
Potential diluted interests of ordinary shares recognized as expense	16		
Transfer fee	17		
Income tax rate	18	0.25	0.15
Weighted average amount of ordinary shares increased due to warrant, share options, and convertible bonds, etc.	19		
Diluted earnings per share (I)	20=[1+(16-18)×(1-17)]÷(12+19)	0.0262	-0.3866
Diluted earnings per share (II)	21=[3+(16-18)×(1-17)]÷(13+19)	-0.0476	-0.4823

Notes: 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

Final dividends for the year ended 31 December 2015 totalling RMB42,405,191.34 were declared and paid during the six months ended 30 June 2016 (2015: nil).

According to the resolutions of the board of directors dated 30 August 2016, the Company would not distribute the interim dividends 6-month period ended 30 June 2016 (Corresponding period of last year: none).

NOTES TO THE FINANCIAL STATEMENTS

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67. Other comprehensive income

Item	Current period	Corresponding period of last year
1. Gains (losses) on available-for-sale financial assets	-442,464.12	786,602.88
Less: Tax effects of available-for-sale financial assets	-110,616.03	117,990.43
Net amounts previously included in other comprehensive income and transferred to profit or loss for the period		
2. Items that will not be subsequently re-classified into profit and loss		
Actuarial gains		
Total	-331,848.09	668,612.45

68. Supplementary information on consolidated income statement

The breakdown of expenses (including operating expense, selling expense and administrative expenses) by nature is as follows:

Item	Current period	Corresponding period of last year
Raw materials consumed	7,156,772,384.38	7,622,677,335.71
Employee salaries	2,051,576,549.97	1,677,619,531.56
Depreciation expense	331,547,364.59	320,699,146.03
Amortisation expense	33,776,290.82	32,283,715.38
Product fee	839,517,124.62	775,175,896.65
Utilities fee	192,932,275.37	179,879,073.48
Taxes and surcharges	11,920,421.79	33,392,939.91
Others	713,595,102.04	544,550,784.91
Total	11,331,637,513.58	11,186,278,423.63

69. Notes to items in the cash flow statement

(1) Other cash receipts/payments from operating activities/investing activities/financing activities

1) Other cash receipts relating to operating activities

Item	Current period	Corresponding period of last year
Income from other current accounts received	180,576,731.77	202,642,591.97
Government grants	48,391,888.68	46,686,642.19
Other non-operating income	2,959,430.83	4,603,114.82
Interest income	41,379,578.17	
Total	273,307,629.45	253,932,348.98

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2) *Other cash payments relating to operating activities*

Item	Current period	Corresponding period of last year
Administrative expense	104,766,273.09	162,877,120.40
Operating expense	1,798,409.28	6,862,400.47
Non-operating expenses	892,830.04	788,484.35
Warranty expense	25,665,833.31	37,410,633.86
Payment of other current accounts	74,179,701.65	345,005,286.35
Bank charges	3,742,607.66	4,205,290.40
Total	211,045,655.03	557,149,215.83

3) *Other cash receipts relating to investing activities*

Item	Current period	Corresponding period of last year
Release of pledge on fixed deposit	5,487,726,168.00	4,430,843,836.16
Interest income from fixed deposits and gains from entrusted wealth management products	161,500,678.42	265,477,404.15
Total	5,649,226,846.42	4,696,321,240.31

4) *Other cash payments relating to investing activities*

Item	Current period	Corresponding period of last year
Pledge of fixed deposit	5,198,338,115.03	4,179,389,849.70
Total	5,198,338,115.03	4,179,389,849.70

5) *Other cash receipts relating to financing activities*

Item	Current period	Corresponding period of last year
State subsidy	39,000,000.00	100,456,014.39
Total	39,000,000.00	100,456,014.39

6) *Other cash payments relating to financing activities*

Item	Current period	Corresponding period of last year
Issuance fees and relevant cost		3,854,499.50
Total		3,854,499.50

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From 1 January 2016 to 30 June 2016

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(2) Supplementary information on consolidated cash flow statement

Item	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net Profit	43,777,147.16	-523,592,777.49
Add: Provision for impairment of assets	75,346,825.42	230,127,890.25
Depreciation of fixed assets	331,547,364.59	320,699,146.03
Amortisation of intangible asset	28,815,016.82	30,296,791.17
Amortisation of long-term prepaid expenses	4,961,274.00	1,986,924.21
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain marked "-")	4,286,426.49	408,623.73
Loss on disposal of fixed assets (Gain marked "-")	0.00	
Loss on changes in fair value (Gain marked "-")	-149,283,686.40	-52,317,853.55
Finance cost (Gain marked "-")	34,299,350.10	36,015,086.69
Loss on investments (Gain marked "-")	74,790,875.31	-7,925,146.08
Decrease in deferred tax assets (Increase marked "-")	2,649,362.68	-88,534,010.26
Increase in deferred tax liabilities (Decrease marked "-")	-1,452,701.33	5,938,308.18
Decrease in inventories (Increase marked "-")	314,418,021.53	-852,846,782.69
Decrease in operating receivables (Increase marked "-")	-1,054,024,514.64	-1,469,204,222.48
Increase in operating payables (Decrease marked "-")	-3,458,648,497.40	-1,129,709,714.70
Others		
Net cash flow from operating activities	-3,748,517,735.67	-3,498,657,736.99
2. Significant non-cash investing and financing activities:		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Changes in cash and cash equivalents:		
Ending balance of cash	9,042,946,240.62	6,545,550,685.54
Less: beginning balance of cash	9,232,645,596.18	8,341,435,741.37
Add: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-189,699,355.56	-1,795,885,055.83

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(3) Information on acquisition or disposal of subsidiaries and other business units during the year

Item	Current period	Corresponding period of last year
Information on acquisition of subsidiaries and other business units		
1. Pricing of acquisition of subsidiaries and other business units		4,537,055,380.46
2. Cash and cash equivalents acquired from subsidiaries and other business units		681,408,300.00
Less: Cash and cash equivalents held by subsidiaries and other business units		
3. Net cash paid for acquisition of subsidiaries and other business units		681,408,300.00
4. Net assets of subsidiaries acquired		2,754,150,755.75
Current assets		13,869,608,161.04
Non-current assets		5,559,812,661.34
Current liabilities		12,716,142,880.21
Non-current liabilities		3,959,127,186.42
Information on disposal of subsidiaries and other business units		
1. Pricing of disposal of subsidiaries and other business units		
2. Cash and cash equivalents acquired on disposal of subsidiaries and other business units		
Less: Cash and cash equivalents held by subsidiaries and other business units		
3. Net cash received from disposal of subsidiaries and other business units		
4. Net assets of subsidiaries disposed of		
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		

(4) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	9,042,946,240.62	9,232,645,596.18
Including: Cash in hand	661,592.38	456,708.87
Bank deposits available for use on demand	9,041,947,077.78	9,232,133,831.88
Other monetary funds for use on demand	337,570.46	55,055.43
Cash equivalents		
Cash and cash equivalents at the end of the period	9,042,946,240.62	9,232,645,596.18
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

(5) Significant investing and financing activities without cash outflow: None.

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70. Assets subject to restrictions in ownership or use right

Item	Ending carrying amount	Reasons for restrictions
Cash and cash equivalents	8,142,332,105.77	Loans pledged, guarantee deposit, fixed deposit for a term of over 3 months

71. Foreign currency monetary items

Item	Ending balance of foreign currency	Translation rate	Ending balance translated into RMB
Cash and cash equivalents			8,080,786,801.50
Including: USD	1,190,630,182.10	6.6312	7,895,306,863.54
EUR	10,140,458.54	7.3750	74,785,881.74
JPY	125,762.00	0.0645	8,110.52
HKD	129,373,733.86	0.8547	110,575,903.42
MOP	122,603.89	0.8308	101,859.31
GBP	917.25	8.9212	8,182.97
Accounts receivable			1,243,348,114.74
Including: USD	148,534,722.82	6.6312	984,963,454.01
EUR	4,827,691.31	7.3750	35,604,223.41
HKD	257,475,305.19	0.8547	220,057,419.56
MOP	3,277,585.17	0.8308	2,723,017.76
Interest receivable			18,824,168.07
Including: USD	2,838,727.24	6.6312	18,824,168.07
Other receivables			9,047,057.91
Including: USD	433,028.13	6.6312	2,871,496.14
EUR	81,700.00	7.3750	602,537.50
HKD	5,757,312.88	0.8547	4,920,775.32
MOP	785,085.40	0.8308	652,248.95
Long-term receivables			293,103,111.23
Including: USD	44,200,613.95	6.6312	293,103,111.23
Accounts payable			225,510,177.45
Including: USD	5,416,879.20	6.6312	35,920,409.36
EUR	15,281.64	7.3750	112,702.10
HKD	221,690,184.11	0.8547	189,477,065.99
Other payables			1,676,191.90
Including: USD	187,234.07	6.6312	1,241,586.57
HKD	314,938.75	0.8547	269,177.26
MOP	199,119.00	0.8308	165,428.07
Interest payable			3,764,291.37
Including: USD	439,753.34	6.6312	2,916,092.35
EUR	115,010.04	7.3750	848,199.02
Short-term borrowings			6,639,599,318.77
Including: USD	982,914,689.00	6.6312	6,517,903,885.69
EUR	15,501,771.50	7.3750	114,325,564.82
HKD	8,622,754.49	0.8547	7,369,868.26

VII. CHANGES IN SCOPE OF CONSOLIDATION

As at 30 June 2016, there were no changes in the scope of consolidation of the Group.

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VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Name of subsidiary	Place of registration and principal business	Business Nature	Shareholding percentage (%)		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	Internal decoration of ships		100.00	Investment
Guangzhou Xingshun Marine Services Co., Ltd.	Guangzhou	Installation, welding, fitting and coating, repairing of ships		100.00	Investment
Guangzhou United Steel Structures Limited	Guangzhou	Steel structures		100.00	Investment
Guangdong GSI Elevator Co., Ltd.	Guangzhou	Manufacturing of elevators		100.00	Investment
Guangzhou Hongfan Technology Co., Ltd.	Guangzhou	Software development		51.00	Investment
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Guangzhou	Rendering of services		100.00	Investment
Guangzhou Hongfan Hotel Co., Ltd.	Guangzhou	Catering services		100.00	Investment
Glory Group Development Co., Ltd.	Hong Kong	General trading		100.00	Investment
Fanguang Development Co., Ltd.	Hong Kong	General trading		80.00	Investment
Fanguang (Macau) Development Single Person Co., Ltd.	Macau	Construction project		80.00	Investment
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Guangzhou	Equipment manufacturing		100.00	Investment
Zhongshan GSI Marine Engineering Company Limited	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		80.50	Business combination under common control
Guangzhou Longxue Properties Co., Ltd.	Guangzhou	Property management		66.67	Business combination under common control
Guangzhou Xinhang 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 Bingshen 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, who act as Chairman and general manager, respectively and are responsible for the production and operation activities. Accounting Manager is appointed by the Company. The Company has substantial control over such company, and it is therefore included into the scope of consolidation.

2. Interest in joint ventures or associates

Aggregated financial information of insignificant joint ventures and associates

Item	Ending balance/ Current Period	Beginning balance/ Previous period
Associates:		
Total carrying amount of investments	48,721,494.05	76,934,836.69
Aggregated amounts per shareholding percentage for the followings:		
– net profit	659,270.82	739,172.28
– other comprehensive income		
– Total comprehensive income	659,270.82	739,172.28

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IX. 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 the Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure by the management of the Group is to ensure that these risks mentioned above are controlled within a reasonable range.

1. Various 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 analyse 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 30 June 2016, 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 recognised assets and liabilities in USD and the unrecognized ship settlement in USD shown in the table below, leading to foreign currency risk, may affect the results of operation of the Group.

Item	30 June 2016	31 December 2015
Cash and cash equivalents-USD	1,190,630,182.10	476,301,495.62
Cash and cash equivalents-HKD	129,373,733.86	248,913.86
Cash and cash equivalents-EUR	10,140,458.54	458,656.98
Cash and cash equivalents-MOP	122,603.89	
Cash and cash equivalents-JPY	125,762.00	126,679.25
Cash and cash equivalents-GBP	917.25	
Accounts receivable-USD	148,534,722.82	32,269,494.57
Accounts receivable-HKD	257,475,305.19	
Accounts receivable-MOP	3,277,585.17	3,277,585.17
Accounts receivable-EUR	4,827,691.31	2,991,671.46
Other receivables-USD	433,028.13	
Other receivables-HKD	5,757,312.88	
Other receivables-MOP	785,085.40	
Other receivables-EUR	81,700.00	
Interest receivable-USD	2,838,727.24	1,111,076.88
Long-term receivables-USD	44,200,613.95	73,003,413.95
Accounts payable-USD	5,416,879.20	1,131,586.82
Accounts payable-HKD	221,690,184.11	34,560,948.37
Accounts payable-EUR	15,281.64	
Interest payable-USD	439,753.34	338,147.22
Interest payable-EUR	115,010.04	495,745.95
Other payables-USD	187,234.07	315,000.00
Other payables-HKD	314,938.75	30,294.12
Other payables-MOP	199,119.00	
Short-term borrowings-USD	982,914,689.00	440,000,000.00
Short-term borrowings-EUR	15,501,771.50	70,500,000.00
Short-term borrowings-HKD	8,622,754.49	

The Group pays close attention to the impact of exchange rate changes on the Group.

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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 recognised fair values of financial assets (or liabilities) at fair value through or loss as at 30 June 2016 of RMB-18,894,800. The change in fair value of forward settlement contract is included in profit or loss. Please refer to Note VI/55 for related information. With the increasing trend of international market share, if there is uncontrollable risk arising 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 is generated from bank borrowings with interest rate. Floating-rate financial liabilities expose the Group to cash flow interest rate risk, and fixed-rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative percentage of contracts with floating rates and fixed rates in view of the then market environment. As at 30 June 2016, the Group's bank borrowings mainly included fixed interest rate contracts in RMB and USD with total amount of RMB12,149,298,800.00 (31 December 2015: RMB7,141,671,403.20) and floating interest rate contracts in RMB and USD with total amount of RMB8,405,498,318.77 (31 December 2015: RMB8,073,067,600.00).

The risk of changes in fair value of financial instrument of the Group caused by changes in interest rate is mainly related to bank 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.

The risk of changes in cash flows of financial instrument of the Group caused by changes in interest rate is mainly related to bank borrowings with floating interest rate. It is the policy of the Group 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 30 June 2016, 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 established within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Group reviews the collection of each single receivable at the balance sheet date to ensure sufficient provision for bad debts is made for unrecoverable amounts. Therefore, the management considers that credit risks facing the Group have been reduced significantly.

The current funds of this Group are deposited in banks with high credit ratings, thus the credit risk of current funds is relatively low.

The Group has adopted necessary policies to ensure that all clients have good credit history. The Group has no other concentration of credit risk except for the top five accounts receivable.

The total amount for the top five accounts receivable is RMB1,046,704,100.42 (31 December 2015: RMB879,314,752.39).

(3) **Liquidity risk**

Liquidity risk refers to the risk that the Group could not meet its 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 reputation of the Group. The analysis of liabilities structure and durations is 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 30 June 2016, the unused bank facilities amount of the Group were RMB15,917 million (31 December 2015: RMB23,247 million).

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The analysis of financial assets and financial liabilities held by the Group is analyzed as below, in terms of maturity deadline regarding undiscounted remaining contractual obligations:

30 June 2016:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	16,370,265,306.39	715,013,040.00	100,000,000.00		17,185,278,346.39
Financial assets at fair value					
through profit or loss	1,928,068.11				1,928,068.11
Notes receivable	20,446,582.89				20,446,582.89
Accounts receivable	2,324,917,334.61				2,324,917,334.61
Other receivables	672,461,779.37				672,461,779.37
Interest receivable	205,461,252.57				205,461,252.57
Long-term receivables		442,355,079.67			442,355,079.67
Entrusted wealth					
management products	2,005,000,000.00	400,000,000.00			2,405,000,000.00
Wealth management products	105,000,000.00				105,000,000.00
Available-for-sale financial assets	3,579,418.48			19,962,769.55	23,542,188.03
Financial liabilities					
Short-term borrowings	9,405,840,118.77				9,405,840,118.77
Financial liabilities at fair value					
through profit or loss	20,822,888.30				20,822,888.30
Notes payable	1,860,252,195.20				1,860,252,195.20
Accounts payable	7,342,947,747.61				7,342,947,747.61
Other payables	344,060,416.88				344,060,416.88
Dividends payable	44,727,537.30				44,727,537.30
Interest payable	14,887,318.63				14,887,318.63
Employee benefits payable	152,103,347.90				152,103,347.90
Taxes payable	-1,634,697,438.25				-1,634,697,438.25
Long-term employee benefits payable	72,960,090.84	20,505,441.66	61,516,324.97	137,992,599.16	292,974,456.63
Non-current liabilities due within one year	5,181,200,000.00				5,181,200,000.00
Long-term borrowings		2,584,900,000.00	2,100,000,000.00	1,282,857,000.00	5,967,757,000.00

2. Sensitivity analysis

The Group adopts 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.

Based on the above assumptions, with other variables unchanged, the exchange rate might float within a reasonable range, the after-tax effect of reasonable exchange rate fluctuations on current profit or loss is as follows:

Item	Exchange rate change	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
USD	Strengthened by 5% against RMB	152,953,434.09	152,953,434.09	-44,088,565.50	-44,088,565.50
USD	Weakened by 5% against RMB	-177,287,812.71	-177,287,812.71	44,088,565.50	44,088,565.50

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(2) Interest rate risk sensitivity analysis

The interest rate risk sensitivity analysis is based on the following assumptions:

Changes in market interest rate affect the interest income or expenses of floating-rate financial instruments;

For fixed-rate financial instruments measured at fair value, the changes in market value affect their interest income or expenses only;

Changes in fair value of derivative financial instruments and other financial assets and liabilities are calculated using cash flow discount method and the market interest rate at the balance sheet date.

Based on the above assumptions, with other variables unchanged, the after-tax effect of reasonable interest rate fluctuations on current profit or loss is as follows:

Item	Interest rate change	Current period		Corresponding period of last year	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Floating-rate borrowings	Increase by 1%	-31,094,543.70	-31,094,543.70		
Floating-rate borrowings	Decrease by 1%	31,094,543.70	31,094,543.70		

X. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value at the end of period and fair value measurement hierarchy

Item	Ending fair value			Total
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	
I. Fair value measurement on a recurring basis				
(i) Financial assets at fair value through profit and loss				
1. Held-for-trading financial assets		1,928,068.11		1,928,068.11
(1) Forward exchange settlement		1,928,068.11		1,928,068.11
2. Available-for-sale financial assets	3,075,398.76			3,075,398.76
(1) Available-for-sale equity instruments	3,075,398.76			3,075,398.76
Total assets measured at fair value on a recurring basis	3,075,398.76	1,928,068.11		5,003,466.87
(ii) Financial liabilities at fair value through profit and loss				
1. Held-for-trading financial liabilities		20,822,888.30		20,822,888.30
(1) Forward exchange settlement		16,661,119.09		16,661,119.09
(2) Short USD call options		4,161,769.21		4,161,769.21
Total liabilities continuing to be measured at fair value		20,822,888.30		20,822,888.30

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XI. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Relationships with related parties

(1) Controlling shareholder and beneficial controller

1) Controlling shareholder and beneficial controller

Name of Controlling shareholder and beneficial controller	Place of registration	Business nature	Registered capital	Shareholding percentage in the Company (%)	Percentage of voting rights in the Company (%)
CSSC	Shanghai	Shipbuilding	RMB22 billion	59.97	59.97

2) Controlling shareholder's registered capital and its changes

Controlling shareholder	Beginning balance	Increase in the period	Decrease in the period	Ending balance
CSSC	RMB22 billion			RMB22 billion

3) Shares or equity held by the controlling shareholder and its changes

Controlling shareholder	Shareholding amount		Shareholding percentage (%)	
	Ending balance	Beginning balance	Percentage at the end of the period	Percentage at the beginning of the year
CSSC	501,745,100.00	501,745,100.00	35.50	35.50
CSSC HK	345,940,890.00	345,940,890.00	24.47	24.47
Total	847,685,990.00	847,685,990.00	59.97	59.97

(2) Subsidiaries

Please refer to Note VIII/1 for details of the subsidiaries of the Company.

(3) Joint ventures and associates

Please refer to Note VI/13 for details of significant joint ventures and associates of the Group.

(4) Other related parties

Relationship	Name of related party	Content of major transactions	Code of organisation
Other enterprises under common control of controlling shareholder and beneficial controller			
	Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labour services	190440532
	CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories and technical labour services	199124798
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	Marine accessories	769750177
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	769756704
	CSSC Nanjing Oasis Machine Co., Ltd.	Product and equipment	134905382
	Shanghai Merchant Vessel Design and Research Institute	Marine accessories and technical labour services	717810086
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Marine accessories	56586979
	Anqing CSSC Diesel Engine Co., Ltd.	Product and equipment	151306277
	China Marine Power Co., Ltd.	Marine accessories, products and equipment	731778430
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	190550010
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Labour and technical services	425014619
	Guangzhou Ship Industrial Company	Purchase of goods and services received	190506722
	China Shipbuilding Industry Institute of Engineering Investigation & Design Xiamen Branch	Labour and technical services	13294352-9
	China State Shipbuilding Corporation No.11 Research Institute	Marine accessories, products and equipment	71780666-9
	Design and Research Institute of China Shipbuilding and Marine Engineering	Purchase of goods and services received	425007603

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Relationship	Name of related party	Content of major transactions	Code of organisation
	Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories, products and equipment	669401543
	CSSC Xijiang Shipbuilding Co., Ltd.	Purchase of materials	198600924
	CSSC Guijiang Shipbuilding Co., Ltd.	Purchase of goods and services received, sales of goods and provision of services	199125619
	Shanghai CSSC Lingang ship Equipment Co., Ltd.	Technical labour services	67464709-7
	Hualian Ship Co., Ltd.	Purchase of goods and services received	Overseas company
	Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	Marine accessories	792801606
	China Ship Power Station Equipment Co., Ltd.	Product and equipment	756976070
	CSSC Chengxi Shipyard (Guangzhou) Company Limited	Purchase of goods and services received	781228314
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	Purchase of goods and services received	766907124
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	Purchase of goods and services received	132943529
	China Shipbuilding Technology Institute	Purchase of goods and services received	400000472
	Jiangxi Chaoyang Machinery Factory	Purchase of goods and services received	158261489
	CSSC Heavy Equipment Co., Ltd.	Technical labour services	799437720
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	Technical labour services	755729481
	Anqing Marine Electric Co., Ltd.	Purchase of materials	771102718
	Huahai Marine Cargo Access Equipment Company	Purchase of goods and services received	132203280
	Beijing Shipbuilding Information Technology Co., Ltd.	Sales of goods and provision of services	802042333
	Shanghai Hudong Shipyard Electrics Co., Ltd.	Purchase of goods and services received	780563727
	China Shipbuilding Trading Co., Ltd.	Purchase of goods and services received	100001027
	China Shipbuilding International Trading Co., Ltd.	Purchase of goods and services received	703424416
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	Sales of goods and provision of services	717806431
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Purchase of goods and services received	683265787
	CSSC Chengxi Shipbuilding Co., Ltd.	Sales of goods and provision of services, assets leasing	142243024
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Sales of goods and provision of services	631423632
	China State Shipbuilding Steel Structure Engineering Company Limited	Sales of goods and provision of services	132283663
	CSSC Finance Company Limited	Receipt of financial services	100027155
	Guangzhou Shipyard HR Service Co., Ltd.	Technical labour services	664021381
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	Construction of fixed assets	759441020
	Jiangxi CSSC Valve Co., Ltd.	Purchase of goods and services received	598860469
	CSSC Marine Technology Co., Ltd.	Purchase of goods and services received	767236625
	CSSC Shanghai Ship Industrial Co., Ltd.	Purchase of goods and services received	132204830
	Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.	Purchase of goods and services received	797013289
	China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of goods	132207644
	CSSC System Engineering Research Institute	Purchase of goods and services received	400000675
	CSSC (Hong Kong) Shipping Company Limited	Purchase of goods and services received, sales of goods and provision of services	#51105RE3
	China Shipbuilding Industry Institute of Engineering Investigation & Design Pudong Branch	Purchase of goods and services received	13358277X
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Sales of goods and provision of services	677764045
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	Sales of goods and provision of services	059544985
	China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of goods and services received, sales of goods and provision of services	051227838
	CSSC Electronic Technology Co., Ltd.	Purchase of goods and services received	10201629X
	CSSC Chengxi Xinrong Shipbuilding Company Limited	Sales of goods and provision of services	755884625
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Purchase of goods and services received	782067313
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of goods and services received	765585565
	CSSC Materials Engineering Co., Ltd.	Purchase of goods and services received	593108825
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	Purchase of goods and services received	631898873
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Purchase of goods and services received	631140202
	Shanghai Shenbo Information System Engineering Co., Ltd.	Purchase of goods and services received	630903554
	Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of goods and services received	132923392
	Shanghai Jiangnan Ship Pipe Industry Co., Ltd.	Purchase of goods and services received	752460149
	Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of goods and services received, sales of goods and provision of services	751896055
	Shanghai Dongxin Software Engineering Co., Ltd.	Purchase of goods and services received	73745754X

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Relationship	Name of related party	Content of major transactions	Code of organisation
	China State Shipbuilding Corporation No.11 Research Institute	Purchase of goods and services received	717806669
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Purchase of goods and services received	742362916
	Jiulong Steel Logistics Co., Ltd.	Sales of goods and provision of services	567755594
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	Purchase of goods and services received	091090522
	Jiujiang Precision Testing Technology Research Institute	Purchase of goods and services received	705640569
	Jiangxi CSSC Navigation Instrument Co., Ltd.	Purchase of goods and services received	159500541
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Purchase of goods and services received	660813517
	Jiangnan Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	132204312
	Wah-Chang International Marine Industry Company Limited	Sales of goods and provision of services	XG7250000
	Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of goods and provision of services	70326335X
	Haiying Enterprises Group Co., Ltd.	Purchase of goods and services received	134757367
	Haifeng Navigation Technology Co., Ltd.	Purchase of goods and services received	082890640
	Technician Training School of Guangzhou Shipyard	Rendering of services	574022487
	Guangzhou Hairong Industrial Co., Ltd.	Purchase of goods and services received	190458329
	Workers' Hospital of Guangzhou Huangpu Shipyard	Rendering of services	738578028
	Kindergarten of Guangzhou Huangpu Shipyard	Rendering of services	738577981
	Guangzhou Huamao Center	Rendering of services	618407582
	Guangzhou Hairong Construction Supervision Co., Ltd.	Purchase of goods and services received	231250517
	Beijing Leiyin Electronic Technology Development Co., Ltd.	Purchase of goods and services received	633641027
	Beijing Ship Industry Management College	Purchase of goods and services received	40000123X
Enterprises under common control of joint ventures of controlling shareholder and beneficial controller			
	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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2. Consolidated related party transactions

(1) Related party transaction in relation to purchase and sale of goods and rendering and receipt of services

1) Purchase of goods and services received

Related party	Content of connected transactions	Current period	Corresponding period of last year
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Purchase of materials	1,269,889,333.27	2,442,804,529.88
Eastern Shanghai Heavy Machinery Co., Ltd.	Marine accessories	253,506,009.06	301,540,506.33
CSSC System Engineering Research Institute	Purchase of materials	222,273,000.00	16,300,000.00
Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	Purchase of materials	121,378,841.62	18,779,829.06
China Marine Power Co., Ltd.	Marine accessories	119,322,489.75	53,713,035.00
Hualian Ship Co., Ltd.	Marine accessories	76,120,773.30	65,644,472.87
CSSC (Hong Kong) Shipping Company Limited	Purchase of materials	69,161,533.13	333,266.31
Anqing CSSC Diesel Engine Co., Ltd.	Marine accessories	47,477,846.15	19,067,405.98
CSSC Nanjing Oasis Machine Co., Ltd.	Marine accessories	46,878,085.47	32,748,617.69
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Technical labour services	35,827,734.15	105,870,908.70
Guangzhou Shipyard Co., Ltd.	Purchase of materials, marine accessories and technical labour services	27,569,713.41	41,136,420.11
China Shipbuilding Trading Co., Ltd.	Purchase of materials	21,129,696.23	8,283,675.87
Haiying Enterprises Group Co., Ltd.	Purchase of materials	20,910,000.00	17,120,000.00
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Marine accessories	18,924,555.93	3,235,935.20
CSSC Southern China Ship Machinery Co., Ltd.	Marine accessories	17,813,547.01	6,436,230.00
CSSC Chengxi Shipbuilding Co., Ltd.	Labour and technical services	17,574,139.15	
Shanghai Haixun Electrical Engineering Co., Ltd.	Purchase of materials	15,106,499.15	
Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing Oasis Machine Co., Ltd.	Marine accessories	15,047,145.30	
China State Shipbuilding Steel Structure Engineering Company Limited	Equipment	14,495,726.50	21,743,589.75
Jiujiang Haitian Equipment Manufacture Co., Ltd.	Marine accessories	14,242,735.04	3,441,104.95
TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	12,747,823.08	1,521,367.52
Guangzhou Shipyard HR Service Co., Ltd.	Services received	9,483,949.05	25,927,483.13
Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	Marine accessories	7,237,865.71	3,940,000.00
Jiangxi CSSC Valve Co., Ltd.	Marine accessories	7,028,090.82	1,609,426.08
Nanjing CSSC Oasis Environmental Protection Co., Ltd.	Marine accessories	5,229,210.24	3,353,573.58
Design and Research Institute of China Shipbuilding and Marine Engineering	Labour and technical services	3,972,051.28	22,860,000.00
Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	Marine accessories	3,897,508.55	2,376,000.00
China Shipbuilding Industry Complete Logistics Co., Ltd.	Purchase of materials	3,893,474.92	
CSSC Chengxi Shipyard (Guangzhou) Company Limited	Marine accessories	3,838,405.58	2,438,930.17
Shanghai Merchant Vessel Design and Research Institute	Labour and technical services	3,565,750.00	18,223,362.26
CSSC Marine Technology Co., Ltd.	Marine accessories	3,491,338.46	7,472,000.00
China Shipbuilding Industry Complete Logistics Co., Ltd. (Jiangsu Yongding Co., Ltd.)	Purchase of materials	2,560,564.10	
China Ship Power Station Equipment Co., Ltd.	Marine accessories	2,548,162.39	2,495,000.00
Jiangxi Chaoyang Machinery Factory	Marine accessories	2,479,644.84	17,450,398.04
Shanghai Hudong Shipyard Valve Co., Ltd.	Purchase of materials	2,319,866.67	556,913.65
Shanghai Jiuyuan Engineering Contracting Co., Ltd.	Purchase of materials	1,614,126.71	1,447,067.89
TTS Hua Hai International Trading Co., Ltd.	Marine accessories	1,313,911.79	
China Shipbuilding Industry Institute of Engineering Investigation & Design Co., Ltd.	Technical labour services	1,310,496.02	1,408,755.29
Guangzhou Shipyard Co., Ltd. Panyu Hatch Branch	Purchase of materials	1,301,423.69	
Marinequip China Company Limited	Equipment	1,162,946.39	1,867,081.82
Guangzhou Shipyard Co., Ltd. Foshan Casting Branch	Purchase of materials	1,000,841.04	
Jiangxi CSSC Navigation Instrument Co., Ltd.	Marine accessories	666,666.67	
Guangzhou Shipyard Hospital	Labour services	656,615.75	
Beijing Leiyin Electronic Technology Development Co., Ltd.	Labour and technical services	595,600.00	
Guangzhou Hairong Industrial Co., Ltd.	Labour services	564,000.00	
Shanghai Starry ship Ocean Engineering Service Co., Ltd.	Marine accessories	420,512.82	157,000.00
Workers' Hospital of Guangzhou Huangpu Shipyard	Labour and technical services	408,485.80	

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Related party	Content of connected transactions	Current period	Corresponding period of last year
CSSC Heavy Equipment Co., Ltd.	Labour and technical services	291,850.97	169,530.86
Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	Marine accessories	263,589.85	
Beijing Shipbuilding Information Technology Co., Ltd.	Labour and technical services	169,811.32	
Jiujiang Shipbuilding Fire Automation Co., Ltd.	Labour and technical services	147,793.16	98,340.00
China Shipbuilding International Trading Co., Ltd.	Purchase of materials	115,128.21	1,559,930.67
Beijing Ship Industry Management College	Labour services	112,000.00	
Shanghai CSSC Ship Design Technology and International Engineering Research Center Co., Ltd.	Equipment	72,649.57	129,914.53
Anqing Marine Electric Co., Ltd.	Marine accessories	71,452.99	123,300.00
CSSC Materials Engineering Co., Ltd.	Purchase of materials	68,376.06	
Shanghai Lingang ship Equipment Co., Ltd.	Marine accessories	63,454.70	470,000.00
China Shipbuilding Technology Institute	Labour and technical services	18,329.39	
Eastern Shanghai Heavy Machinery Co., Ltd. Shanghai Accessories Branch	Purchase of materials	17,094.02	
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Purchase of materials	294.40	
Jiangnan Shipbuilding (Group) Co., Ltd.	Technical labour services		6,320,035.00
Guangzhou Ship Industrial Company	Technical labour services		4,283,811.15
CSSC Electronic Technology Co., Ltd.	Marine accessories		2,011,840.00
Beijing Shipbuilding Information Technology Co., Ltd.	Technical labour services		1,844,444.40
CSSC Hua Hai Ships Equipment Co., Ltd.	Marine accessories		1,500,000.00
China Shipbuilding Trading Shanghai Co., Ltd.	Purchase of materials		1,447,067.89
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Technical labour services		560,000.00
CSSC Materials Engineering Co., Ltd.	Purchase of materials		34,188.04
China Shipbuilding Technology Institute	Labour and technical services		14,301.08
Total		2,531,370,560.63	3,293,870,590.75

Note: Pricing principle:

- (a) Purchase price of electronic appliance, metallic materials and marine complement are based on market price.
- (b) 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.
- (c) 10% increase of labour cost is executed during the peak production period.
- (d) Purchase price of cabin-cleaning, ship design and relevant technical services are based on market price.
- (e) 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".

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2) Sale of goods and provision of services

Related party	Content of connected transactions	Current period	Corresponding period of last year
CSSC (Hong Kong) Shipping Company Limited	Shipbuilding	764,327,459.93	
China Shipbuilding Trading Shanghai Co., Ltd.	Shipbuilding	71,906,535.88	7,391,801.57
China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	Sales of materials	50,755,745.26	42,114,822.61
CSSC Chengxi Shipyard (Guangzhou) Company Limited	Technical labour services	30,385,299.36	138,914,851.67
China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	Technical labour services	15,583,779.91	
CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	Electricity re-sale	9,256,770.47	
Beijing Shipbuilding Information Technology Co., Ltd.	Materials	1,561,054.65	1,666,837.58
CSSC Guijiang Shipbuilding Co., Ltd.	Technical labour services	873,807.93	422,240.21
CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	Technical labour services	543,329.62	507,022.92
CSSC Guangxi Ships and Maritime Engineering Co., Ltd. Guangzhou Shipyard Co., Ltd.	Technical labour services	237,052.08	
China Shipbuilding Trading (Guangzhou) Co., Ltd.	Technical labour services	224,600.35	4,063,028.28
Guangzhou Shipyard Shipping Co., Ltd.	Materials	166,653.22	162,865.83
CSSC Heavy Equipment Co., Ltd.	Technical labour services	164,512.82	
Workers' Hospital of Guangzhou Huangpu Shipyard	Technical labour services	84,558.21	28,320.75
Jiulong Steel Logistics Co., Ltd.	Sales of materials, etc.	83,843.86	
Eastern Shanghai Zhonghua Shipbuilding (Group) Co., Ltd.	Sales of materials, etc.	76,923.08	
CSSC Southern China Ship Machinery Co., Ltd.	Ship repair	73,162.39	1,410,256.42
Ships and Ocean Engineering Design and Research Institute of Guangzhou	Supply of power	71,696.79	6,000.00
China State Shipbuilding Steel Structure Engineering Company Limited	Supply of power	53,169.81	8,264.96
Kindergarten of Guangzhou Huangpu Shipyard	Repair	34,905.66	4,069,197.40
Guangzhou Huamao Center	Sales of materials, etc.	19,381.06	
Shanghai Haixun Electrical Engineering Co., Ltd.	Sales of materials, etc.	13,555.40	
CSSC Xijiang Shipbuilding Co., Ltd.	Sales of materials, etc.	7,268.38	
Technician Training School of Guangzhou Shipyard	Technical labour services	6,056.60	15,094.34
China Shipbuilding Industry Complete Logistics Co., Ltd.	Sales of materials, etc.	2,480.00	
	Sale of materials, rendering of technical labour services		3,115,940.63
Jiangnan Shipbuilding (Group) Co., Ltd.	Technical labour services		324,786.32
China Shipbuilding Technology Institute	Technical labour services		193,828.41
China State Shipbuilding Corporation	Technical labour services		183,962.26
CSSC Nanjing Oasis Machine Co., Ltd.	Technical labour services		128,205.13
CSSC Guangzhou Marine Diesel Engine Co., Ltd.	Technical labour services		22,405.66
Guangzhou Ship Industrial Company	Materials		5,076.92
Total		946,513,602.72	204,754,809.87

Note: Pricing principle:

- (a) Sale price of electrical and mechanical equipment and metal materials to be based on market price.
- (b) Supply of utilities to be based on cost plus 20% to 25% of administrative expense.
- (c) 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.

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(2) Receipt of financial services

1) Deposits

Name of related party	Balance of deposits		Interest income on deposits	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	4,311,275,916.83	6,718,644,795.52	44,254,469.92	52,795,917.14

Pricing principle: Interest income to be based on the basic interest rate set by the People's Bank of China, subject to minimum of interest rate provided by the CSSC Group to other third party or the deposit rate provided to the Company by the commercial banks.

2) Loans

Name of related party	Balance of loans		Interest expenses on loans	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	4,877,100,000.00	4,607,000,000.00	106,837,966.11	77,215,856.67

Pricing principle: Interest rate for RMB loan is based on the benchmark interest rate for mid-to-long-term loan and short term loan stipulated by the PBOC, with downward adjustments. 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 Amount	Current period (RMB)	Corresponding period of last year (RMB)	Current period (RMB)	Corresponding period of last year (RMB)
CSSC Finance Company Limited	US\$10 million	US\$86 million and EUR4.5 million	-759,378.02	9,438,395.37	-	-

4) Entrusted wealth management products

Name of related party	Entrusted wealth management products		Income from entrusted wealth management products	
	Ending balance	Beginning balance	Current period	Corresponding period of last year
CSSC Finance Company Limited	2,405,000,000.00	1,005,000,000.00	29,277,064.59	13,643,347.07

Pricing principle: to be determined with reference to the return on the entrusted wealth management products in the market in the same period.

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(3) Related party lease

1) As lessee

Name of lessor	Name of lessee	Nature of assets leased	Corresponding period	
			Current period	of last year
Guangzhou Ship Industrial Company	CSSC Huangpu Wenchong Shipbuilding Company Limited	Land and buildings	3,389,693.29	3,787,036.81
Guangzhou Ship Industrial Company	Guangzhou Wenchong Shipyard Co., Ltd.	Land and buildings	13,989,153.58	6,793,069.46
Guangzhou Shipyard Industrial Co., Ltd.	Guangzhou Shipyard International Company Limited	Land and buildings	-	-
Guangzhou Shipyard Shipping Co., Ltd.	Guangzhou Shipyard International Company Limited	Land and buildings	67,200,000.00	-

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 Huangpu Wenchong and Wenchong Shipyard 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 Guangzhou Shipyard Industrial shall lease three parcels of land currently for industrial use located at Heliwei, Fangcun Main Road, Liwan District, Guangzhou, 29 Donglang Market Street, Fangcun Main Road, Liwan District, Guangzhou and south to Heliwei, Donglang Township, Liwan District, Guangzhou, with a total site area of 108,939 sq.m., and buildings and structures thereon (the "Leased Area") to the Company. The "Leased Area" is leased to the Company for a term of 39 months commencing on 1 October 2014 at monthly rate of RMBnil. Pursuant to the Equity Transfer Contract in relation to 100% Equity interest in Guangzhou Shipyard Industrial Co., Ltd. entered into between the Company and Shanghai Lingxiang, the lease agreement will continue to be performed.

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.

2) As lessor

Name of lessor	Name of lessee	Nature of assets leased	Corresponding period	
			Current period	of last year
Guangzhou Shipyard International Company Limited	CSSC Chengxi Shipyard (Guangzhou) Company Limited	Land, buildings and equipment	6,689,561.22	-
GSI Yangzhou Co., Ltd.	CSSC Chengxi Shipbuilding Co., Ltd.	Land, buildings and equipment	31,282,084.28	-

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) Related Guarantee

1) Guarantee provided by related parties for the Group

As at 30 June 2016, there was no guarantee provided by any related party for the Group.

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From 1 January 2016 to 30 June 2016

(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*

As at 30 June 2016, there was no guarantee provided by the Group for any related party.

3) *Guarantee provided within the scope of consolidation of the Group*

Name of guarantor	Name of guarantee	Guarantee method	Amount of guarantee	Date of commencement of guarantee	Date of expiry of guarantee	Whether fully executed
CSSC Offshore & Marine Engineering (Group) Company Limited	Guangzhou Shipyard International Company Limited	General guarantee	500,000,000.00	2015/11/20	2022-6-15	No
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	Mutual 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	436,000,000.00	2014/12/17	2017/5/31	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
CSSC Huangpu Wenchong Shipbuilding Company Limited	Guangzhou Wenchong Shipyard Co., Ltd.	General guarantee	446,120,000.00	2015/7/6	2016/7/15	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) *Capital lending between related parties (entrusted loan)*

Name of related party	Borrowing/Lending	Amount	Date of commencement	Date of expiry	Remarks
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012/6/20	2022/6/15	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012/7/18	2019/7/15	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2015/10/28	2016/10/11	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	600,000,000.00	2012/7/18	2019/7/15	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2015/10/28	2016/10/11	Guangzhou Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012/7/18	2019/7/15	Huangpu Shipyard
China State Shipbuilding Corporation	Borrowing	1,000,000,000.00	2015/10/28	2016/10/11	Huangpu Shipyard
China State Shipbuilding Corporation	Borrowing	500,000,000.00	2012/7/18	2019/7/15	Wenchong Shipyard
China State Shipbuilding Corporation	Borrowing	100,000,000.00	2016/3/17	2016/12/9	Wenchong Shipyard

(6) *Investments in related parties*

On 30 May 2016, GSI, a subsidiary of the Company, together with Shanghai Waigaoqiao Shipbuilding Co., Ltd, Shanghai Merchant Ship Design and Research Institute and the Design and Research Institute of China Shipbuilding and Marine Engineering, established CSSC Liner Technology Development Co., Ltd.. GSI contributed capital of RMB20 million and holds its 10% equity interest. The capital contribution was made on 4 July 2016.

(7) *Other related party transaction*

Type of related party transactions	Name of related party	Current period	Corresponding period of last year
Sales agency fees	China Shipbuilding Trading Co., Ltd.	26,768,858.01	11,134,560.74
Sales agency fees	China Shipbuilding International Trading Co., Ltd.	7,074,720.73	1,420,798.49
Sales agency fees	CSSC (Hong Kong) Shipping Company Limited	1,960,322.70	
Procurement agency fees	Hualian Ship Co., Ltd.	1,334,619.56	1,012,825.01
Procurement agency fees	China Shipbuilding Trading Co., Ltd.	316,009.07	122,418.86
Handling charges for factoring	CSSC (Hong Kong) Shipping Company Limited ^{note 2}	1,126,962.00	1,126,962.00

Note 1: Pricing principle: the sales agency fees shall not exceed the 1% of pricing basis of contract price; the procurement agency fees shall range from 1% to 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 HK"), pursuant to which, part of the ship progress fees of 7 export ships signed in 2013, were sold to CSSC HK, totalling US\$186.00 million. CSSC HK charged handling fee of 0.2%, and it has the right of recourse in respect of the ship progress fees. CSSC HK pledged this export ship progress fee to DBS Bank and borrowed US\$186.00 million.

(8) *Related party transactions and connected transactions*

The related party transactions mentioned in (1) and (5) above constitute connected transaction or continuing 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 the Director's Report as required.

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3. Related party transactions between the Company and its subsidiaries

(1) Purchase of goods and services received

Related party	Content of connected transactions	Current period	Corresponding period of last year
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Services received	4,168,900.95	138,501,274.49
Glory Group Development Co., Ltd.	Purchase of goods		90,806,075.89
Zhongshan GSI Marine Engineering Company Limited	Purchase of goods and services received		54,694,458.61
Guangzhou Xingshun Marine Services Co., Ltd.	Purchase of goods and services received		49,563,055.24
Guangzhou Wanda Marine Engineering Co., Ltd.	Purchase of goods and services received		29,730,382.38
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Purchase of goods and services received		11,296,063.59
Guangzhou Hongfan Technology Co., Ltd.	Purchase of goods and services received	73,565.31	6,913,469.35
Guangzhou Longxue Pipe Co., Ltd.	Purchase of goods and services received		3,597,522.18
Guangdong GSI Elevator Co., Ltd.	Purchase of goods and services received	840,683.77	1,482,935.89
Guangzhou Shipyard International Company Limited	Purchase of goods and services received	32,474.30	589,734.14
Total		5,115,624.33	387,174,971.76

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) Sale of goods and provision of services

Related party	Content of connected transactions	Current period	Corresponding period of last year
Zhongshan GSI Marine Engineering Company Limited	Sale of goods and leasing of assets	1,811,615.38	24,527,395.01
Guangzhou Shipyard International Marine Engineering Co., Ltd.	Sale of goods and leasing of assets		12,420,296.44
Guangzhou United Steel Structures Limited	Sale of goods and leasing of assets	36,324.78	4,646,023.86
Guangzhou Shipyard International Company Limited	Sale of goods	37,776,330.85	3,958,837.44
Guangzhou Xingshun Marine Services Co., Ltd.	Sale of goods		3,022,445.60
Guangzhou Wenchong Shipyard Co., Ltd.	Sale of goods		1,899,693.58
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	Sale of goods and leasing of assets		681,134.88
Guangdong GSI Elevator Co., Ltd.	Sale of goods	1,112.82	109,005.98
Guangzhou Longxue Pipe Co., Ltd.	Sale of goods		101,796.59
GSI Yangzhou Co., Ltd.	Rendering of services	2,735,849.06	
Guangzhou Huangchuan Ocean Engineering Co., Ltd.	Sale of goods		94,567.92
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	Sale of goods	6,960.68	78,582.35
Guangzhou Wanda Marine Engineering Co., Ltd.	Sale of goods		48,004.72
CSSC Huangpu Wenchong Shipbuilding Company Limited	Sale of goods		34,677.36
Guangzhou Wenchong Chonggong Co. Ltd.	Sale of goods		27,052.84
Guangzhou Hongfan Technology Co., Ltd.	Sale of goods		2,777.86
Total		42,368,193.57	51,652,292.43

Note: Pricing policy for selling goods to the subsidiaries: adding 8% of the cost.

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4. Remuneration for key management personnel (Consolidated and the Company)

(1) Remuneration of Directors and Supervisors

Remuneration of Directors and Supervisors during the period are as follows: (RMB)

Name	Fees of Directors and Supervisors	Salaries and allowance	Retirement benefit plan contributions	Total
Directors				
Han Guangde		272,289.92	13,462.20	285,752.12
Chen Zhongqian		241,998.00	26,344.20	268,342.20
Xiang Huiming		235,176.00	26,344.20	261,520.20
Zhou Dusheng		260,019.28	2,243.70	262,262.98
Yang Li	0	–	–	0
Wang Guozhong	0	–	–	0
Wang Jun	0	–	–	0
Song Dejin	100,000.00	–	–	100,000.00
Zhu Mingyou	0	–	–	0
Wang Yichu	100,000.00	–	–	100,000.00
Min Weiguo	100,000.00	–	–	100,000.00
Supervisor				
Ou Guangquan (January to May)	0	–	–	0
Fu Xiaosi	45,000.00	–	–	45,000.00
Zhu Zhengfu	45,000.00	–	–	45,000.00
Chen Shaolong		170,284.92	13,462.20	183,747.12
Qin Tinggui		181,215.92	13,462.20	194,678.12

Remuneration of Directors and Supervisors during the corresponding period of last year are as follows: (RMB)

Name	Fees of Directors and Supervisors	Salaries and allowance	Retirement benefit plan contributions	Total
Directors				
Han Guangde		270,263.14	12,063.60	282,326.74
Zhou Dusheng		268,703.14	12,063.60	280,766.74
Chen Ji		249,598.14	12,063.60	261,661.74
Chen Liping (January to March)		137,100.33	6,031.80	143,132.13
Chen Zhongqian		301,398.00	55,432.74	356,830.74
Yang Li	60,000.00	–	–	60,000.00
Wang Guozhong (May to June)	20,000.00	–	–	20,000.00
Wang Jun	60,000.00	–	–	60,000.00
Li Junping (January to April)	40,000.00	–	–	40,000.00
Zhu Zhenyu	73,333.00	–	–	73,333.00
Song Dejin	73,333.00	–	–	73,333.00
Zhu Mingyou	73,333.00	–	–	73,333.00
Liu Huaijing (May to June)	33,333.00	–	–	33,333.00
Supervisor				
Chen Jingqi (January to April)		154,476.19	2,010.60	156,486.79
Qin Tinggui		187,913.14	12,063.60	199,976.74
Chen Shaolong		181,249.14	12,063.60	193,312.74
Ou Guangquan (May to June)	15,000.00	–	–	15,000.00
Fu Xiaosi	45,000.00	–	–	45,000.00
Zhu Zhengfu	45,000.00	–	–	45,000.00

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Note 1 On 16 May 2016, Mr. Ou Guangquan, chairman of the Supervisory Committee, resigned as Supervisor and chairman of the Supervisory Committee due to work reason.

Note 2 On 24 June 2016, Mr. Zhou Dusheng, executive Director, resigned as executive Director and member of the Strategy Committee of the Company due to age, and Mr. Wang Jun, non-executive Director, resigned as non-executive Director and member of the Audit Committee of the Company due to work reason.

Note 3 On 10 August 2016, Mr. Chen Liping and Mr. Chenji were elected executive Directors and Mr. Wu Guangjun was elected Supervisor of the Company at the first extraordinary general meeting of the Company for 2016.

None of the Directors or Supervisors has waived any remuneration during the period.

During the period, there was no motivated monetary funds provided for board members joining or upon joining the Group, and there was no compensation provided for board members resigning or upon resigning for giving up the positions at any member of the Group.

The payroll for directors and supervisors is determined according to the payroll policy of the Company, and is authorized by the remuneration committee under the Board.

(2) Top 5 highest-paid individuals:

The top 5 highest-paid individuals during the period include two (Corresponding period of last year: four) Directors and three (Corresponding period of last year: one) other individuals. The remuneration of the 5 highest-paid individuals are as follows:

Item	Current period	Corresponding period of last year
Salaries and allowance	1,264,316.25	1,277,875.56
Retirement benefit plan contributions	87,723.39	103,687.14
Total	1,352,039.64	1,381,562.70

During the period, there was no motivated monetary funds provided for any highest-paid individual joining or upon joining the Group, and there was no compensation provided for any highest-paid individual resigning or upon resigning for giving up the positions at any member of the Group.

Number of highest-paid individuals by remuneration band:

Item	Current period	Corresponding period of last year
Nil to RMB856,400 (Nil to HK\$1,000,000, based on exchange rate of HK\$1 = RMB0.8564 as at 30 June 2016)	5	5
RMB856,400 to RMB1,284,600 (HK\$1,000,001 to HK\$1,500,000)		
RMB1,284,600 to RMB1,712,800 (HK\$1,500,001 to HK\$2,000,000)		
Total	5	5

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5. Balances with related parties

(1) Consolidated

1) Receivables

Item Name	Related party	Ending balance		Beginning balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable					
	CSSC (Hong Kong) Shipping Company Limited	276,811,435.18	1,384,057.18		
	CSSC Chengxi Shipyard (Guangzhou) Company Limited	126,168,907.80	630,844.54	136,969,455.41	684,847.27
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	18,233,022.50	91,165.12		
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	13,907,910.06	69,539.55	8,781,848.71	43,909.24
	Beijing Shipbuilding Information Technology Co., Ltd.	3,585,600.00	17,928.00	915,100.00	4,575.50
	China State Shipbuilding Steel Structure Engineering Company Limited	3,147,443.59	15,737.22	3,147,443.59	15,737.22
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	564,667.37	2,823.34	459,378.53	2,296.89
	Guangzhou Shipyard Co., Ltd.	439,657.41	2,198.29	1,098,725.30	5,493.63
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	319,447.37	1,597.24	1,179,977.25	5,899.89
	CSSC Guangxi Ships and Maritime Engineering Co., Ltd.	277,350.95	1,386.75		
	CSSC System Engineering Research Institute	180,000.00	900.00	180,000.00	900.00
	CSSC Guijiang Shipbuilding Co., Ltd.	177,137.50	885.69		
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	158,210.80	791.05	138,985.80	694.93
	CSSC Heavy Equipment Co., Ltd.	85,161.49	425.81	552,076.8	2,760.39
	China Shipbuilding Technology Institute	57,000.00	285.00	92,000.00	460.00
	Guangzhou Shipyard Shipping Co., Ltd.	45,000.00	225.00		
	Workers' Hospital of Guangzhou Huangpu Shipyard	36,915.30	184.58		
	CSSC Nanjing Oasis Machine Co., Ltd.	30,000.00	150.00	30,000.00	150.00
	Jiulong Steel Logistics Co., Ltd.	15,000.00	75.00	60,000.00	300.00
	Guangzhou Ship Industrial Company	13,257.00	66.29	2,064.00	10.32
	CSSC Chengxi Shipbuilding Co., Ltd.	10,377.55	51.89	2,967,272.89	14,836.36
	Design and Research Institute of China Shipbuilding and Marine Engineering	9,400.00	47.00	9,400.00	47.00
	Guangzhou Huamao Center	6,160.00	30.80	6,160.00	30.80
	CSSC Chengxi Xinrong Shipbuilding Company Limited	4,000.00	20.00		
	CSSC Southern China Ship Machinery Co., Ltd.	2,764.72	13.82		
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.			84,574.00	422.87
	CSSC Guangzhou Marine Diesel Engine Co., Ltd.			5,337.14	26.69
	Sub-total of accounts receivable	444,285,826.59	2,221,429.16	156,679,799.42	783,399.00

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

Item Name	Related party	Ending balance		Beginning balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments					
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	337,050,805.64		382,889,395.95	
	China Shipbuilding Trading Shanghai Co., Ltd.	243,135,424.87		227,262,064.87	
	Eastern Shanghai Heavy Machinery Co., Ltd.	182,187,316.24		149,702,000.00	
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	130,000,000.00		100,000,000.00	
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	85,800,000.00		93,820,000.00	
	Guangzhou Shipyard Shipping Co., Ltd.	78,400,000.00			
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	73,618,096.74			
	China Marine Power Co., Ltd.	63,357,283.30		88,682,444.44	
	China Shipbuilding Trading Co., Ltd.	39,186,301.77		31,163,152.55	
	China State Shipbuilding Steel Structure Engineering Company Limited	28,991,453.00			
	CSSC Nanjing Oasis Machine Co., Ltd.	17,014,000.00		1,900,000.00	
	Wah-Chang International Marine Industry Company Limited	2,632,593.03			
	Anqing CSSC Diesel Engine Co., Ltd.	2,091,000.00		5,802,000.00	
	CSSC (Hong Kong) Shipping Company Limited	1,142,547.71		19,186,883.17	
	CSSC Southern China Ship Machinery Co., Ltd.	772,500.00			
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	751,355.20		751,355.20	
	Marinequip China Company Limited	724,022.79			
	Guangzhou Shipyard HR Service Co., Ltd.	441,487.89			
	CSSC System Engineering Research Institute	253,333.33			
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	223,615.39		1,515,000.00	
	Jiangxi CSSC Navigation Instrument Co., Ltd.	15,860.00		171,860.00	
	TTS Hua Hai International Trading Co., Ltd.			4,654,352.22	
	TTS Hua Hai Ships Equipment Co., Ltd.			2,130,000.00	
	China Shipbuilding Industry Complete Logistics Co., Ltd.			42,723.69	
	Sub-total of prepayments	1,287,788,996.90		1,109,673,232.09	
Other receivables					
	Shanghai Lingxiang Equity Investment Co., Ltd.	593,689,815.00	2,968,449.08	593,689,815.00	2,968,449.08
	Guangzhou Shipyard Shipping Co., Ltd.			9,700,000.00	48,500.00
	Sub-total of other receivables	593,689,815.00	2,968,449.08	603,389,815.00	3,016,949.08
Total		2,325,764,638.49	5,189,878.24	1,869,742,846.51	3,800,348.08

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2) Payables

Name of project	Related party	Ending balance	Beginning balance
Accounts payable			
	CSSC System Engineering Research Institute	419,637,000.00	330,641,800.00
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	358,637,485.44	752,935,065.74
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	81,073,815.50	82,761,153.87
	Eastern Shanghai Heavy Machinery Co., Ltd.	80,572,153.15	24,982,341.43
	Shanghai CSSC Mitsui Shipbuilding Diesel Engine Co., Ltd.	74,838,195.00	39,107,036.00
	Guangzhou Shipyard Shipping Co., Ltd.	67,200,000.00	11,200,000.00
	Anqing CSSC Diesel Engine Co., Ltd.	34,804,413.33	31,112,094.02
	China Marine Power Co., Ltd.	33,913,228.00	36,650,891.00
	CSSC Nanjing Oasis Machine Co., Ltd.	32,309,101.00	10,684,200.00
	Guangzhou Ship Industrial Company	32,239,945.63	15,937,009.23
	Shanghai Haixun Electrical Engineering Co., Ltd.	24,033,687.79	25,489,702.75
	China Shipbuilding Trading (Guangzhou) Co., Ltd.	21,710,276.19	12,116,870.63
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.	18,472,294.28	18,472,294.28
	China State Shipbuilding Steel Structure Engineering Company Limited	16,960,000.00	8,650,000.00
	Guangzhou Shipyard Co., Ltd.	15,252,078.45	22,834,696.26
	Haiping Enterprises Group Co., Ltd.	11,040,000.00	7,190,000.00
	TTS Hua Hai Ships Equipment Co., Ltd.	9,967,202.66	5,020,777.66
	Jiujiang Haitian Equipment Manufacture Co., Ltd.	8,755,390.00	3,417,990.00
	Jiujiang CSSC Fire Equipment Manufacture Co., Ltd.	8,073,931.74	4,467,396.02
	CSSC Southern China Ship Machinery Co., Ltd.	7,728,746.61	13,910,346.60
	Zhenjiang Shipyard Modern Power Generation Equipment Co., Ltd.	6,133,213.20	4,121,128.20
	Design and Research Institute of China Shipbuilding and Marine Engineering	5,128,169.82	1,717,169.82
	China Shipbuilding Industry Complete Logistics Co., Ltd.	5,040,944.46	
	China Ship Power Station Equipment Co., Ltd.	4,379,500.00	1,599,500.00
	Jiangxi CSSC Valve Co., Ltd.	4,348,989.30	1,977,076.21
	Nanjing CSSC Oasis Environmental Protection Co., Ltd.	3,942,167.46	1,971,436.86
	CSSC Chengxi Shipyard (Guangzhou) Company Limited	3,471,000.32	5,891,401.94
	Jiujiang Precision Testing Technology Research Institute	3,304,548.00	
	Shanghai Hudong Shipyard Valve Co., Ltd.	3,276,966.27	4,916,022.82
	Beijing Shipbuilding Information Technology Co., Ltd.	3,025,532.66	1,921,046.16
	China Shipbuilding International Trading Co., Ltd.	2,884,175.00	2,884,175.00
	Guangzhou Shipyard HR Service Co., Ltd.	2,434,144.47	
	Beijing Leiyin Electronic Technology Development Co., Ltd.	1,786,800.00	1,191,200.00
	Shanghai Jiyuan Engineering Contracting Co., Ltd.	1,531,007.69	997,407.69
	Jiangxi Chaoyang Machinery Factory	1,316,652.84	3,139,371.12
	CSSC Marine Technology Co., Ltd.	1,127,300.00	5,541,400.00
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd.	903,525.00	867,325.00
	CSSC Hua Hai Ships Equipment Co., Ltd.	796,500.00	5,625,125.00
	Shanghai Merchant Vessel Design and Research Institute	693,250.00	3,527,500.00
	Shanghai Waigaoqiao Shipbuilding Co., Ltd.	600,000.00	600,000.00
	Jiujiang CSSC Chang'an Fire Equipment Manufacture Co., Ltd.	572,000.00	572,000.00
	Shanghai Starry ship Ocean Engineering Service Co., Ltd.	492,000.00	179,487.18
	China State Shipbuilding Corporation No.11 Research Institute	407,600.00	
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	405,440.00	405,440.00
	Haifeng Navigation Technology Co., Ltd.	363,000.00	363,000.00
	China State Shipbuilding Corporation	264,460.81	
	China Shipbuilding Trading Co., Ltd.	260,050.52	766,125.90
	Ships and Ocean Engineering Design and Research Institute of Guangzhou	260,000.00	260,000.00
	Jiangxi CSSC Navigation Instrument Co., Ltd.	234,000.00	
	CSSC Electronic Technology Co., Ltd.	160,000.00	280,000.00
	Shanghai Jiangnan Ship Pipe Industry Co., Ltd.	149,526.18	160,606.88
	Jiangsu TTS Hua Hai Ships Equipment Co., Ltd.	131,794.98	131,794.89
	Wah-Chang International Marine Industry Company Limited	112,702.10	

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Name of project	Related party	Ending balance	Beginning balance
	Shanghai Shenbo Information System Engineering Co., Ltd.	110,000.00	188,000.00
	Shanghai CSSC Ship Design Technology and National Engineering Research Center Co., Ltd.	96,149.57	181,149.57
	CSSC Finance Company Limited	83,000.00	83,000.00
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	81,581.95	404,404.52
	Jiujiang Shipbuilding Fire Automation Co., Ltd.	77,365.37	58,000.00
	CSSC Guijiang Shipbuilding Co., Ltd.	49,900.00	49,900.00
	Anqing Marine Electric Co., Ltd.	49,000.00	49,000.00
	CSSC Materials Engineering Co., Ltd.	40,000.00	35,200.00
	Guangzhou Hairong Construction Supervision Co., Ltd.	10,273.38	10,273.38
	Workers' Hospital of Guangzhou Huangpu Shipyard	10,021.50	
	China Shipbuilding Industry Institute of Engineering Investigation & Design Pudong Branch	8,325.50	8,325.50
	China State Shipbuilding Corporation No.11 Research Institute		1,766,700.00
	Zhenjiang Marine Auxiliary Machinery Factory of CSSC Nanjing Oasis Machine Co., Ltd.		7,549,207.90
	China Shipbuilding Industry Institute of Engineering Investigation & Design Co. Ltd. Xiamen Branch		36,200.00
	Eastern Shanghai Heavy Machinery Co., Ltd. Shanghai Accessories Branch		18,284.52
	Shanghai CSSC Lingang ship Equipment Co., Ltd.		4,800.00
	Zhenjiang CSSC Equipment Co., Ltd.		25,982.91
	Sub-total of accounts payable	1,417,771,523.12	1,519,656,834.46
	Advances from customers		
	CSSC Chengxi Shipyard (Guangzhou) Company Limited	76,508,714.95	76,508,714.95
	Design and Research Institute of China Shipbuilding and Marine Engineering	69,221,818.37	
	China Shipbuilding Technology Institute	396,946.57	235,849.06
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	220,427.36	
	China State Shipbuilding Steel Structure Engineering Company Limited	142,564.10	
	Guangzhou Shipyard Co., Ltd.	14,900.00	
	Shanghai Shipbuilding Institute Survey Geotechnical Engineering Co., Ltd.	10,000.00	10,000.00
	CSSC Southern China Ship Machinery Guangzhou Co., Ltd.	6,000.00	
	Hong Kong Huachang Ship Co., Ltd.		662,952.30
	Guangzhou Shipyard Industrial Co., Ltd.		18,000.00
	Sub-total of advances from customers	146,521,371.35	77,435,516.31
	Other payables		
	China Shipbuilding 9th Design and Research Institute Engineering Co., Ltd.	8,616,403.15	8,616,403.15
	CSSC Financial Leasing (Shanghai) Co., Ltd.	592,202.69	
	Hualian Ship Co., Ltd.	469,396.39	
	Shanghai Zhenhua Engineering Consulting Co., Ltd.	240,000.00	
	China Marine Power Co., Ltd.	132,512.82	132,512.82
	Guangzhou Shipyard Co., Ltd.	110,904.56	2,825.96
	China State Shipbuilding Co., Ltd.	58,887.00	
	China State Shipbuilding Corporation	35,075.00	
	China Shipbuilding Industry Complete Logistics (Guangzhou) Co., Ltd.	28,027.90	
	Beijing Shipbuilding Information Technology Co., Ltd.	20,000.00	20,000.00
	CSSC Chengxi Shipbuilding Co., Ltd. Yangzhou Branch	294.40	
	Guangzhou Shipbuilding Nansha Longxue Construction Development Co., Ltd.		172,804.00
	Shanghai Dongxin Software Engineering Co., Ltd.		125,000.00
	Hong Kong Hualian Ship Co., Ltd.		469,396.39
	CSSC Chengxi Shipbuilding Co., Ltd.		59,970.00
	Sub-total of other payables	10,303,703.91	9,598,912.32
	Total	1,574,596,598.38	1,606,691,263.09

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3) *Balance of related party transactions between the Company and its subsidiaries*

1) Receivables

Name of project	Related party	Ending balance		Beginning balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable					
	Zhongshan GSI Marine Engineering Company Limited	5,329,067.93		46,046,620.35	
	Guangzhou Shipyard International Marine Engineering Co., Ltd.			43,732,390.62	
	Guangzhou Shipyard International Company Limited	4,468,803.40		30,222,080.60	
	Guangzhou United Steel Structures Limited			14,847,030.61	
	GSI Yangzhou Co., Ltd.	2,900,000.00			
	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.			94,824,735.39	
	Guangchuan Large-scale Machinery and equipment Company Co., Ltd. Nanhai Branch			6,212,252.60	
	Guangdong GSI Elevator Co., Ltd.	271,849.48		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	
	Sub-total of accounts receivable	12,969,720.81		240,231,252.79	
Prepayments					
	Zhongshan GSI Marine Engineering Company Limited	9,461,738.20		9,461,738.20	
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited			18,033,200.00	
	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	700,000.00		2,303,600.00	
	Sub-total of prepayments	10,161,738.20		29,798,538.20	
Other receivables					
	Zhongshan GSI Marine Engineering Company Limited			27,168,608.31	
	Guangzhou United Steel Structures Limited			1,997,614.63	
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited			6,452,965.74	
	Guangzhou Longxue Pipe Co., Ltd.			249,616.65	
	Guangzhou Hongfan Hotel Co., Ltd.			2,900,000.00	
	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.			1,079,400.00	
	Guangdong GSI Elevator Co., Ltd.			1,972,555.00	
	Glory Group Development Co., Ltd.			21,396,233.59	
	Guangzhou Shipyard International Company Limited	1,382,527.27		3,369,292,185.35	
	Guangzhou Wanda Marine Engineering Co., Ltd.			366,745.00	
	Guangzhou Xingshun Marine Services Co., Ltd.			463,060.00	
	Guangchuan Large-scale Machinery and equipment Company Co., Ltd. Nanhai Branch			132,445.00	
	Guangzhou Shipyard Shipping Co., Ltd.			9,700,000.00	
	CSSC Huangpu Wenchong Shipbuilding Company Limited	188,854.17		151,083.33	
	Sub-total of other receivables	1,571,381.44		3,443,322,512.60	
	Total	24,702,840.45		3,713,352,303.59	

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2) Payables

Name of project	Related party	Ending balance	Beginning balance
Accounts payable			
	Guangdong GSI Elevator Co., Ltd.	983,600.00	
	Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	9,251,621.26	11,683,491.90
	Guangzhou Hongfan Hotel Co., Ltd.		232,320.00
	Guangzhou Longxue Pipe Co., Ltd.		
	Guangzhou Guangli Shipbuilding Human Resources Service Company Limited	117,286.57	170,756.74
	Guangzhou Hongfan Technology Co., Ltd.	79,845.00	
	Guangchuan Large-scale Machinery and equipment Company Co., Ltd. Nanhai Branch		16,372.57
	Guangzhou United Steel Structures Limited	15,769,088.18	15,769,088.18
	Guangzhou Shipyard International Company Limited	14,466,836.81	373,796.61
	Zhongshan GSI Marine Engineering Company Limited	3,800,000.00	3,800,000.00
	Sub-total of accounts payable	44,468,277.82	32,045,826.00
Other payables			
	Guangzhou Hongfan Hotel Co., Ltd.		5,980.00
	Guangzhou Shipyard International Company Limited	5,041,903.20	4,588,546.75
	Sub-total of other payables	5,041,903.20	4,594,526.75
	Total	49,510,181.02	36,640,352.75

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XII. CONTINGENCIES

1. Contingent liabilities arising from pending litigations or arbitrations

- (1) On 31 December 2010, the Company and the subsidiary, Guangzhou Guangli Shipbuilding Human Resources Service Company Limited (“Guangli”) filed four lawsuits to the Immediate People’s Court of Zhenjiang, Jiangsu Province (“Zhengjiang Intermediate People’s Court”). The Company sued Jiangsu Shenghua Shipbuilding Co. Ltd (“Jiangsu Shenghua”) for payment, had a dispute on a technical service contract and Guangli sued Jiangsu Shenghua for breaching of contract of 79,600 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 4 June 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 4 June 2013 and 8 August 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 19 August 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 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 22 May 2013, but it has been rejected by the court. The case has been opened since 20 November 2013. On 10 December 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 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 3 January 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. The Company and Guangli are in the process of communication with the court, and apply for the continued implementation to deal with Shenghua case. On 20 June 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, and creditors shall report their claims in the Zhenjiang Intermediate People’s Court. The Company and Guangli 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.
- (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 RMB44,496,500 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 Longxue Construction; that Shandong Qingyun Crane Machinery Co., Ltd. and the Shandong Tian Jiang Heavy Industry Technology (Group) Co., Ltd. shall continue to fulfil 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 21 May and 12 August 2013 respectively, but there was no successful bidder for both auctions. On 12 December 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 29 April 2014, that the enforcement executed by Jinan Intermediate People’s Court. Upon the appointment of a new acting judge, on 12 June 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

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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 29 July 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. In December 2015, the execution and project coordination group of Qingyun case realised on-site movable properties of Tian Jiang (which shall be vested with GSI as ruled by the court) at RMB98,000 at local sites by inviting bids, which has been received by GSI. Through liaison with Guangzhou Office of Jinan Municipal People's Government, local government of the location where the land assets to offset debts are located has approached GSI. Representatives of Shanghe County Development Zone Management Committee visited GSI on 11 April 2016 and discussed the matters on transfer and treatment of real estate. On 20 May 2016, GSI visited Shanghe County Development Zone and further communicated with the Development Zone Management Committee. Detailed solutions to realisation of the land assets to offset debts was discussed.

- (3) The case of contractual dispute between Guangzhou Longxue Pipe Co., Ltd. ("Pipe Company"), our subsidiary, and Guangzhou Huayu Electromechanical Equipment Co., Ltd. ("Huayu Company") was finally ruled by Guangzhou Intermediate People's Court on 13 October 2014. According to the ruling, Huayu Company 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 was no other significant contingency within the Group at 30 June 2016.

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XIII. COMMITMENTS

1. Significant commitments

1) Pledge of Assets

Save for pledged bank fixed deposit and right of receiving payments from ship, no other assets of the Group were charged as at the end of the period.

2) Undue forward foreign exchange transaction

In order to prevent exchange risks, the Group entered into forward foreign exchange trading contracts (forward exchange purchase and settlement). As at the end of the period, the Group had a total of 4 outstanding forward USD settlement foreign exchange contracts with total amount of US\$53 million and latest settlement date of 25 December 2017, and recognised gains on change in fair value of RMB-16,514,638.99 as at the end of the period; the Group had one outstanding forward Euro purchase contract with amount of EUR5 million and latest settlement date of 26 July 2016, and recognised gains on change in fair value of RMB1,781,588.01 as at the end of the period.

3) Undue guarantee and letter of credits

As at 30 June 2016, the Group's issued but undue guarantee were:

Type of guarantee	RMB	USD	EUR
Performance guarantee	980,783,991.77	9,442,313.82	938,238.10
Advancement payment guarantee	1,012,009,625.00	787,564,883.51	–
Warranty guarantee	219,202,162.25	4,012,569.94	–
Customs duties guarantee	28,462,009.26	–	–
Total	2,240,457,788.28	801,019,767.27	938,238.10

As at the end of the period, the Group's issued but undue letter of credits amounted to US\$27,868,374.01 and EUR28,931,585.00.

4) Foreign exchange option trading not delivered

As at the end of the period, the Group had 3 portfolios of foreign trade exchange options, which were all short USD call options with foreign exchange rate locked between 6.40 and 6.44 and amounted to US\$17.42 million in total. The latest delivery date is 29 July 2016. Loss on fair value recognised at the end of the period amounted to RMB4,161,769.21.

2. Fulfilment 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 period.

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XIV. EVENTS AFTER BALANCE SHEET DATE

As at the date of the report, there was no non-adjusting significant post balance sheet date event of the Company.

XV. OTHER SIGNIFICANT MATTERS

1. Assets Transfer

According to a resolution passed at the second extraordinary general meeting of the Company for 2015: "40% equity interest in Zhanjiang Nanhai Ship Hi-Tech Services Ltd. directly held by the Company shall be transferred to Guangzhou Shipyard International Company Limited; 4.04% equity interest in China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd. held by the Company shall be transferred to Guangzhou Shipyard International Company Limited; Zhongshan GSI Marine Engineering Company Limited shall be transferred to Guangzhou Shipyard International Company Limited at the audited carrying amount of long-term equity investments as at the base date, being 31 December 2015." According to a resolution passed at the third extraordinary general meeting of the Company for 2015: "the assets and liabilities relating to the production and operation of COMEC, based on their audited carrying value as at 31 December 2015, shall be transferred to GSI, a wholly-owned subsidiary." In 2016, the Company transferred the aforesaid assets and liabilities with a total amount of RMB3,030,949,285.62 to GSI.

2. Cancellation of registration of Guangzhou Shipyard International Marine Engineering Co., Ltd. and Guangzhou Wanda Marine Engineering Co., Ltd., both subsidiaries

On 7 April 2016, a liquidation team was established by GSI, a subsidiary of the Company, according to a resolution passed at the ninth meeting of its third session of board of directors, which will be responsible for the matters regarding the liquidation and closure of Guangzhou Shipyard International Marine Engineering Co., Ltd. and Guangzhou Wanda Marine Engineering Co., Ltd..

3. Correction of previous errors and their effect

During the reporting period, there were no corrections of previous errors which are required to be disclosed.

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 categories 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 shipbuilding, steel structure projects and others.

NOTES TO THE FINANCIAL STATEMENTS

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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.

Segment information for current period

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	10,682,719,412.62	603,440,451.49	740,406,918.08	-666,618,493.40	11,359,948,288.79
Including: Revenue from external transactions	10,682,719,412.62	472,515,305.83	204,713,570.34		11,359,948,288.79
Revenue from intra-segment transactions		130,925,145.66	535,693,347.74	-666,618,493.40	
Operating cost	10,046,280,401.84	573,308,905.45	684,794,040.85	-668,713,012.55	10,635,670,335.59
Period charge	633,668,278.81	17,202,143.02	56,107,239.07	-1,344,978.46	705,632,682.44
Segment total profit (total loss)	49,126,861.33	18,685,269.56	-291,989.96	91,220.86	67,611,361.79
Total assets	49,182,493,674.67	806,380,684.81	3,248,762,152.52	-2,474,303,359.32	50,763,333,152.68
including: Significant impairment loss of individual asset					
Total liabilities	40,104,179,230.00	496,487,987.91	928,033,944.35	-1,134,439,006.74	40,394,262,155.52
Supplementary information					
Capital Expenditure	596,296,224.70	425,264.89	23,611,050.21	1,340,701,530.87	1,961,034,070.67
Impairment loss recognised during current period	75,633,358.18	-483,356.24	302,628.37	-105,804.89	75,346,825.42
Including: Allocation for impairment of goodwill					
Depreciation and amortisation expense	306,257,709.97	2,905,004.99	57,803,753.23	-1,642,812.78	365,323,655.41
Non-cash expenses other than loss of impairment, depreciation and amortisation					

Segment information for corresponding period of last year

Item	Shipbuilding and related business	Steel structure engineering	Others	Intra-segment elimination	Total
Operating income	11,316,884,486.81	557,411,607.10	783,061,673.14	-1,847,638,529.58	10,809,719,237.47
Including: Revenue from external transactions	9,754,590,283.53	557,411,607.10	497,717,346.84		10,809,719,237.47
Revenue from intra-segment transactions	1,562,294,203.28	-	285,344,326.30	-1,847,638,529.58	
Operating cost	11,116,528,935.85	530,312,180.99	756,016,223.63	-1,897,180,253.37	10,505,677,087.10
Period charge	557,180,151.88	16,661,290.51	166,922,484.39	-20,572,718.78	720,191,208.00
Segment total profit (total loss)	-681,587,753.98	13,696,553.15	-126,261,540.13	250,835,983.91	-543,316,757.05
Total assets	59,743,695,488.95	731,390,647.72	3,442,310,993.76	-18,792,353,142.10	45,125,043,988.33
including: Significant impairment loss of individual asset	-	-	-		
Total liabilities	46,562,129,969.35	519,104,363.20	1,962,003,963.79	-13,675,092,478.67	35,368,145,817.67
Supplementary information					
Capital Expenditure	190,005,563.66	2,237,990.77	2,127,349.67	-	194,370,904.10
Impairment loss recognised during current period	415,675,036.88	113,024.21	-47,018.40	-185,613,152.44	230,127,890.25
Including: Allocation for impairment of goodwill	-	-	-		
Depreciation and amortisation expense	324,684,565.41	884,290.99	44,747,458.15	-19,320,377.35	350,995,937.20
Non-cash expenses other than loss of impairment, depreciation and amortisation					

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The total external transaction revenue of the Group 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:

Revenue from external customers	Current period	Corresponding period of last year
China (except Hong Kong)	10,996,637,220.02	10,690,679,236.17
Hong Kong	363,311,068.77	119,040,001.30
Total	11,359,948,288.79	10,809,719,237.47
Total non-current assets	Ending balance	Beginning balance
China (except Hong Kong)	13,192,548,824.38	13,351,125,602.41
Hong Kong	97,538,928.10	15,220,068.43
Total	13,290,087,752.48	13,366,345,670.84

Notes: Total non-current assets exclude financial assets and total deferred tax assets.

XVI. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	4,759.69	42,887.07
Bank deposits	173,620,803.64	2,724,089,083.49
Others	10,942.03	1,001,695,055.43
Total	173,636,505.36	3,725,827,025.99

Including: Total amount deposited overseas

Note: The ending balances of other monetary fund of the Company as at the end of the period include credit card deposit of RMB10,942.03 (Beginning Balance: RMB55,055.43); and there was no fixed deposit for long-term and short-term mortgage loans during the period (Beginning Balance: RMB1,001,640,000.00).

2. Financial assets at fair value through profit or loss

(1) Types of held-for-trading financial assets

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss Including: Forward exchange contracts		1,597,147.55
Total		1,597,147.55

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(2) **Held-for-trading financial assets are analyzed as follows:**

Item	Ending fair value	Beginning fair value
Listed		
Unlisted		1,597,147.55
Total		1,597,147.55

The Company'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 PBC 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^{period}.

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^{period}.

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

3. **Notes receivable**

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	684,763.69	311,119.00
Total	684,763.69	311,119.00

4. **Accounts receivable**

Name of project	Ending balance	Beginning balance
Accounts receivable	45,851,026.98	693,831,252.27
Less: Provision for bad debts	14,440,212.99	16,363,024.32
Net amount	31,410,813.99	677,468,227.95

(1) **Terms of sales on credit**

Business	Term of credit
Shipbuilding	1 month after invoicing
Other Business	Normally 1 to 6 months

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From 1 January 2016 to 30 June 2016

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

(2) Ageing analysis on accounts receivable

Ageing	Ending balance				Net amount	Beginning balance				Net amount
	Book value		Provision for bad debts			Book value		Provision for bad debts		
	Proportion Amount	Proportion (%)	Proportion Amount	Proportion (%)		Proportion Amount	Proportion (%)	Proportion Amount	Proportion (%)	
Within 1 year	22,564,593.38	49.20	4,091,453.27	18.13	18,473,140.11	569,300,007.69	82.05	6,076,049.22	1.07	563,223,958.47
1-2 years	2,877,907.76	6.28	14,389.54	0.50	2,863,518.22	11,120,311.19	1.60	110,714.67	1.00	11,009,596.52
2-3 years	12,962,019.31	28.27	9,238,755.49	71.28	3,723,263.82	97,973,412.51	14.12	227,422.14	0.23	97,745,990.37
3-4 years	419,656.93	0.92	219,488.85	52.30	200,168.08	9,164,074.13	1.32	9,122,825.91	99.55	41,248.22
4-5 years	4,978,323.77	10.86	271,740.52	5.46	4,706,583.25	1,797,907.50	0.26	174,667.00	9.72	1,623,240.50
Over 5 years	2,048,525.83	4.47	604,385.32	29.50	1,444,140.51	4,475,539.25	0.65	651,345.38	14.55	3,824,193.87
Total	45,851,026.98	-	14,440,212.99	-	31,410,813.99	693,831,252.27	-	16,363,024.32	-	677,468,227.95

(3) Classification of accounts receivable by risk

Type	Ending balance				Net amount	Beginning balance				Net amount
	Book value		Provision for bad debts			Book value		Provision for bad debts		
	Percentage Amount	Percentage (%)	Percentage Amount	Percentage (%)		Percentage Amount	Percentage (%)	Percentage Amount	Percentage (%)	
Accounts receivable that are individually significant and for which bad debt provision have been made on an individual basis										
Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis	14,347,544.17	31.29	14,347,544.17	100.00	18,441,093.18	14,165,853.58	2.04	14,165,853.58	100.00	
Accounts receivable for which bad debt provision have been made using percentage method	18,533,762.00	40.42	92,668.82	0.50	18,441,093.18	439,434,145.90	63.33	2,197,170.74	0.50	437,236,975.16
Accounts receivable for which no provision for bad debts is made	12,969,720.81	28.29			12,969,720.81	240,231,252.79	34.63			240,231,252.79
Total	45,851,026.98	-	14,440,212.99	-	31,410,813.99	693,831,252.27	-	16,363,024.32	-	677,468,227.95

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

- 1) *Accounts receivable that are individually insignificant but for which bad debt provision have been made on an individual basis as at the end of the period*

Name of company	Book value	Amount of bad debts	Percentage (%)	Reasons for provision
TENOVA AUSTRALIA PTY LTD	4,050,721.24	4,050,721.24	100.00	Expected to be unable to recover
THYSSENKRUPP MATERIALS HANDLING	9,232,619.76	9,232,619.76	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
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
Total	14,347,544.17	14,347,544.17	100.00	

- 2) *Accounts receivable for which bad debt provision is made using percentage method as at the end of the period*

Name of portfolio	Book value	Percentage (%)	Amount of bad debts
Within 1 year	8,146,405.25	0.50	40,732.03
1-2 years	2,877,907.76	0.50	14,389.54
2-3 years	1,227,145.63	0.50	6,135.73
3-4 years	100,671.44	0.50	503.36
4-5 years	4,730,234.42	0.50	23,651.17
Over 5 years	1,451,397.50	0.50	7,256.99
Total	18,533,762.00	-	92,668.82

- 3) *Accounts receivable for which provision for bad debts is not made*

Name of portfolio	Book value at the end of period	Provision for bad debts	Net amount
Receivables from subsidiaries	12,969,720.81	0.00	12,969,720.81
Total	12,969,720.81	0.00	12,969,720.81

- (4) **Provision for bad debts made, reversed (or recovered) during the period**

Provision for bad debts made during the period amounted to RMB267,594.54; provision for bad debts recovered during the period amounted to RMB35,000.00.

- (5) **As at end of the period, there were no accounts receivable that have been written off.**

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(6) Top five accounts receivable at the end of period

Name of company	Relationship with the Group	Amount	Ageing	Proportion (%)	Provision for bad debts Ending balance
THYSSENKRUPP MATERIALS HANDLING	Third party	9,232,619.76	2-3 years	20.14	9,232,619.76
Zhongshan GSI Marine Engineering Company Limited	Subsidiary	5,329,067.93	2-3 years	11.62	0.00
Guangzhou Shipyard International Company Limited	Subsidiary	4,468,803.40	0-4 years	9.75	0.00
TENOVA AUSTRALIA PTY LTD	Third party	4,050,721.24	Within 1 year	8.83	4,050,721.24
ThyssenKrupp BulkTec (China) Ltd.	Third party	3,800,000.00	Within 1 year	8.29	19,000.00
Total		26,881,212.33		58.63	13,302,341.00

5. Prepayments

(1) Ageing of prepayments

Item	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,228,925.56	11.50	3,153,759,488.93	97.83
1-2 years	9,461,738.20	88.50	47,216,604.28	1.46
2-3 years			778,675.45	0.02
Over 3 years			21,897,735.24	0.68
Total	10,690,663.76	-	3,223,652,503.90	-

(2) Reason for unsettled significant advances to suppliers aged over one year

Name of company	Relationship with the Company	Amount	Proportion (%)	Ageing	Reason for unsettlement
Zhongshan GSI Marine Engineering Company Limited	Subsidiary	9,461,738.20	88.50	1-2 years	Unsettled
Total		9,461,738.20			

(3) Top five advances to suppliers as at the end of the period

Name of company	Ending balance	Ageing	Percentage of total ending balance of advances to suppliers (%)
Zhongshan GSI Marine Engineering Company Limited	9,461,738.20	1-2 years	88.50
Guangchuan Large-scale Machinery and Equipment Company Co., Ltd.	700,000.00	Within 1 year	6.55
Hoerbiger (Wuxi) Automation Technology Co., Ltd.	78,600.00	Within 1 year	0.74
Foshan Xinchuangge Automation Equipment Co., Ltd.	57,675.00	Within 1 year	0.54
China Petroleum and Chemical Corporation Guangdong Foshan Branch	54,392.31	Within 1 year	0.51
Total	10,352,405.51		96.84

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6. Interest receivable

Item	Ending balance	Beginning balance
Time deposits		68,972,014.68
Entrusted loans		30,219.75
Total		69,002,234.43

7. Dividend receivable

Item (or investee)	Ending balance	Beginning balance
South China Special Coating Industrial Co., Ltd. in Guangzhou Economic and Technological Development District	-	-
Guangzhou United Steel Structures Limited		44,000,000.00
Guangzhou Guangli Shipbuilding Human Resources Service Company Limited		3,600,000.00
Total		47,600,000.00

8. Other receivables

Name of project	Ending balance	Beginning balance
Other receivables	2,576,140.44	3,486,883,958.28
Less: Provision for bad debts	5,023.80	10,612,150.21
Net amount	2,571,116.64	3,476,271,808.07

(1) Ageing analysis of other receivables

Item	Ending balance				Net amount	Beginning balance				Net amount
	Carrying amount	Percentage (%)	Provision for bad debts	Percentage (%)		Carrying amount	Percentage (%)	Provision for bad debts	Percentage (%)	
Within 1 year	2,311,140.44	89.71	3,698.80	0.16	2,307,441.64	3,199,096,025.44	91.75	209,348.73	0.01	3,198,886,676.71
1-2 years	265,000.00	10.29	1,325.00	0.50	263,675.00	110,455,113.68	3.17	2,275.57	0.00	110,452,838.11
2-3 years						166,908,892.51	4.78	2,563.29	0.00	166,906,329.22
3-4 years						10,644.50	0.00	53.22	0.50	10,591.28
4-5 years										
Over 5 years						10,413,282.15	0.30	10,397,909.40	99.85	15,372.75
Total	2,576,140.44	-	5,023.80	-	2,571,116.64	3,486,883,958.28	-	10,612,150.21	-	3,476,271,808.07

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(2) Breakdown of other receivables

Type	Ending balance					Beginning balance				
	Book value		Provision for bad debts		Carrying value	Book value		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are individually significant and for which bad debt provision have been made on an individual basis as at the end of the period						10,340,232.15	0.30	10,340,232.15	100	0.00
Other receivables that are individually insignificant but for which the provision have been made on an individual basis						57,600.00	0.00	57,600.00	100	
Other receivables for which bad debt provision have been made using percentage method	1,004,759.00	39.00	5,023.80	0.50	999,735.20	42,863,613.53	1.23	214,318.06	0.50	42,649,295.47
Other receivables for which no provision for bad debt is made	1,571,381.44	61.00	0.00		1,571,381.44	3,433,622,512.60	98.47	0.00		3,433,622,512.60
Total	2,576,140.44	-	5,023.80	-	2,571,116.64	3,496,883,958.28	-	10,612,150.21	-	3,476,271,808.07

1) Other receivables for which bad debt provision is made using percentage method

Name of portfolio	Ending balance		
	Other receivables	Amount of bad debts	Percentage (%)
Within 1 year	739,759.00	3,698.80	0.50
1-2 years	265,000.00	1,325.00	0.50
Total	1,004,759.00	5,023.80	-

2) Other receivables for which no provision for bad debt is made

Name of portfolio	Book value at the end of period	Provision for bad debts	Net amount
Receivables from subsidiaries	1,571,381.44		1,571,381.44
Total	1,571,381.44		1,571,381.44

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(3) *There were no provision for bad debts made, reversed (recovered) during the period*

(4) *There were no other receivables written-off during the period.*

(5) *Other receivables by nature*

Nature	Book value at the end of period	Book value at the beginning of period
Refundable deposits		544,066.04
Temporary payments receivable	1,386,474.77	95,915,857.52
Grants receivable		22,554,630.41
Reserve funds	257,684.92	2,375,237.30
Production reserve of subsidiaries		3,000,000,000.00
Entrusted loans		365,000,000.00
Other current account	931,980.75	494,167.01
Total	2,576,140.44	3,486,883,958.28

(6) *Top five other receivables based on ending balance*

Name of company	Nature	Ending balance	Ageing	Percentage of ending balance of total other receivables (%)	Ending balance of bad debt provision
Guangzhou Shipyard International Company Limited	Current account	1,382,527.27	Within 1 year	53.67	
Foshan Xinlun Pressure Vessel Co., Ltd.	Deposit	321,900.00	Within 1 year	12.50	1,609.50
Zhongshan Marineteq Development Co., Ltd.	Deposit	265,000.00	1-2 years	10.29	1,325.00
CSSC Huangpu Wenchong Shipbuilding Company Limited	Current account	188,854.17	Within 1 year	7.33	
China Mobile Group Guangdong Co., Ltd. Guangzhou Branch	Current account	10,948.00	Within 1 year	0.42	54.74
Total		2,169,229.44		84.21	2,989.24

9. Inventories

(1) *Classification of inventories*

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Raw materials	7,443,083.85		7,443,083.85	754,730,446.93	8,936,127.17	745,794,319.76
Work-in-progress	141,730,439.49	19,656,172.80	122,074,266.69	214,890,610.40	20,301,131.11	194,589,479.29
Merchandise inventories	13,474,605.94	15,951.95	13,458,653.99	22,413,112.97	15,951.95	22,397,161.02
Capitalized construction contracts				3,783,166,182.74	699,397,104.84	3,083,769,077.90
Goods in transit	4,325,175.54	0.00	4,325,175.54	3,798,975.06		3,798,975.06
Total	166,973,304.82	19,672,124.75	147,301,180.07	4,778,999,328.10	728,650,315.07	4,050,349,013.03

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

(2) Provision for obsolete stocks

Item	Beginning balance	Increase in the period		Decrease in the period		Ending balance
		Provision	Others	Reversal or writing-off	Other transfer-out	
Raw materials	8,936,127.17				8,936,127.17	
Work-in-progress	20,301,131.11				644,958.31	19,656,172.80
Merchandise inventories	15,951.95					15,951.95
Capitalized construction contracts (under inventories)	699,397,104.84			62,890,819.84	753,579,143.20	
Capitalized construction contracts (under estimated liabilities)	117,072,858.20	-	-	-	-	
Subtotal	845,723,173.27			62,890,819.84	763,160,228.68	19,672,124.75
Less: Capitalized construction contracts (under estimated liabilities)	117,072,858.20	-	-	-	-	
Total	728,650,315.07	-	-	-	-	19,672,124.75

Note: Other transfer-out during the period related to the transfer of "assets and liabilities relating to the production and operation" to Guangzhou Shipyard International Company Limited, a subsidiary.

(3) Provision for obsolete stocks

Item	Basis for determination of net realisable value	Reason for reversal or writing-off
Raw materials	Book value higher than net realisable value (Estimated disposal proceeds less taxes)	Assets relocated to low level
Work-in-progress	Book value higher than net realisable value (Estimated disposal proceeds related costs and expenses)	Assets relocated to low level
Merchandise inventories	Book value higher than net realisable value (Estimated selling price less taxes)	
Capitalized construction contracts	Estimated total cost higher than estimated total revenue	Writing off according to construction process/Assets relocated to low level

(4) Completed and unsettled assets arising from construction contracts at the end of period

Item	Amount
Accumulated cost incurred	1,161,097,788.15
Accumulated gross profit recognised	-307,661,682.74
Less: Expected loss	
Amount settled	853,436,105.41
Completed and unsettled assets arising from construction contracts	0.00

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From 1 January 2016 to 30 June 2016

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

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Available-for-sale equity instruments				1,000,000.00		1,000,000.00
Measured at fair value						
Measured at cost				1,000,000.00		1,000,000.00
Total				1,000,000.00		1,000,000.00

(2) Available-for-sale financial assets are analyzed as follows:

Item	Ending balance	Beginning balance
Listed		
Including: China (except Hong Kong)		
Unlisted		1,000,000.00
Total		1,000,000.00

(3) Available-for-sale financial assets measured at cost at the end of period

Investee	Book value				Provision for impairment			Shareholding percentage in investee (%)	Cash bonus for the period
	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Beginning balance	Increase in the period	Decrease in the period		
China Shipbuilding Industry Yuan Zhou (Beijing) Technology Co., Ltd.	1,000,000.00		1,000,000.00						4.04%
Total	1,000,000.00		1,000,000.00						-

11. Long-term receivables

Item	Ending balance		Beginning balance	
	Balance	Provision for bad debts	Balance	Provision for bad debts
Loans to subsidiaries made and settled on a consolidated basis	667,500,000.00	-	667,500,000.00	
Total	667,500,000.00	-	667,500,000.00	

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From 1 January 2016 to 30 June 2016

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12. Long-term equity investments

(1) Long-term equity investments

1) Breakdown of long-term equity investments

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Investments in subsidiaries	8,532,958,687.34		8,532,958,687.34	6,202,009,401.72		6,202,009,401.72
Investments in associates and joint ventures				1,069,326.86		1,069,326.86
Total	8,532,958,687.34		8,532,958,687.34	6,203,078,728.58		6,203,078,728.58

2) Investments in subsidiaries

Investee	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Provision for impairment during the period	Ending balance of provision for impairment
Guangzhou Shipyard International Company Limited	1,027,707,121.26	3,030,949,285.62		4,058,656,406.88		
Zhongshan GSI Marine Engineering Company Limited	700,000,000.00		700,000,000.00			
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		
Total	6,202,009,401.72	3,030,949,285.62	700,000,000.00	8,532,958,687.34		

Note: For change in long-term equity investments during the period, please refer to note XV.1 "Assets transfer".

3) Investments in associates

Investee	Beginning balance	Changes in the current period							Ending balance	Ending balance of provision for impairment
		Additional investment	Decrease in investment	Investment gain or loss recognised using equity method	Other comprehensive income adjustment	Other changes in equity	Declaration of cash dividend or profit	Provision for impairment made		
I. Associates										
Zhanjiang Nantai Ship Hi-Tech Services Ltd.	1,069,326.86								-1,069,326.86	
Total	1,069,326.86								-1,069,326.86	

(2) Analysis of long-term equity investments

Item	Ending balance	Beginning balance
Listed		
Unlisted	8,532,958,687.34	6,203,078,728.58
Total	8,532,958,687.34	6,203,078,728.58

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13. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Beginning balance	29,171,739.00	29,171,739.00
2. Increase in the period		
3. Decrease for the period	29,171,739.00	29,171,739.00
4. Ending balance		
II. Accumulated depreciation and amortisation		
1. Beginning balance	5,662,951.00	5,662,951.00
2. Increase in the period		
3. Decrease for the period	5,662,951.00	5,662,951.00
4. Ending balance		
III. Provision for impairment		
1. Beginning balance		
2. Increase in the period		
3. Decrease for the period		
4. Ending balance		
IV. Carrying amount		
1. Carrying amount at the end of period	0.00	0.00
2. Beginning carrying amount	23,508,788.00	23,508,788.00

Note: For change in investment properties during the period, please refer to note XV.1 "Assets transfer".

The depreciation and amortisation of investment properties recognised in profit or loss during the period is RMB0.00 (Corresponding period of last year: RMB314,356.08). The provision for impairment of investment properties made for the period is RMB0.00 (Corresponding period of last year: RMB0.00).

(2) Investment properties analyzed by region and term:

Item	Ending balance	Beginning balance
Within China		
Medium term (10-50 years)	0.00	23,508,788.00
Total	0.00	23,508,788.00

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14. Fixed assets

(1) Breakdown of fixed assets

Item	Buildings and structures	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original carrying amount					
1. Beginning balance	174,784,020.17	977,415,473.59	34,940,501.92	23,907,045.18	1,211,047,040.86
2. Increase in the period			952,905.14		952,905.14
(1) Purchase			952,905.14		952,905.14
3. Decrease for the period	43,177,751.85	893,719,929.78	32,632,922.32	23,480,903.60	993,011,507.55
(1) Decrease in assets transfer	43,177,751.85	893,719,929.78	32,632,922.32	23,480,903.60	993,011,507.55
4. Ending balance	131,606,268.32	83,695,543.81	3,260,484.74	426,141.58	218,988,438.45
II. Accumulated depreciation					
1. Beginning balance	80,303,402.07	701,855,459.27	17,061,676.79	17,103,512.31	816,324,050.44
2. Increase in the period	1,857,748.85	1,605,099.71	100,811.80	32,097.75	3,595,758.11
(1) Provision made	1,857,748.85	1,605,099.71	100,811.80	32,097.75	3,595,758.11
3. Decrease for the period	11,335,360.52	640,501,277.42	15,376,164.93	16,916,978.86	684,129,781.73
(1) Decrease in assets transfer	11,335,360.52	640,501,277.42	15,376,164.93	16,916,978.86	684,129,781.73
4. Ending balance	70,825,790.40	62,959,281.56	1,786,323.66	218,631.20	135,790,026.82
III. Provision for impairment					
1. Beginning balance					
2. Increase in the period					
3. Decrease for the period					
4. Ending balance					
IV. Carrying amount					
1. Carrying amount at the end of period	60,780,477.92	20,736,262.25	1,474,161.08	207,510.38	83,198,411.63
2. Beginning carrying amount	94,480,618.10	275,560,014.32	17,878,825.13	6,803,532.87	394,722,990.42

The depreciation of fixed assets recognised in profit or loss during current period is RMB3,595,758.11 (Corresponding period of last year: RMB27,342,379.36).

Included in fixed assets added during current period is RMB0 capitalized construction in progress.

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

Item	Ending balance	Beginning balance
Within China		
Medium term (10-50 years)	60,780,477.92	94,480,618.10
Total	60,780,477.92	94,480,618.10

15. Construction in progress

(1) Breakdown of construction in progress

Item	Ending balance			Beginning balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Shipbuilding platform	-	-	-	203,061,049.83	-	203,061,049.83
3# team room mechanical parking facilities	-	-	-	497,654.63	-	497,654.63
Construction contract for 16 meter self-moving mobile barges	-	-	-	1,536,930.32	-	1,536,930.32
Other projects	-	-	-	817,933.08	-	817,933.08
Total	-	-	-	205,913,567.86	-	205,913,567.86

For change in construction in progress during the period, please refer to note XV.1 "Assets transfer".

NOTES TO THE FINANCIAL STATEMENTS

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16. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Software	Others	Total
I. Original carrying amount				
1. Beginning balance	14,780,508.50	65,309,896.41	2,359,259.00	82,449,663.91
2. Increase in the period				
(1) Purchase				
3. Decrease for the period		65,309,896.41	2,359,259.00	67,669,155.41
(1) Disposal				
(2) Assets transfer		65,309,896.41	2,359,259.00	67,669,155.41
4. Ending balance	14,780,508.50			14,780,508.50
II. Accumulated amortisation				
1. Beginning balance	3,340,099.88	57,796,353.60		61,136,453.48
2. Increase in the period	162,537.72			162,537.72
(1) Provision made	162,537.72			162,537.72
3. Decrease for the period		57,796,353.60		57,796,353.60
(1) Disposal				
(2) Assets transfer		57,796,353.60		57,796,353.60
4. Ending balance	3,502,637.60			3,502,637.60
III. Provision for impairment				
1. Beginning balance				
2. Increase in the period				
3. Decrease for the period				
4. Ending balance				
IV. Carrying amount				
1. Carrying amount at the end of period	11,277,870.90			11,277,870.90
2. Beginning carrying amount	11,440,408.62	7,513,542.81	2,359,259.00	21,313,210.43

There were no intangible assets arising from internal research and development of the Company during the period.

Land use rights analyzed by region and term:

Item	Ending balance	Beginning balance
Within China		
Medium term (10-50 years)	11,277,870.90	11,440,408.62
Total	11,277,870.90	11,440,408.62

The depreciation and amortisation of intangible assets recognised in profit or loss during current period is RMB162,537.72 (Corresponding period of last year: RMB2,599,012.36).

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17. Long-term deferred expenses

Item	Beginning balance	Increase in the period	Amortisation for the period	Other decreases for the period	Ending balance
Improvement in leased fixed assets	9,979,282.35		171,082.39	9,294,953.32	513,246.64
Dining hall complex modification	1,807,808.52			1,807,808.52	
Renovation of ventilation and air-conditioning system of technical centre building	368,148.34			368,148.34	
Total	12,155,239.21		171,082.39	11,470,910.18	513,246.64

Note: For other decreases in investment properties during the period, please refer to note XV.1 "Assets transfer".

18. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets not set off

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible tax loss	80,000,000.00	20,000,000.00	80,000,000.00	20,000,000.00
Total	80,000,000.00	20,000,000.00	80,000,000.00	20,000,000.00

(2) Breakdown of unrecognized deferred tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	34,117,361.54	1,230,621,721.51
Deductible tax loss	438,539,908.49	388,911,077.30
Total	472,657,270.03	1,619,532,798.81

(3) Deductible loss for which no deferred tax assets are recognised will be due in the following years

Item	Ending balance	Beginning balance	Remarks
2020	388,911,077.30	388,911,077.30	
2021	49,628,831.19	0.00	
Total	438,539,908.49	388,911,077.30	

19. Short-term borrowings

Type	Ending balance	Beginning balance
Pledged borrowings	155,000,000.00	1,117,000,000.00
Credit loans		
Total	155,000,000.00	1,117,000,000.00

As at 30 June 2016, weighted average annual interest rate of short-term borrowings was 1.85%.

NOTES TO THE FINANCIAL STATEMENTS

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20. Financial liabilities at fair value through profit or loss

Item	Ending balance	Beginning balance
Financial liabilities designated at fair value through profit and loss Including: Forward exchange contracts		169,786,438.85 169,786,438.85
Total		169,786,438.85

21. Notes payable

Types of notes	Ending balance	Beginning balance
Bank acceptance bills	4,183,900.00	666,115,033.68
Total	4,183,900.00	666,115,033.68

22. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Materials purchased	36,981,448.66	1,980,799,257.46
Settlements for projects	18,548,661.59	33,048,657.56
Product settlement	14,585,346.79	135,954,398.46
Retention money	2,547,474.73	191,088,610.10
Other projects and labour services	12,297,018.60	608,533,721.63
Total	84,959,950.37	2,949,424,645.21

(2) Ageing analysis of accounts payable

As at the end of the period, the ageing analysis of accounts payable based on invoice date is as follows:

Item	Ending balance	Beginning balance
Within 1 year	60,473,655.97	2,841,903,143.99
1-2 years	17,687,174.84	88,733,402.12
2-3 years	857,576.74	10,626,975.75
Over 3 years	5,941,542.82	8,161,123.35
Total	84,959,950.37	2,949,424,645.21

(3) Significant accounts payable aged over one year

Name of company	Ending balance	Including: Over 1 year	Reason for unsettlement or carrying forward
Guangzhou United Steel Structures Limited	15,769,088.18	6,514,905.38	Undue
Sandvik Mining and Construction Material Handling GmbH Co KG	14,048,735.79	12,963,598.49	Undue
Guangzhou Songxing Electric Company Limited	740,000.00	740,000.00	Undue
Total	30,557,823.97	20,218,503.87	–

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23. Advances from customers

(1) Advances from customers

Item	Ending balance	Beginning balance
Ship and offshore engineering products		
Steel structure engineering	35,001,173.56	
Other products	43,757,208.81	102,971,450.69
Total	78,758,382.37	102,971,450.69

(2) Top five advances from customers aged over one year

Name of company	Ending balance	Reason for unsettlement or carrying forward
Shenzhen Xuneng Power Generation Co., Ltd.	21,524,308.16	Project unsettled
Sandvik Mining and Construction Material Handling GmbH & Co KG	10,312,417.37	Project unsettled
Hainan Xuneng Power Generation Co., Ltd.	8,529,240.30	Project unsettled
ThyssenKrupp BulkTec (China) Ltd.	7,944,539.30	Project unsettled
CSCEC Eighth Company Industrial Equipment Installation Co., Ltd.	3,642,000.00	Revenue cannot be recognised due to unacceptance as a result of quality problems
Total	51,952,505.13	-

24. Employee benefits payable

(1) Breakdown of employee benefits payable

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Short-term employee benefits	15,888,071.06	33,347,389.74	49,191,547.79	43,913.01
Post-employment benefits				
– defined contribution plans		2,704,551.11	2,704,551.11	0.00
Termination benefits				
Other benefits due within one year	3,343,805.08		3,343,805.08	0.00
Total	19,231,876.14	36,051,940.85	55,239,903.98	43,913.01

(2) Short-term employee benefits

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Wages or salaries, bonuses, allowances and subsidies	26,371.34	18,783,548.31	18,809,919.65	0.00
Staff welfare		976,728.57	976,728.57	
Social insurance		1,263,797.21	1,263,797.21	
Including: Medical insurance		994,256.03	994,256.03	
Work-related injury insurance		127,446.80	127,446.80	
Maternity insurance		122,531.56	122,531.56	
Supplemental medical insurance		19,562.82	19,562.82	
Housing funds		1,400,231.00	1,400,231.00	
Union & education funds	15,861,699.72	414,162.03	16,231,948.74	43,913.01
Outsourcing labour costs and others		10,508,922.62	10,508,922.62	
Total	15,888,071.06	33,347,389.74	49,191,547.79	43,913.01

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(3) Defined contribution plans

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Basic pension insurance		2,598,345.65	2,598,345.65	
Unemployment insurance		106,205.46	106,205.46	
Enterprise annuity				
Total		2,704,551.11	2,704,551.11	

25. Taxes payable

Item	Ending balance	Beginning balance
Value-Added Tax (VAT)	-25,908,160.59	-933,331,642.54
Business Tax		202,445.80
Enterprise Income Tax		
Individual Income Tax	277,396.55	4,595,184.70
Urban maintenance and construction tax	55,025.77	158,121.48
Property tax	485,152.80	881,722.33
Land use tax	143,818.10	273,550.80
Educational surcharge	39,304.12	112,943.90
Others	10,188.95	276,726.14
Total	-24,897,274.30	-926,830,947.39

26. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term borrowings of which the interest is paid in instalments and the principal is repaid when due	263,368.06	3,615,339.11
Interest payable on short-term borrowings	79,652.78	783,213.90
Total	343,020.84	4,398,553.01

27. Dividends payable

Item	Ending balance	Beginning balance
Dividends payable for A shares	24,706,690.15	63,634.72
Dividends payable for H shares	17,872,847.15	110,711.24
Total	42,579,537.30	174,345.96

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28. Other payables

(1) Other payables by nature

Nature	Ending balance	Beginning balance
Deposits received	811,000.00	305,400.00
Payable for temporary receipts	5,101,143.80	10,747,610.12
Concentrated fund		32,500,000.00
Total	5,912,143.80	43,553,010.12

(2) Significant other payables with ageing of over 1 year

Name of company	Ending balance	Reason for unsettlement or carrying forward
Nantong Tongguang Steel Structures Co., Ltd. Hukou Branch	100,000.00	Deposit undue
Guangzhou Xiang Hong Xi Marine Engineering Co., Ltd.	90,000.00	Deposit undue
Total	190,000.00	

29. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term borrowings due with one year	482,500,000.00	549,000,000.00
Total	482,500,000.00	549,000,000.00

30. Other current liabilities

(1) Breakdown of other current liabilities

Item	Ending balance	Beginning balance
Long-term project settlement		6,151,537,283.66
Shipbuilding products		6,151,537,283.66
Deferred income		888,574.91
Government grants		888,574.91
Total		6,152,425,858.57

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(2) Government grants

Government grant items	Beginning balance	New grants received during the period	Amount included in non-operating income during the period	Other changes	Ending balance	Relating to assets/ revenue
Enterprise technology centre innovation capability development project	300,000.00			300,000.00	0.00	Relating to assets
150 tons self-propelled hydraulic flatbed trailer	166,666.68			166,666.68	0.00	Relating to assets
Coating technology process and transformation	153,698.64			153,698.64	0.00	Relating to assets
Technological upgrading and potential exploration fund – technical upgrading for new equipment	142,191.84			142,191.84	0.00	Relating to assets
Transferring capabilities of regional value integration and upgrading technologies	30,708.35			30,708.35	0.00	Relating to assets
No. 1 Dock adaptive transformation (1)	33,333.36			33,333.36	0.00	Relating to assets
No. 1 Dock adaptive transformation	26,666.64			26,666.64	0.00	Relating to assets
Noise control engineering for painting workshop	15,789.48			15,789.48	0.00	Relating to assets
Metering scientific instruments for the Group	9,999.96			9,999.96	0.00	Relating to assets
Noise control engineering for new area	9,519.96			9,519.96	0.00	Relating to assets
Total	888,574.91			888,574.91	0.00	

31. Long-term borrowings

(1) Breakdown of borrowings

Type	Ending balance	Beginning balance
Credit loans	512,500,000.00	3,269,500,000.00
Less: Borrowings due within one year	482,500,000.00	549,000,000.00
Total	30,000,000.00	2,720,500,000.00

As at 30 June 2016, weighted average annual interest rate of long-term borrowings was 1.85%.

(2) Analysis of maturity of long-term borrowings

Item	Ending balance	Beginning balance
1-2 years	30,000,000.00	2,090,500,000.00
2-5 years		630,000,000.00
Total	30,000,000.00	2,720,500,000.00

32. Long-term employee benefits payable

Item	Ending balance	Beginning balance
Monetary housing allowance for retired employees		49,101,266.74
Housing assistance for employees		114,573.20
Medical insurance for retirees		1,660,229.85
Total		50,876,069.79

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33. Special payables

Item	Beginning balance	Increase in the period	Decrease in the period	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
Total	99,370,000.00			99,370,000.00

Note: The above are state funds allocated to the projects, and as the capital investment in the Company from the state, they belong to the state exclusively when the projects have been completed and approved as qualified.

The breakdown of projects completed, inspected and accepted as at the end of the period is as follows:

Item	Ending balance
Project A	17,850,000.00
Project B	6,720,000.00
Project C	26,600,000.00
Project D	4,500,000.00
Project E	43,700,000.00
Total	99,370,000.00

Upon increase in the registered capital of the Company, these special payables for the projects completed, inspected and accepted will be converted into the capital contribution to the Company made by the CSSC Group.

34. Estimated liabilities

Item	Ending balance	Beginning balance	Reason for occurrence
Product quality warranty	5,032,564.64	112,326,728.06	Provision made for maintenance fees
Loss-making construction contracts		117,072,858.20	
Total	5,032,564.64	229,399,586.26	

35. Deferred income

(1) Breakdown of deferred income

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Government grants	218,225,166.74		218,225,166.74	
Total	218,225,166.74		218,225,166.74	

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(2) Government grant items

Government grant items	Beginning balance	New grants received during the period	Amount included in non-operating income during the period	Other changes	Ending balance	Relating to assets/revenue
Shipbuilding platform	200,000,000.00			200,000,000.00	0.00	Relating to assets
Enterprise technology centre innovation capability development project	900,000.00			900,000.00	0.00	Relating to assets
150 tons self-propelled hydraulic flatbed trailer	874,999.91			874,999.91	0.00	Relating to assets
Coating technology process and transformation	794,109.52			794,109.52	0.00	Relating to assets
Technological upgrading and potential exploration fund – technical upgrading for new ship research equipment for 40,000 ton ships	710,958.48			710,958.48	0.00	Relating to assets
No. 1 Dock adaptive transformation (1)	666,666.40			666,666.40	0.00	Relating to assets
No. 1 Dock adaptive transformation	533,333.60			533,333.60	0.00	Relating to assets
Noise control engineering for new area	176,453.60			176,453.60	0.00	Relating to assets
Noise control engineering for painting workshop	157,894.68			157,894.68	0.00	Relating to assets
Metering scientific instruments for the Group	12,500.35			12,500.35	0.00	Relating to assets
Research and development and industrial application of FPSO upgrading technology	918,666.37			918,666.37	0.00	Relating to revenue
Research of comprehensive building process and technology	7,552,250.19			7,552,250.19	0.00	Relating to revenue
Research and development of engineering ships	4,927,333.64			4,927,333.64	0.00	Relating to revenue
Total	218,225,166.74			218,225,166.74	0.00	

36. Share capital

The amount is the same as that in the consolidated statements. For details, please see Note VI/39.

37. Capital reserve

Current period

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Share capital premium	6,147,344,797.85			6,147,344,797.85
Other capital reserves	582,931.25			582,931.25
Total	6,147,927,729.10			6,147,927,729.10

Last year

Item	Beginning balance	Increase	Decrease	Ending balance
Share capital premium	1,952,054,284.42	5,982,048,646.03	1,786,758,132.60	6,147,344,797.85
Other capital reserves	582,931.25			582,931.25
Total	1,952,637,215.67	5,982,048,646.03	1,786,758,132.60	6,147,927,729.10

Note: During 2015, 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, 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.

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38. Special reserve

Current period

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Production safety fee				
Total				

Last year

Item	Beginning balance	Increase	Decrease	Ending balance
Production safety fee		28,166,388.42	28,166,388.42	
Total		28,166,388.42	28,166,388.42	

39. Surplus reserve

Current period

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Statutory surplus reserve	435,312,069.87			435,312,069.87
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	453,894,266.30			453,894,266.30

Last year

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserve	435,312,069.87			435,312,069.87
Discretionary surplus reserve	18,582,196.43			18,582,196.43
Total	453,894,266.30			453,894,266.30

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40. Undistributed profit

Current period

Item	Amount	Percentage (%)
Ending Balance of last year	640,322,143.39	
Add: Beginning adjustment to undistributed profits		
Including: Retrospective adjustment according to new accounting standards accounting policy change		
Correction of significant previous errors		
Changes in business combination under common control		
Other adjustments		
Beginning balance of current year	640,322,143.39	
Add: Net profit attributable to shareholders of the Company for current period	104,711,796.54	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable	42,405,191.34	
Dividends on ordinary shares converted into share capital		
Ending balance of current period	702,628,748.59	

Last year

Item	Amount	Percentage (%)
Ending Balance of last year	2,450,706,441.59	
Add: Beginning adjustment to undistributed profits		
Including: Retrospective adjustment according to new accounting standards accounting policy change		
Correction of significant previous errors		
Changes in business combination under common control		
Other adjustments		
Beginning balance of current year	2,450,706,441.59	
Add: Net profit attributable to shareholders of the Company for the year	-1,810,384,298.20	
Less: Statutory surplus reserve set aside		
Discretionary surplus reserve set aside		
General risk provision made		
Dividends on ordinary shares payable		
Dividends on ordinary shares converted into share capital		
Ending Balance of current year	640,322,143.39	

41. Net current assets

Item	Ending balance	Beginning balance
Current assets	366,295,043.51	15,272,079,079.92
Less: Current liabilities	829,383,573.39	10,847,250,264.84
Net current assets	-463,088,529.88	4,424,828,815.08

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42. Total assets less current liabilities

Item	Ending balance	Beginning balance
Total assets	9,681,743,260.02	22,821,271,604.42
Less: Current liabilities	829,383,573.39	10,847,250,264.84
Total assets less current liabilities	8,852,359,686.63	11,974,021,339.58

43. Borrowings

Details of the borrowings of the Group are as follows:

Item	Ending balance	Beginning balance
Short-term borrowings	155,000,000.00	1,117,000,000.00
Non-current liabilities due within one year	482,500,000.00	549,000,000.00
Long-term borrowings	30,000,000.00	2,720,500,000.00
Total	667,500,000.00	4,386,500,000.00

(1) Analysis of borrowings

Item	Ending balance	Beginning balance
Bank borrowing	667,500,000.00	3,286,500,000.00
– Bank borrowings repayable within 5 years		
– Bank borrowings repayable after 5 years		
Other borrowings	667,500,000.00	1,100,000,000.00
– Other borrowings repayable within 5 years		
– Other borrowings repayable after 5 years		
Total	667,500,000.00	4,386,500,000.00

(2) Analysis of maturity of borrowings

Item	Ending balance	Beginning balance
On demand or within one year	637,500,000.00	1,666,000,000.00
1-2 years	30,000,000.00	2,090,500,000.00
2-5 years		630,000,000.00
Over 5 years		0.00
Total	667,500,000.00	4,386,500,000.00

44. Operating income & Operating cost

Item	Current period	Corresponding period of last year
Operating income from principal business	246,802,086.69	3,243,729,842.33
Other operating income	4,321,743.11	67,117,307.47
Total	251,123,829.80	3,310,847,149.80
Operating cost of principal business	244,007,675.93	3,469,380,020.86
Other operating costs	81,194.29	57,129,413.51
Total	244,088,870.22	3,526,509,434.37

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Gross profit

Item	Current period	Corresponding period of last year
Operating income from principal business	246,802,086.69	3,243,729,842.33
Operating cost of principal business	244,007,675.93	3,469,380,020.86
Gross profit	2,794,410.76	-225,650,178.53

Revenue from building contracts

Item	Current period	Corresponding period of last year
Revenue from building contracts	171,738,029.86	3,129,612,614.32

(1) Main operation – by product

Product name	Current period	Corresponding period of last year
Operating income		
Shipbuilding	171,738,029.86	2,804,391,995.11
Offshore engineering products		325,220,619.21
Steel structure engineering		3,482,756.37
Electromechanical products and others	75,064,056.83	110,634,471.64
Total	246,802,086.69	3,243,729,842.33
Operating cost		
Shipbuilding	169,832,413.09	3,048,710,473.27
Offshore engineering products		311,941,556.92
Steel structure engineering		306,519.76
Electromechanical products and others	74,175,262.84	108,421,470.91
Total	244,007,675.93	3,469,380,020.86

(2) Main operation – by region

Region	Current period	Corresponding period of last year
Operating income		
China (including Hong Kong, Macau and Taiwan)	75,064,056.83	1,605,915,821.50
Other regions in Asia	86,704,059.27	19,018,059.42
Europe	85,033,970.59	1,317,401,484.20
Oceania		301,394,477.21
Total	246,802,086.69	3,243,729,842.33
Operating cost		
China (including Hong Kong, Macau and Taiwan)	74,175,262.84	1,543,592,065.00
Other regions in Asia	85,607,974.71	101,837,672.99
Europe	84,224,438.38	1,522,050,686.52
Oceania		301,899,596.35
Total	244,007,675.93	3,469,380,020.86

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(3) Other operating income and other operating cost

Product name	Current period	Corresponding period of last year
Other operating income		
Sale of materials	111,362.39	32,347,738.38
Sales of scrap materials	1,474,531.66	15,698,940.43
Service income	2,735,849.06	5,292,535.71
Rental income		8,591,041.37
Energy income		5,187,051.58
Total	4,321,743.11	67,117,307.47
Other operating cost		
Sale of materials	74,333.19	35,054,112.59
Sales of scrap materials	6,861.10	10,968,656.25
Service income		3,796,398.45
Rental income		2,632,832.80
Energy income		4,677,413.42
Total	81,194.29	57,129,413.51

(4) Top five customers by operating income

Customers	Current period	Proportion (%)
Customer 1	86,704,059.27	35.13
Customer 2	68,857,796.36	27.90
Customer 3	37,785,262.47	15.31
Customer 4	16,176,174.23	6.55
Customer 5	2,735,849.06	1.11
Total	212,259,141.39	86.00

(5) Purchase amounts of top five suppliers

Suppliers	Relationship with the Group	Amount	Proportion (%)
Foshan Shunde Bogang Metal Trading Co., Ltd.	Third party	4,006,103.15	1.64
Zhaoqing Tongyong Hydraulic And Pneumatic Components Co., Ltd.	Third party	2,083,535.90	0.85
Anhui Lianmeng Mould Industrial Co., Ltd.	Third party	1,208,044.44	0.49
Guangzhou Yuanhao Electromechanical Equipment Co., Ltd.	Third party	1,136,512.82	0.47
Guangzhou Xiang Hong Xi Marine Engineering Co., Ltd.	Third party	985,635.02	0.40
Total		9,419,831.33	3.85

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45. Business tax and surcharges

Item	Current period	Corresponding period of last year
Business Tax		584,251.17
Urban maintenance and construction tax	412,763.12	403,028.41
Educational surcharge	294,830.82	287,877.42
Total	707,593.94	1,275,157.00

46. Selling expenses

Item	Current period	Corresponding period of last year
Ship maintenance fees	1,905,616.77	7,927,030.18
Transportation fees	1,204,110.60	1,232,683.49
Business expenditure	358,846.45	631,751.81
Advertisement fees		317,592.56
Exhibition fees		1,132,200.11
Other selling expenses	1,000.00	1,000.00
Total	3,469,573.82	11,242,258.15

47. Administrative expenses

Item	Current period	Corresponding period of last year
Employee salaries	2,556,645.30	37,171,286.96
Research and development expenses		86,466,907.21
Repairing expenses	1,008,016.23	15,424,185.49
Taxation	745,058.47	8,740,251.81
Depreciation	13,362.93	3,617,201.81
Amortisation of intangible asset	162,537.72	2,599,012.36
Labour service fee	45,177.84	4,086,296.77
Business entertainment expense	185,180.26	840,748.48
Travelling expense	135,379.20	935,016.05
Security expense		3,057,292.04
Agency fee	4,903.00	487,141.05
Board meeting fee	398,021.64	2,394,049.75
Utilities expense		1,466,425.73
Office expense	33,870.11	332,403.22
Insurance premium	92,508.12	125,230.20
Environmental protection fee	8,724.00	1,018,393.53
Others	496,158.24	9,374,123.30
Total	5,885,543.06	178,135,965.76

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48. Finance cost

(1) Breakdown of finance costs

Item	Current period	Corresponding period of last year
Interest expenses	6,242,979.18	89,571,474.59
Less: Interest income	10,679,394.57	82,611,130.29
Add: Exchange losses	-17,655.24	-8,114,431.99
Add: Other expenses	550,410.73	2,139,079.53
Total	-3,903,659.90	984,991.84

(2) Breakdown of interest expenses

Item	Current period	Corresponding period of last year
Interest on bank loans and overdraft		
Interest on bank loans due within 5 years	6,242,979.18	74,488,141.27
Interest on bank loans due after 5 years		
Sub-total	6,242,979.18	74,488,141.27
Other borrowings		
Interest on other borrowings due within 5 years		15,083,333.32
Interest on other borrowings due over 5 years		
Sub-total		15,083,333.32
Less: Capitalized interest		
Total	6,242,979.18	89,571,474.59

(3) Breakdown of interest income

Item	Current period	Corresponding period of last year
Interest income from bank deposits	10,679,394.57	82,611,130.29
Total	10,679,394.57	82,611,130.29

49. Loss on impairment of assets

Item	Current period	Corresponding period of last year
Provision for bad debts	95,310.11	4,098,390.77
Impairment loss on inventories		331,797,816.02
Total	95,310.11	335,896,206.79

50. Gain/loss on change in fair value

Item	Current period	Corresponding period of last year
Financial assets at fair value through profit or loss		18,931,946.31
Financial liabilities at fair value through profit or loss		8,196,769.80
Total		27,128,716.11

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51. Investment income

Item	Current period	Corresponding period of last year
Gain on long-term equity investments accounted for using equity method		256,914.03
Gain on long-term equity investments accounted for using cost method		1,530,000.00
Investment income from disposal of financial assets at fair value through profit and loss		-6,395,535.84
Total	93,600,910.09	-4,608,621.81

The investment income from non-listed investments for the period amounted to RMB93,600,910.09.

52. Non-operating income

(1) Breakdown of non-operating income

Item	Current period	Corresponding period of last year	Amounts included in non-recurring profit and loss for current period
Government grants	10,111,218.97	22,766,234.83	10,111,218.97
Penalty income		55,400.00	
Others	319,076.93	831,100.00	319,076.93
Total	10,430,295.90	23,652,734.83	10,430,295.90

The amount included in non-recurring profit and loss for current period was RMB10,430,295.90 (Corresponding period of last year: RMB19,618,619.59).

(2) Breakdown of government grants

Item	Current period	Corresponding period of last year	Source and basis	Relating to assets/ Relating to revenue
Special funds for development of service outsourcing for 2015	177,300.00		Government subsidies	Relating to revenue
Tax relief for land use right tax and property tax for 2013	933,918.97		Government subsidies	Relating to revenue
Export credit insurance special funds for 2015	4,000,000.00		Government subsidies	Relating to revenue
Special funds for cultivation of provincial high-tech enterprises for 2015	3,311,700.00		Government subsidies	Relating to revenue
Special government grant for research and development of enterprises in Guangdong Province for 2015	1,688,300.00		Government subsidies	Relating to revenue
Research of shipbuilding process and technology		5,492,426.89	Government subsidies	Relating to revenue
Decoration design and building technology research for typical cabins of luxury cruises		5,000,000.00	MIT	Relating to revenue
Research of key technologies for polar deck ships		4,461,600.00	MIT	Relating to revenue
Revenue from product subsidies		4,034,115.24	Government subsidies	Relating to revenue
Key process and equipment technology for complex components		1,300,000.00	State Administration of Science, Technology and Industry for National Defence	Relating to revenue
Emulation of shipbuilding precision control process		781,465.60	Government subsidies	Relating to revenue
Research of measurement and analysis system for dual propulsion shaft power and torsional vibration stress		507,025.64	State Administration of Science, Technology and Industry for National Defence	Relating to revenue
Integrated shipbuilding projects		411,158.76	Central government	Relating to assets
International Maritime Organization shipbuilding file research		200,000.00	MIT	Relating to revenue
Enterprise technology centre innovation capability development project		150,000.00	Central government	Relating to assets
Infrastructure project for measurement station of quality department		122,071.24	Central government	Relating to assets
Service trade subsidies received from provincial, municipal and district governments			Government subsidies	Relating to revenue
Other projects		306,371.46	Relating to revenue	
Total	10,111,218.97	22,766,234.83		

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53. Non-operating expenses

Item			Amounts included in non-recurring profit and loss for current period
	Current period	Corresponding period of last year	
Total loss from disposal of non-current assets Including: Loss on disposal of fixed assets		232,003.26	
Others	100,008.00	46,450.00	100,008.00
Total	100,008.00	278,453.26	100,008.00

The amount included in non-recurring profit and loss for current period was RMB100,008.00 (Corresponding period of last year: RMB278,453.26).

54. Income tax expenses

(1) Income tax expenses

Item	Current period	Corresponding period of last year
Current income tax – PRC enterprise income tax		
1. PRC		
2. Over-provision (Under-provision) in prior years		-4,594,548.07
Deferred tax		-104,863,410.47
Total		-109,457,958.54

(2) Reconciliation sheet between income tax expenses and total profit

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

Item	Current period	Corresponding period of last year
Total consolidated profit for the period	104,711,796.54	-697,302,488.24
Income tax expenses calculated at statutory/applicable tax rate	26,177,949.14	-104,595,373.24
Impact of different tax rates for subsidiaries		
Impact of adjustment for income tax for previous period		-4,594,548.07
Impact of non-taxable income	-23,400,227.52	-
Impact of non-deductible costs, expenses and losses	54,402.67	362,498.67
Impact of utilisation of deductible loss for which no deferred tax assets are previously recognised	-2,832,124.29	
Impact of deductible temporary differences for which no deferred tax assets are recognised for the period or deductible losses		-630,535.90
Under-provision for income tax for prior years		
Change in balance of deferred tax assets/liabilities as a result of change in tax rate		
Income tax expenses	0.00	-109,457,958.54

55. Depreciation and amortisation

Item	Current period	Corresponding period of last year
Depreciation of investment properties		314,356.08
Depreciation of fixed assets	3,595,758.10	27,342,379.36
Amortisation of intangible asset	162,537.72	2,599,012.36
Amortisation of long-term prepaid expenses	171,082.39	719,625.90
Total	3,929,378.21	30,975,373.70

56. Gain (or loss) on disposal of investments or properties

None.

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57. Operating rental expense

Operating rental expense for the period is RMB0.00 (Corresponding period of last year: RMB6,272,414.63).

58. Rental income

Operating rental income for the period is RMB0.00 (Corresponding period of last year: RMB8,591,041.37), including rental income from land and buildings of RMB0.00 (Corresponding period of last year: RMB3,075,014.48).

59. Supplementary information on consolidated income statement of the Company

The breakdown of expenses (including operating expense, selling expense and administrative expenses) by nature is as follows:

Item	Current period	Corresponding period of last year
Raw materials consumed	26,319,784.06	2,556,542,213.19
Employee salaries	31,246,727.54	517,113,471.92
Depreciation expense	3,595,758.10	27,656,735.44
Amortisation expense	333,620.11	3,318,638.26
Shipbuilding fee	169,761,447.50	575,436,356.28
Utilities fee	3,483,278.10	21,046,487.55
Taxes and surcharges	745,058.47	8,740,251.81
Others	17,958,313.22	6,033,503.83
Total	253,443,987.10	3,715,887,658.28

60. 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 relating to operating activities

Item	Current period	Corresponding period of last year
Interest income	367,799.24	
Income from other current accounts received	492,349.04	9,879,085.07
Government grants	9,177,300.00	13,109,706.19
Other non-operating income	287,537.89	780,000.00
Receipt/recovery of deposit and margin	655,200.00	
Total	10,980,186.17	23,768,791.26

2) Other cash payments relating to operating activities

Item	Current period	Corresponding period of last year
Administrative expense	1,238,035.64	17,142,371.77
Operating expense		1,724,030.11
Non-operating expenses	100,008.00	46,450.00
Warranty expense		12,205,650.35
Payment of other current accounts	22,160,577.28	157,736,127.11
Bank charges	545,151.53	1,742,308.20
Deposit and margin paid	164,600.00	
Reserve funds	517,264.80	
Total	24,725,637.25	190,596,937.54

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3) *Other cash receipts relating to investing activities*

Item	Current period	Corresponding period of last year
Release of pledge on fixed deposit	1,001,640,000.00	1,863,898,887.74
Interest income on deposits	26,103,494.97	109,223,801.12
Total	1,027,743,494.97	1,973,122,688.86

4) *Other cash payments relating to investing activities*

Item	Current period	Corresponding period of last year
Pledge of fixed deposit		312,272,000.00
Total		312,272,000.00

5) *Other cash receipts relating to financing activities*

Item	Current period	Corresponding period of last year
State subsidy		67,456,014.39
Total		67,456,014.39

6) *Other cash payments relating to financing activities*

Item	Current period	Corresponding period of last year
Issuance fees and relevant cost for Qihang Project		3,552,293.41
Total		3,552,293.41

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 30 June 2016

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

(2) Supplementary information on cash flow statement of the Company

Item	Current period	Corresponding period of last year
1. Reconciliation of net profit to cash flows from operating activities:		
Net Profit	104,711,796.54	-587,844,529.70
Add: Provision for impairment of assets	95,310.11	335,896,206.79
Depreciation of fixed assets	3,595,758.10	27,656,735.44
Amortisation of intangible asset	162,537.72	2,599,012.36
Amortisation of long-term prepaid expenses	171,082.39	719,625.90
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain marked "-")		232,003.26
Loss on disposal of fixed assets (Gain marked "-")		-27,128,716.11
Loss on changes in fair value (Gain marked "-")		-5,234,194.22
Finance cost (Gain marked "-")	-4,086,271.39	4,608,621.81
Loss on investments (Gain marked "-")	-93,600,910.09	-107,703,202.41
Decrease in deferred tax assets (Increase marked "-")		2,839,791.94
Increase in deferred tax liabilities (Decrease marked "-")	413,891,259.90	364,140,824.10
Decrease in inventories (Increase marked "-")		-4,937,575,777.71
Decrease in operating receivables (Increase marked "-")	22,141,759.33	1,415,660,582.18
Increase in operating payables (Decrease marked "-")	-744,484,789.72	
Others		
Net cash flow from operating activities	-297,402,467.11	-3,511,133,016.37
2. Significant non-cash investing and financing activities:		
Conversion of debts into capital		
Convertible bonds repayable within 1 year		
Fixed assets acquired under finance lease arrangement		
3. Changes in cash and cash equivalents:		
Ending balance of cash	173,636,505.36	2,068,309,000.19
Less: beginning balance of cash	2,724,187,025.99	3,702,545,149.25
Add: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,550,550,520.63	-1,634,236,149.06

(3) Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	173,636,505.36	2,724,187,025.99
Including: Cash in hand	4,759.69	42,887.07
Bank deposits available for use on demand	173,620,803.64	2,724,089,083.49
Other monetary funds for use on demand	10,942.03	55,055.43
Cash equivalents		
Cash and cash equivalents at the end of the period	173,636,505.36	2,724,187,025.99
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 30 June 2016

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

XVII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 30 August 2016.

Supplemental information on financial statements

1. Statement of non-operating profit and loss for the period

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 of the Group are disclosed as below:

Item	Current period	Details
Gain or loss on disposal of non-current assets	22,609,773.51	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature	37,743,539.76	
Government grants included in profit or loss		
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		
Gain or loss on exchange of non-monetary assets	29,277,064.59	
Gain or loss on entrusted investments or asset management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Profit or loss from other contingencies which are not related to the Company's normal operations		
Gains or losses on changes in fair value and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging transactions that are closely related to the Company's normal operations	17,649,025.69	
Reversal of the provision for receivable impairment which was tested individually for impairment		
Profit or loss from entrusted loans		
Profit or loss arising from changes in fair value of investment property 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 income and expenses apart from above items	3,832,433.80	
Other profit and loss items falling within the definition of extraordinary profit and loss		
Sub-total	111,111,837.35	
Effect of income tax	6,482,881.09	
Effect of minority interest (after tax)	322,890.58	
Total	104,306,065.68	

2. Returns on net assets and earnings per share

	Earnings per share					
	Weighted average return on equity (%)		Basic earnings per share		Diluted earnings per share	
	From January to June 2016	From January to June 2015	From January to June 2016	From January to June 2015	From January to June 2016	From January to June 2015
Profit for the Reporting Period						
Net profit attributable to shareholders of the Company	0.36	-5.71	0.0262	-0.3866	0.0262	-0.3866
Net profit attributable to shareholders of the Company, net of exceptional items	-0.65	-7.70	-0.0476	-0.4823	-0.0476	-0.4823

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 30 June 2016

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

3. Abnormal issues and explanations

Assets	Note	As at the end of period	As at the beginning of period	Change	Percentage of change
Financial assets at fair value through profit or loss	Note 1	1,928,068.11	13,063,411.11	-11,135,343.00	-85.24%
Accounts receivable	Note 2	2,284,110,490.57	1,709,967,395.06	574,143,095.51	33.58%
Other current assets	Note 3	2,110,000,000.00	845,000,000.00	1,265,000,000.00	149.70%
Long-term equity investments	Note 4	48,721,494.05	78,062,223.23	-29,340,729.18	-37.59%
Other non-current assets	Note 5	400,000,000.00	300,000,000.00	100,000,000.00	33.33%

Note 1 Financial assets at fair value through profit and loss decreased by 85.24%, mainly due to the decrease in the value of outstanding forward exchange contracts as at the end of the period;

Note 2 Accounts receivable increased by 33.58%, mainly due to the increase in ship-related receivables;

Note 3 Other current assets increased by 149.70%, mainly due to the increase in entrusted wealth management products due within one year of Huangpu Wenchong and GSI, both subsidiaries of the Company;

Note 4 Long-term equity investments decreased by 37.59%, mainly due to the disposal by Huangpu Wenchong, a subsidiary of the Company, of Baiyin Sanfeng, a joint venture;

Note 5 Other current assets increased by 33.33%, mainly due to the increase in entrusted wealth management products of Huangpu Wenchong and GSI, both subsidiaries of the Company;

Liabilities and equity	Note	As at the end of period	As at the beginning of period	Change	Percentage of change
Short-term borrowings	Note 6	9,405,840,118.77	6,746,671,403.20	2,659,168,715.57	39.41%
Financial liabilities at fair value through profit or loss	Note 7	20,822,888.30	181,241,917.70	-160,419,029.40	-88.51%
Employee benefits payable	Note 8	152,103,347.90	35,838,830.14	116,264,517.76	324.41%
Taxes payable	Note 9	-1,634,697,438.25	-1,122,743,774.34	-511,953,663.91	45.60%
Interest payable	Note 10	14,887,318.63	21,533,573.71	-6,646,255.08	-30.86%
Dividends payable	Note 11	44,727,537.30	256,103,771.17	-211,376,233.87	-82.54%
Other payables	Note 12	344,060,416.88	245,194,170.01	98,866,246.87	40.32%
Non-current liabilities due within one year	Note 13	5,181,200,000.00	1,777,500,000.00	3,403,700,000.00	191.49%
Deferred income	Note 14	55,701,591.71	260,320,055.21	-204,618,463.50	-78.60%
Deferred tax liabilities	Note 15	747,213.57	2,310,530.93	-1,563,317.36	-67.66%

Note 6 Short-term borrowings increased by 39.41%, mainly due to the increase in borrowings denominated in USD.

Note 7 Financial liabilities at fair value through profit and loss decreased by 88.51%, mainly due to the decrease in the value of outstanding forward exchange contracts as at the end of the period;

Note 8 Employee benefits payable increased by 324.41%, mainly due to the monthly provision of year-end bonus by subsidiaries;

Note 9 Taxes payable decreased by RMB511,953,700, mainly due to the increase in input tax during the period;

Note 10 Interest payable decreased by 30.86%, mainly due to the decrease in interest rate of borrowings;

Note 11 Dividend payable decreased by 82.54%, mainly due to the payment by Huangpu Wenchong, a subsidiary, of gain or loss attributable to original shareholders for the period before completion;

Note 12 Other payables increased by 40.32%, mainly due to the increase in deposit paid by and balance with subsidiaries during the period;

Note 13 Non-current liabilities due within one year increased by 191.49%, mainly due to the increase in long-term borrowings due within one year;

Note 14 Deferred income decreased by 78.60%, mainly due to reclassification of items relating to assets;

Note 15 Deferred tax liabilities decreased by 67.66%, mainly due to the decrease in financial assets at fair value through profit or loss during the period;

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2016 to 30 June 2016

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

Income/expense	Note	Reporting Period	Corresponding period of last year	Change	Percentage of change
Business tax and surcharges	Note 16	11,239,441.71	8,389,291.14	2,850,150.57	33.97%
Finance cost	Note 17	9,665,504.45	39,589,871.47	-29,924,367.02	-75.59%
Loss on impairment of assets	Note 18	75,346,825.42	230,127,890.25	-154,781,064.83	-67.26%
Gain on change in fair value	Note 19	149,283,686.40	52,317,853.55	96,965,832.85	185.34%
Investment income	Note 20	-74,790,875.31	7,925,146.08	-82,716,021.39	-1043.72%
Non-operating expenses	Note 21	5,189,356.38	1,219,283.81	3,970,072.57	325.61%
Income tax expenses	Note 22	23,834,214.63	-19,723,979.56	43,558,194.19	-220.84%

Note 16 Business taxes and surcharges increased by 33.97% compared to the corresponding period of last year, mainly due to the increase in turnover tax payable;

Note 17 Finance cost decreased by 75.59% compared to the corresponding period of last year, mainly due to the increase in exchange gains arising from change in exchange rates;

Note 18 Loss on impairment of assets decreased by 67.26% compared to the corresponding period of last year, mainly due to the decrease in expected contractual loss with continuous depreciation of Renminbi during the period;

Note 19 Gain on change in fair value increased by 185.34%, mainly due to the increase in gain on fair value of forward exchange contracts arising from change in exchange rates;

Note 20 Investment income decreased by RMB82,716,000 compared to the corresponding period of last year, mainly due to the increase in loss on completion of forward exchange contracts arising from change in exchange rates;

Note 21 Non-operating expenses increased by RMB3,970,000 compared to the corresponding period of last year, mainly due to the increase in loss on disposal of fixed assets during the period;

Note 22 Income tax expenses increased by RMB43,558,200 compared to the corresponding period of last year, mainly due to the year-on-year increase in deferred income tax expenses of subsidiaries;

CSSC Offshore & Marine Engineering (Group) Company Limited

30 August 2016

SECTION IX DOCUMENTS AVAILABLE FOR INSPECTION

Documents available
for inspection

The interim report affixed with the signature of the Chairman;

The accounting reports affixed with the signatures and seals of Mr. Han Guangde, the legal representative of the Company, Mr. Chen Qiongxiang, the person in charge of accounting and chief accountant of the Company, and Ms. Xie Weihong, head of accounting department and deputy head of finance department of the Company;

Original copies of all the documents and announcements of the Company publicly disclosed on the Shanghai Securities News, the China Securities Journal, the Securities Times and the Securities Daily during the Reporting Period.

Chairman: Han Guangde

Date of the Board's approval for reporting: 30 August 2016